



City of Palmer, Alaska

Basic Financial Statements
Year Ended December 31, 2013

DeLena Johnson
Mayor

Joe Hannan
City Manager

Prepared by
Finance Department

Esther Greene, CMFO
Finance Director

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, 2013 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, 2013, 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, 2013 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, 2013 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, 2013.

City of Palmer's basic financial statements for the year ended December 31, 2012 (not presented herein), were audited by other auditors whose report thereon dated June 10, 2013, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report of the other auditors dated June 10, 2013, stated that the individual fund financial statements and schedules for the year ended December 31, 2012 were subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional auditing 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 and, in their opinion, were fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2012.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 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 27, 2014

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Management's Discussion and Analysis

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CITY OF PALMER, ALASKA

Management's Discussion and Analysis

December 31, 2013

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, 2013. 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 2013 fiscal year by \$84,564,412. This amount represents a decrease of \$636,635 from the previous year. Of the total net position, \$6,046,563 is Unrestricted Net Position and is available to meet the City's ongoing obligations.
- As of December 31, 2013, the City's governmental funds reported combined ending fund balances of \$4,337,506, an increase of \$779,138.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$1,270,688 or 12.2% of total General Fund expenditures. The Nonspendable fund balance was \$1,249,582 which consists of prepaid expenses 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. The City's outstanding loans and bonds payable totals \$3,570,609, a net decrease of \$408,086 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.

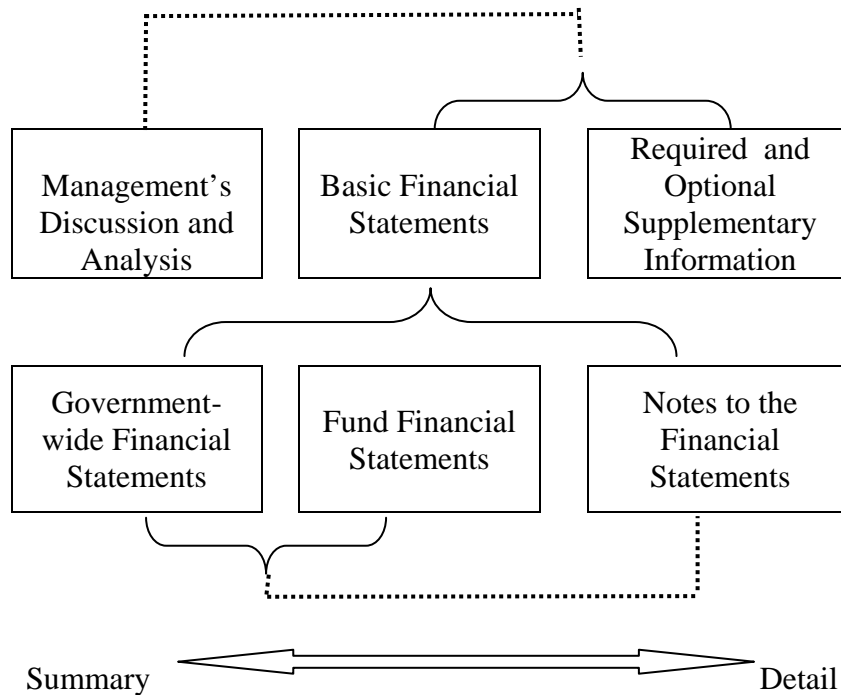
- The Government-wide Financial Statements provide both long-term and short-term information about the City's overall financial status.
- The Fund Financial Statements focus on individual parts of Palmer's government, reporting the City's operations in more detail than the Government-wide Statements.

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

Illustration A-2			
Major Features of City of Palmer's Government-wide and Fund Financial Statements			
	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 2013 fiscal year, the City's net position (assets and deferred outflows exceeding liabilities) totaled \$84,564,412 (see Table A-1). Of this amount \$78,388,816, or 92.7%, 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 \$6,046,563, 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
2013 and 2012**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,901,171	4,715,913	2,324,133	2,902,539	8,225,304	7,618,452
Capital assets	21,033,165	21,520,477	61,072,823	62,253,401	82,105,988	83,773,878
Deferred outflows	<u>83,526</u>	<u>91,481</u>	<u>-</u>	<u>-</u>	<u>83,526</u>	<u>91,481</u>
Total assets	<u>27,017,862</u>	<u>26,327,871</u>	<u>63,396,956</u>	<u>65,155,940</u>	<u>90,414,818</u>	<u>91,483,811</u>
Long-term liabilities outstanding	1,762,092	1,998,454	2,415,098	2,621,054	4,177,190	4,619,508
Other liabilities	<u>1,113,698</u>	<u>758,844</u>	<u>559,518</u>	<u>904,412</u>	<u>1,673,216</u>	<u>1,663,256</u>
Total liabilities	<u>2,875,790</u>	<u>2,757,298</u>	<u>2,974,616</u>	<u>3,525,466</u>	<u>5,850,406</u>	<u>6,282,764</u>
Net position:						
Net investment in capital assets	19,680,255	19,950,385	58,708,561	59,686,053	78,388,816	79,636,438
Restricted	129,033	152,853	-	-	129,033	152,853
Unrestricted	<u>4,332,784</u>	<u>3,467,335</u>	<u>1,713,779</u>	<u>1,944,421</u>	<u>6,046,563</u>	<u>5,411,756</u>
Total 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>

As reflected in Table A-2, the City's net position decreased by \$636,635 during the 2013 fiscal year. Revenues exceeded expenditures in the governmental activities by \$571,499 and in the business-type activities expenses exceeded revenues by \$1,208,134. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program revenues:						
Charges for service	\$ 2,118,460	2,000,748	3,285,449	3,258,978	5,403,909	5,259,726
Operating grants and contributions	180,044	341,092	44,452	39,171	224,496	380,263
Capital grants and contributions	783,420	721,074	692,846	1,880,422	1,476,266	2,601,496
General revenues:						
Property taxes	1,164,261	1,173,567	-	-	1,164,261	1,173,567
Sales taxes	6,121,186	5,882,204	-	-	6,121,186	5,882,204
Other	<u>1,206,420</u>	<u>1,363,780</u>	<u>107,019</u>	<u>79,325</u>	<u>1,313,439</u>	<u>1,443,105</u>
Total revenues	\$ <u>11,573,791</u>	<u>11,482,465</u>	<u>4,129,766</u>	<u>5,257,896</u>	<u>15,703,557</u>	<u>16,740,361</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	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Expenses:						
General government	\$ 1,950,822	1,911,326	-	-	1,950,822	1,911,326
Public safety	4,790,181	5,045,332	-	-	4,790,181	5,045,332
Public works	2,460,774	2,579,840	-	-	2,460,774	2,579,840
Community services	1,884,866	1,557,939	-	-	1,884,866	1,557,939
Water and sewer utility	-	-	3,224,331	3,553,872	3,224,331	3,553,872
Airport	-	-	751,952	784,282	751,952	784,282
Refuse	-	-	528,005	473,119	528,005	473,119
Golf Course	-	-	709,686	733,932	709,686	733,932
Interest expense	<u>39,575</u>	<u>47,820</u>	<u>-</u>	<u>-</u>	<u>39,575</u>	<u>47,820</u>
Total expenses	<u>11,126,218</u>	<u>11,142,257</u>	<u>5,213,974</u>	<u>5,545,205</u>	<u>16,340,192</u>	<u>16,687,462</u>
Increase (decrease) in net position before transfers	447,573	340,208	(1,084,208)	(287,309)	(636,635)	52,899
Transfers/NPO	<u>123,926</u>	<u>(450,377)</u>	<u>(123,926)</u>	<u>450,377</u>	<u>-</u>	<u>-</u>
Increase (decr) net position	571,499	(110,169)	(1,208,134)	163,068	(636,635)	52,899
Beginning net position	<u>23,570,573</u>	<u>23,680,742</u>	<u>61,630,474</u>	<u>61,467,406</u>	<u>85,201,047</u>	<u>85,148,148</u>
Ending 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>

Governmental Activities

Governmental activities increased the City of Palmer's net position by \$571,499. The increase is primarily a result of revenues exceeding expenditures, depreciation expense in excess of capital outlays by \$487,312, and a net increase in total deferred inflows of deferred special assessments and deferred property taxes of \$47,341. There was an increase in charges for services by \$44,624. Property taxes decreased by \$50,475 but sales tax collections increased by \$238,982 over the amount collected in 2012. The City's expenditures decreased in the amount of \$107,143 from 2012. Net transferred in to governmental activities was \$123,926 primarily due to transfers for equipment, trucks, repairs and maintenance to governmental capital projects. The equipment and trucks were ordered at the end of the calendar year but couldn't be delivered until the first of the next year. The repairs and maintenance couldn't be completed in this fiscal year.

Business-Type Activities

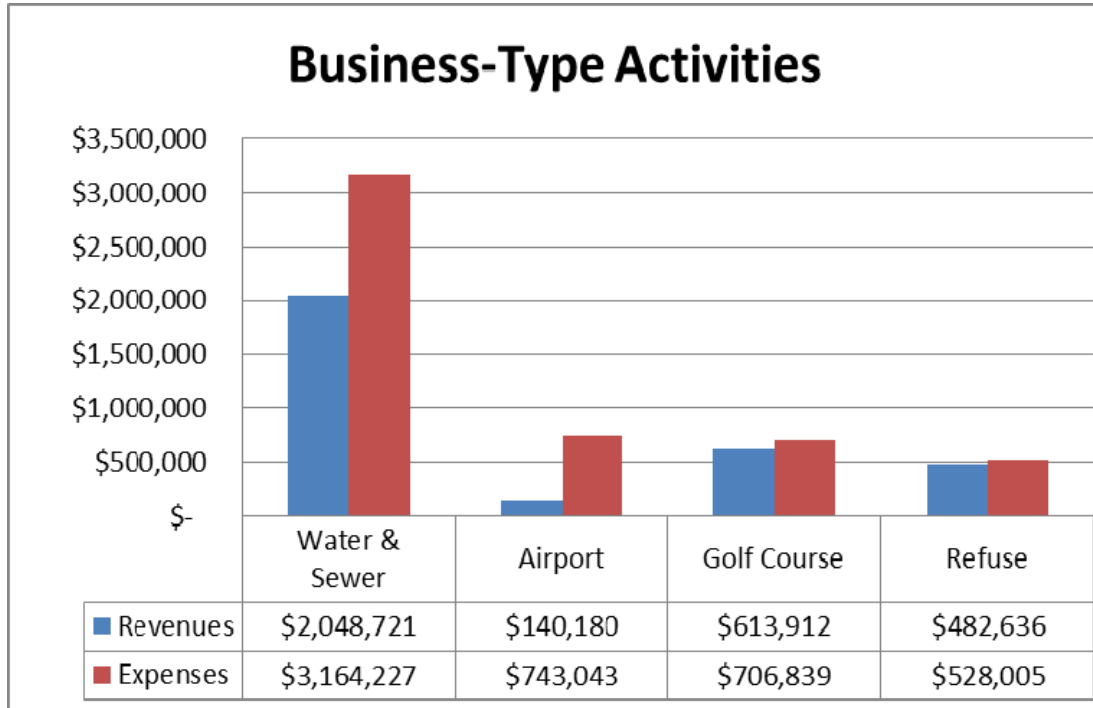
The City's business-type activities had a decrease of \$1,208,134 in net position from 2013 primarily due to the Enterprise Funds experiencing a loss.

The following graph shows expenses and operating revenues for all of the business-type activities in 2013. Not included in the revenues are capital grants, contributions, and investment earnings. As reflected in the graph, all funds had expenses in excess of program revenues. In each case, except for the Airport Fund and Golf Course, 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, 2013, the City’s governmental funds reported combined ending fund balances of \$4,337,506, an increase of \$779,138 or approximately 21.9% compared to balances a year earlier. Of the ending balance, \$1,270,688, 29.3% 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 2013, the fund balances of these capital project funds increased by \$160,025.

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 \$1,351,729, a decrease of \$12,022 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 \$1,237,033, a decrease of \$12,136. Cash and investments decreased slightly and there was an increase in property, plant, and equipment during 2013.

The Golf Course unrestricted net position shows a deficit of \$392,902 compared to a deficit of \$252,726 at the end of 2012. Operating expenses before depreciation exceeded operating revenues by \$41,396. The decreased in revenue was due to inclement weather in May preventing the golf course to be available for playing golf. The Golf Course operating revenues decreased by \$20,369 from the prior year, and operating expenses before depreciation decreased by \$22,878.

The Airport Fund unrestricted net position shows a deficit of \$482,081 compared to a deficit of \$415,773 at the end of 2012. This is the result of lower than expected revenues from land leases.

The Land Development Fund unrestricted net position did not change from 2012. 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 \$202,999, the final general fund budget reflects revenues exceeding expenditures and transfers by \$36,039.

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

- The final budget increased total revenues and transfers by \$530,236 including an increase of \$502,132 for PERS relief funding, a decrease of \$22,500 for motor vehicle taxes, and an increase of \$19,400 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 \$697,196 including an increase of \$190,322 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, 2013, totals \$82,105,988 (net of accumulated depreciation). This amount represents a \$1,667,890 decrease 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,569,842	1,569,842	3,229,346	3,229,346	4,799,188	4,799,188
Buildings	3,525,085	4,205,564	152,899	181,931	3,677,984	4,387,495
Improvements other than buildings	11,729,651	11,380,211	55,620,544	55,063,527	67,350,195	66,443,738
Machinery and equipment	1,447,256	1,658,871	945,845	1,059,346	2,393,101	2,718,217
Construction work in progress	<u>2,761,331</u>	<u>2,705,989</u>	<u>1,124,189</u>	<u>2,719,251</u>	<u>3,885,520</u>	<u>5,425,240</u>
Total capital assets	<u>\$21,033,165</u>	<u>21,520,477</u>	<u>61,072,823</u>	<u>62,253,401</u>	<u>82,105,988</u>	<u>83,773,878</u>

Major capital events during the 2013 year included:

- Road Improvements and Residential Street Lighting
- Steel Water Main Improvements
- Lift Station Rehabilitation
- Sewer and Water Line Extensions
- Wastewater Treatment Plant Improvements
- Arena Expansion

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 2013, the City of Palmer had total debt outstanding of \$4,049,280.

Table A-4
City of Palmer's Outstanding Debt

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
GO Bonds	\$ 1,225,000	1,430,000	-	-	1,225,000	1,430,000
Loans payable	-	-	2,345,609	2,516,723	2,345,609	2,516,723
Capital lease_	-	-	<u>18,653</u>	<u>50,625</u>	<u>18,653</u>	<u>50,625</u>
Total	<u>1,225,000</u>	<u>1,430,000</u>	<u>2,364,262</u>	<u>2,567,348</u>	<u>3,589,262</u>	<u>3,997,348</u>
Compensated absences	<u>409,182</u>	<u>428,362</u>	<u>50,836</u>	<u>53,706</u>	<u>460,018</u>	<u>482,068</u>
Total long-term debt	<u>\$ 1,634,182</u>	<u>1,858,362</u>	<u>2,415,098</u>	<u>2,621,054</u>	<u>4,049,280</u>	<u>4,479,416</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.

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 2013 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 (2014) and Rates

- Sales tax remains the primary source of revenue for the General Fund accounting for 51.3% 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 the City employees will begin 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 2014 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2014 budget include:

- The property tax rate remained at 3.0 mills or \$.003 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.
- Sales tax rate remained the same as 2013 at 3%.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

- Budgeted expenditures in the General Fund remained the same as last year 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

Basic Financial Statements

City of Palmer, Alaska
Statement of Net Position

<i>December 31, 2013</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 3,345,019	\$ 1,526,206	\$ 4,871,225
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	43,412	571,208	614,620
Sales tax	706,155	-	706,155
Accounts	44,486	344,042	388,528
Assessments	425,509	197,294	622,803
Prepaid insurance	315,422	679	316,101
Prepaid rent - airport	174,232	-	174,232
Internal balances	809,159	(809,159)	-
Inventories	37,777	276,449	314,226
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	4,331,173	4,353,535	8,684,708
Capital assets, net of accumulated depreciation	16,701,992	56,719,288	73,421,280
Total Assets	26,934,336	63,396,956	90,331,292
Deferred Outflows			
Unamortized loss on refunding	83,526	-	83,526
Total Assets and Deferred Outflows	\$ 27,017,862	\$ 63,396,956	\$ 90,414,818
Liabilities			
Accounts payable	\$ 201,153	\$ 109,559	\$ 310,712
Accrued payroll and employee benefits	166,108	223	166,331
Customer deposits	9,681	160,914	170,595
Accrued interest payable	14,975	23,199	38,174
Unearned revenue	721,781	91,391	813,172
Prepaid rent from General Fund	-	174,232	174,232
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	409,182	50,836	460,018
Bonds and loans	215,000	173,096	388,096
Capital lease	-	18,653	18,653
Due in more than one year:			
Loans payable - State of Alaska	-	2,172,513	2,172,513
General obligation bonds, including unamortized premium	1,137,910	-	1,137,910
Total Liabilities	2,875,790	2,974,616	5,850,406
Net Position			
Net investment in capital assets	19,680,255	58,708,561	78,388,816
Restricted	129,033	-	129,033
Unrestricted	4,332,784	1,713,779	6,046,563
Total Net Position	24,142,072	60,422,340	84,564,412
Total Liabilities and Net Position	\$ 27,017,862	\$ 63,396,956	\$ 90,414,818

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Statement of Activities

Year Ended	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<i>December 31, 2013</i>							
Governmental Activities							
General government	\$ 1,950,822	\$ 99,150	\$ -	\$ -	\$ (1,851,672)	\$ -	\$ (1,851,672)
Public safety	4,790,181	1,399,092	99,780	602,431	(2,688,878)	-	(2,688,878)
Public works	2,460,774	256,673	4,711	180,989	(2,018,401)	-	(2,018,401)
Community services	1,884,866	363,545	75,553	-	(1,445,768)	-	(1,445,768)
Unallocated interest	39,575	-	-	-	(39,575)	-	(39,575)
Total Governmental Activities	11,126,218	2,118,460	180,044	783,420	(8,044,294)	-	(8,044,294)
Business-Type Activities							
Water and sewer	3,224,331	2,048,721	37,948	689,433	-	(448,229)	(448,229)
Airport	751,952	140,180	-	3,413	-	(608,359)	(608,359)
Refuse	528,005	482,636	6,504	-	-	(38,865)	(38,865)
Golf course	709,686	613,912	-	-	-	(95,774)	(95,774)
Total Business-Type Activities	5,213,974	3,285,449	44,452	692,846	-	(1,191,227)	(1,191,227)
Totals	\$ 16,340,192	\$ 5,403,909	\$ 224,496	\$ 1,476,266	(8,044,294)	(1,191,227)	(9,235,521)
General Revenues							
Property taxes					1,164,261	-	1,164,261
Sales taxes					6,121,186	-	6,121,186
Grants and entitlements not restricted to a specific purpose					1,131,280	-	1,131,280
Investment income					28,451	-	28,451
Other					46,689	107,019	153,708
Transfers					123,926	(123,926)	-
Total General Revenues and Transfers					8,615,793	(16,907)	8,598,886
Change in Net Position					571,499	(1,208,134)	(636,635)
Net Position, beginning					23,570,573	61,630,474	85,201,047
Net Position, ending					\$ 24,142,072	\$ 60,422,340	\$ 84,564,412

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Governmental Funds
Balance Sheet

<i>December 31, 2013</i>	Major Fund General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 1,767,450	\$ 1,577,569	\$ 3,345,019
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	-	43,412	43,412
Sales taxes	706,155	-	706,155
Accounts	44,486	-	44,486
Assessments	425,509	-	425,509
Prepaid insurance	315,422	-	315,422
Prepaid rent - airport	174,232	-	174,232
Inventory	37,777	-	37,777
Due from other funds	49,231	-	49,231
Advances to other funds	759,928	-	759,928
Total Assets	\$ 4,280,190	\$ 1,620,981	\$ 5,901,171
Liabilities			
Accounts payable	\$ 55,710	\$ 145,443	\$ 201,153
Accrued payroll and employee benefits	166,108	-	166,108
Deposits	9,681	-	9,681
Unearned revenue	654,297	67,484	721,781
Total Liabilities	885,796	212,927	1,098,723
Deferred Inflows			
Deferred property taxes	39,433	-	39,433
Deferred assessments	425,509	-	425,509
Total Deferred Inflows	464,942	-	464,942
Total Liabilities and Deferred Inflows	1,350,738	212,927	1,563,665
Fund Balances			
Nonspendable:			
Prepaid insurance and prepaid rent	489,654	-	489,654
Advances to other funds	759,928	-	759,928
Restricted for public safety	-	129,033	129,033
Committed:			
Capital projects and equipment	-	1,224,682	1,224,682
Public safety	-	31,502	31,502
Assigned:			
Vested unpaid vacation and sick leave	409,182	-	409,182
Parks	-	22,837	22,837
Unassigned	1,270,688	-	1,270,688
Total Fund Balances	2,929,452	1,408,054	4,337,506
Total Liabilities, Deferred Inflows and Fund Balances	\$ 4,280,190	\$ 1,620,981	\$ 5,901,171

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2013

Total fund balances for governmental funds \$ 4,337,506

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	\$ 1,569,842	
Buildings	3,525,085	
Improvements other than buildings	11,729,651	
Machinery and equipment	1,447,256	
Construction in progress	2,761,331	
Total capital assets		21,033,165

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	425,509	
Delinquent property taxes receivable	39,433	
Total long-term assets		464,942

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	(1,225,000)	
Unamortized premium	(127,910)	
Accrued interest	(14,975)	
Vested unpaid vacation and sick leave	(409,182)	
Total long-term liabilities		(1,777,067)

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.

83,526

Total Net Position of Governmental Activities \$ 24,142,072

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, 2013</i>	<u>Major Fund</u> General	Nonmajor Funds	Total Governmental Funds
Revenues			
Taxes	\$ 7,285,447	\$ -	\$ 7,285,447
Licenses and permits	157,089	-	157,089
Fines and forfeitures	108,566	-	108,566
Intergovernmental	1,226,233	868,511	2,094,744
Special assessments	109,562	-	109,562
Charges for services	2,342,266	-	2,342,266
Miscellaneous	75,140	1,101	76,241
Total Revenues	11,304,303	869,612	12,173,915
Expenditures			
Current:			
General government	2,533,239	-	2,533,239
Public safety	4,410,999	106,419	4,517,418
Public works	1,834,017	-	1,834,017
Community services	1,329,221	-	1,329,221
Debt service	263,475	-	263,475
Capital outlay	-	1,041,333	1,041,333
Total Expenditures	10,370,951	1,147,752	11,518,703
Excess of Revenues over (under) Expenditures	933,352	(278,140)	655,212
Other Financing Sources (Uses)			
Transfers in	194,310	417,938	612,248
Transfers out	(488,322)	-	(488,322)
Net Other Financing Sources (Uses)	(294,012)	417,938	123,926
Net Change in Fund Balances	639,340	139,798	779,138
Fund Balances, beginning	2,290,112	1,268,256	3,558,368
Fund Balances, ending	\$ 2,929,452	\$ 1,408,054	\$ 4,337,506

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, 2013

Net change in fund balances - total governmental funds	\$ 779,138
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 depreciation (\$1,267,316) and loss on disposal of capital assets (\$275,244) exceeded capital outlays (\$1,055,248).	
	(487,312)
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 increase in deferred special assessments and property taxes.	
	47,341
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 (\$205,000) 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.	
	209,227
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 decreases in:	
Accrued interest	3,925
Vested unpaid vacation and sick leave	19,180
	571,499
Change in Net Position of Governmental Activities	\$ 571,499

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Net Position

<i>December 31, 2013</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Assets					
Current Assets					
Cash and investments	\$ 512,872	\$ -	\$ -	\$ 1,013,334	\$ 1,526,206
Receivables:					
Grants	571,208	-	-	-	571,208
Accounts	250,289	3,942	-	89,811	344,042
Prepays	503	-	-	176	679
Inventory	140,919	-	135,530	-	276,449
Total Current Assets	1,475,791	3,942	135,530	1,103,321	2,718,584
Noncurrent Assets					
Land held for sale	-	-	-	217,414	217,414
Assessments receivable	197,294	-	-	-	197,294
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	893,860	794,541	351,485	1,005,823	3,045,709
Improvements other than buildings	65,128,361	17,795,987	667,234	-	83,591,582
Total property, plant and equipment	66,086,543	20,780,757	2,817,898	1,058,490	90,743,688
Less accumulated depreciation	(16,275,865)	(13,055,320)	(787,824)	(676,045)	(30,795,054)
Net property, plant and equipment	49,810,678	7,725,437	2,030,074	382,445	59,948,634
Construction work in progress	1,124,189	-	-	-	1,124,189
Total Noncurrent Assets	51,132,161	7,725,437	2,030,074	599,859	61,487,531
Total Assets	\$ 52,607,952	\$ 7,729,379	\$ 2,165,604	\$ 1,703,180	\$ 64,206,115

See accompanying notes to basic financial statements.

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

<i>December 31, 2013</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Liabilities					
Current Liabilities					
Accounts payable	\$ 68,519	\$ 13,168	\$ 784	\$ 27,088	\$ 109,559
Accrued payroll and employee benefits	223	-	-	-	223
Vested unpaid vacation and sick leave	43,453	-	-	7,383	50,836
Current portion of loans payable -					
State of Alaska	173,096	-	-	-	173,096
Current portion of capital lease	-	-	18,653	-	18,653
Unearned revenue	25,048	57,772	8,571	-	91,391
Prepaid rent from General Fund	-	174,232	-	-	174,232
Due to other funds	-	-	-	49,231	49,231
Accrued interest payable	23,199	-	-	-	23,199
Customer deposits	160,914	-	-	-	160,914
Total Current Liabilities	494,452	245,172	28,008	83,702	851,334
Long-term Liabilities, net of current portion					
Loans payable - State of Alaska	2,172,513	-	-	-	2,172,513
Advances from other fund	-	240,851	519,077	-	759,928
Total Long-term Liabilities	2,172,513	240,851	519,077	-	2,932,441
Total Liabilities	2,666,965	486,023	547,085	83,702	3,783,775
Net Position					
Net investment in capital assets	48,589,258	7,725,437	2,011,421	382,445	58,708,561
Unrestricted (deficit)	1,351,729	(482,081)	(392,902)	1,237,033	1,713,779
Total Net Position	49,940,987	7,243,356	1,618,519	1,619,478	60,422,340
Total Liabilities and Net Position	\$ 52,607,952	\$ 7,729,379	\$ 2,165,604	\$ 1,703,180	\$ 64,206,115

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, 2013</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Operating Revenues	\$ 2,048,721	\$ 140,180	\$ 613,912	\$ 482,636	\$ 3,285,449
Operating Expenses					
Salaries and employee benefits	537,844	-	-	88,621	626,465
Administrative services	404,414	121,033	586,865	122,018	1,234,330
Other operating expenses	616,628	126,611	68,443	265,846	1,077,528
Depreciation	1,605,341	495,402	51,531	51,520	2,203,794
Total Operating Expenses	3,164,227	743,046	706,839	528,005	5,142,117
Operating Loss	(1,115,506)	(602,866)	(92,927)	(45,369)	(1,856,668)
Nonoperating Revenues (Expenses)					
State PERS relief	37,948	-	-	6,504	44,452
Insurance reimbursement	104,219	-	-	-	104,219
Miscellaneous income	1,161	-	-	1,639	2,800
Master plan expense	-	(8,906)	-	-	(8,906)
Loss on disposal of capital assets	(24,046)	-	(2,847)	-	(26,893)
Interest expense	(36,058)	-	-	-	(36,058)
Net Nonoperating Revenues (Expenses)	83,224	(8,906)	(2,847)	8,143	79,614
Loss Before Contributions and Transfers	(1,032,282)	(611,772)	(95,774)	(37,226)	(1,777,054)
Capital contributions	689,433	3,413	-	-	692,846
Transfers in	-	70,384	-	-	70,384
Transfers out	(120,510)	-	(47,370)	(26,430)	(194,310)
Change in Net Position	(463,359)	(537,975)	(143,144)	(63,656)	(1,208,134)
Net Position, beginning	50,404,346	7,781,331	1,761,663	1,683,134	61,630,474
Net Position, ending	\$ 49,940,987	\$ 7,243,356	\$ 1,618,519	\$ 1,619,478	\$ 60,422,340

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Cash Flows

<i>Year Ended December 31, 2013</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Cash Flows from Operating Activities					
Cash receipts from customers and users	\$ 2,162,299	\$ 201,465	\$ 666,449	\$ 468,245	\$ 3,498,458
Payments to suppliers	(661,875)	(119,244)	(692,294)	(569,334)	(2,042,747)
Payments to employees	(518,667)	-	-	(82,170)	(600,837)
Payments for interfund services used	(404,414)	(121,033)	-	(122,018)	(647,465)
Net cash flows from operating activities	577,343	(38,812)	(25,845)	(305,277)	207,409
Cash Flows from Noncapital Financing Activities					
Transfers in	-	70,384	-	-	70,384
Transfers out	(120,510)	-	(47,370)	(26,430)	(194,310)
Net cash flows from noncapital financing activities	(120,510)	70,384	(47,370)	(26,430)	(123,926)
Cash Flows from Capital and Related Financing Activities					
Capital contributions received	698,345	3,413	-	-	701,758
Increase in property, plant and equipment and construction work in progress	(1,006,936)	(23,735)	(19,438)	-	(1,050,109)
Decrease in prepaid rent	-	(25,768)	-	-	(25,768)
Increase in advance from other fund	-	14,518	124,625	-	139,143
Principal payments on loans payable - State of Alaska	(171,114)	-	-	-	(171,114)
Principal payments on capital lease	-	-	(31,972)	-	(31,972)
Interest paid	(37,751)	-	-	-	(37,751)
Net cash flows from capital and related financing activities	(517,456)	(31,572)	73,215	-	(475,813)
Net Decrease in Cash and Investments	(60,623)	-	-	(331,707)	(392,330)
Cash and Investments, beginning	573,495	-	-	1,345,041	1,918,536
Cash and Investments, ending	\$ 512,872	\$ -	\$ -	\$ 1,013,334	\$ 1,526,206

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2013</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Reconciliation of Operating Loss to Net					
Cash from (for) Operating Activities					
Operating loss	\$ (1,115,506)	\$ (602,866)	\$ (92,927)	\$ (45,369)	\$ (1,856,668)
Adjustments to reconcile operating loss to net cash flows from operating activities:					
Depreciation	1,605,341	495,402	51,531	51,520	2,203,794
Noncash expense - PERS relief	37,948	-	-	6,504	44,452
Other revenues	105,380	-	-	1,639	107,019
(Increase) decrease in assets:					
Accounts receivable	(18,023)	3,516	50,000	(16,030)	19,463
Assessments receivable	1,835	-	-	-	1,835
Prepays	(503)	-	-	(176)	(679)
Inventories	6,631	-	1,865	-	8,496
Increase (decrease) in liabilities:					
Accounts payable	(51,375)	7,367	(38,851)	(303,312)	(386,171)
Accrued payroll and employee benefits	(15,954)	-	-	-	(15,954)
Vested unpaid vacation and sick leave	(2,817)	-	-	(53)	(2,870)
Unearned revenue	8,300	57,769	2,537	-	68,606
Customer deposits	16,086	-	-	-	16,086
Net Cash from (for) Operating Activities	\$ 577,343	\$ (38,812)	\$ (25,845)	\$ (305,277)	\$ 207,409

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Notes to Basic Financial Statements December 31, 2013

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

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.

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.

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

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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:

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

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

Assigned fund balance. This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. 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

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. In the government-wide financial statements, the residual net of all of the accounts is net position.

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 departments; 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

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

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2013.

Cash	\$	2,618,758
Investments		2,252,467
	\$	4,871,225

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, 2013 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Corporate obligations	\$ 1,003,599	\$ 1,003,599	\$ -
Certificates of deposit	1,248,868	502,620	746,248
Total Investments	\$ 2,252,467	\$ 1,506,219	\$ 746,248

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, 2013, 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	\$ 39,433
Special assessments not yet due and delinquent - General Fund	425,509
Total Deferred Inflows	\$ 464,942
Unearned revenue:	
Arena naming rights	\$ 610,830
Grant drawdowns	67,484
Other revenues received in advance	43,467
Total Unearned Revenue	\$ 721,781

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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, 2013:

	Balance January 1, 2013	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2013
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,569,842	\$ -	\$ -	\$ 1,569,842
Construction in progress	2,705,989	789,247	(733,905)	2,761,331
Total assets not being depreciated	4,275,831	789,247	(733,905)	4,331,173
<i>Capital assets being depreciated:</i>				
Buildings	11,762,692	-	(959,791)	10,802,901
Improvements other than buildings	18,179,806	851,441	-	19,031,247
Machinery and equipment	6,581,433	148,465	-	6,729,898
Total assets being depreciated	36,523,931	999,906	(959,791)	36,564,046
Less accumulated depreciation for:				
Buildings	7,557,128	405,235	(684,547)	7,277,816
Improvements other than buildings	6,799,595	402,001	-	7,301,596
Machinery and equipment	4,922,562	360,080	-	5,282,642
Total accumulated depreciation	19,279,285	1,267,316	(684,547)	19,862,054
Total capital assets being depreciated, net	17,244,646	(267,410)	(275,244)	16,701,992
Governmental Activity Capital Assets, Net	\$ 21,520,477	\$ 521,837	\$ (1,009,149)	\$ 21,033,165

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City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2013	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2013
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,229,346	\$ -	\$ -	\$ 3,229,346
Construction work in progress	2,719,251	899,618	(2,494,680)	1,124,189
Total assets not being depreciated	5,948,597	899,618	(2,494,680)	4,353,535
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	81,044,856	2,577,108	(30,382)	83,591,582
Machinery and equipment	3,020,068	68,062	(42,421)	3,045,709
Total assets being depreciated	84,941,975	2,645,170	(72,803)	87,514,342
Less accumulated depreciation for:				
Buildings	695,120	29,032	-	724,152
Improvements other than buildings	25,981,329	2,012,112	(22,403)	27,971,038
Machinery and equipment	1,960,722	162,649	(23,507)	2,099,864
Total accumulated depreciation	28,637,171	2,203,793	(45,910)	30,795,054
Total capital assets being depreciated, net	56,304,804	441,377	(26,893)	56,719,288
Business-type Activity Capital Assets, Net	\$ 62,253,401	\$ 1,340,995	\$ (2,521,573)	\$ 61,072,823

Depreciation expense was charged to the functions as follows:

Year Ended June 30, 2013

Governmental activities	
General government	\$ 60,200
Public safety	301,548
Public works	617,564
Community services	288,004
Total Governmental Activities	\$ 1,267,316
Business-type activities	
Water and sewer	\$ 1,605,341
Airport	495,402
Refuse	51,520
Golf course	51,530
Total Business-Type Activities	\$ 2,203,793

City of Palmer, Alaska

Notes to Basic Financial Statements

6. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2013, follows:

June 30, 2013

Advance from the General Fund to:	
Golf Course Enterprise Fund	\$ 519,077
Airport Enterprise Fund	240,851
<hr/>	
Total Advance from other Funds	\$ 759,928

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

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

Transfers	
To General Fund from:	
Water and Sewer Enterprise Fund	\$ 120,510
Golf Course Enterprise Fund	47,370
Nonmajor enterprise funds	26,430
To nonmajor governmental funds from General Fund	417,938
To Airport Enterprise Fund from General Fund	70,384
<hr/>	
Total Transfers to Other Funds	\$ 682,632

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, 2013, 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, 2013 no funds have been drawn on the loan.

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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, 2013, follows:

	Balance January 1, 2013	Additions	Retired	Balance December 31, 2013	Due Within One Year
Governmental Activities					
<i>Bonds Payable:</i>					
\$1,320,000 refunding Golf Course general obligation bonds, due in annual installments of \$145,000 to \$150,000, plus interest at 3.0% to 5.0% through 2015	\$ 430,000	\$ -	\$ 135,000	\$ 295,000	\$ 145,000
\$1,500,000 2004 Ice Rink general obligation bonds, due in final installment of \$70,000, plus interest ranging from 4.0% to 5.0% in 2014	140,000	-	70,000	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	-
Unamortized premium on Ice Rink GO bonds	140,092	-	12,182	127,910	-
Vested unpaid vacation and sick leave	428,362	412,578	431,758	409,182	409,182
Total Governmental Activities	\$ 1,998,454	\$ 412,578	\$ 648,940	\$ 1,762,092	\$ 624,182

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City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2013	Additions	Retired	Balance December 31, 2013	Due Within One Year
Business-type Activities					
<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	\$ 93,166	\$ -	\$ 12,722	\$ 80,444	\$ 12,913
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	283,927	-	19,943	263,984	20,242
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	373,361	-	28,629	344,732	29,060
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	586,500	-	39,100	547,400	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	1,179,769	-	70,720	1,109,049	71,781
Capital Lease - irrigation computer system capital lease obligation, due in monthly installments of \$2,664 through 2014	50,625	-	31,972	18,653	18,653
Vested unpaid vacation and sick leave	53,706	42,558	45,428	50,836	50,836
Total Business-type Activities	\$ 2,621,054	\$ 42,558	\$ 248,514	\$ 2,415,098	\$ 242,585

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, 2013, defeased debt outstanding and under payment by the escrow agent is \$900,000.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

<i>Year Ending December 31,</i>	Governmental Activities			Business-type Activities		
	General Obligation Bonds			Loans Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 215,000	\$ 48,675	\$ 263,675	\$ 173,096	\$ 35,184	\$ 208,280
2015	225,000	41,300	266,300	175,106	32,588	207,694
2016	75,000	34,550	109,550	177,146	29,961	207,107
2017	75,000	31,550	106,550	179,217	27,304	206,521
2018	80,000	30,050	110,050	181,318	24,616	205,934
2019-2023	450,000	93,550	543,550	881,474	82,918	964,392
2024-2027	105,000	5,250	110,250	578,252	20,314	598,566
	\$ 1,225,000	\$ 284,925	\$ 1,399,675	\$ 2,345,609	\$ 252,885	\$ 2,598,494

Bond Covenants

All significant bond covenants have been complied with as of December 31, 2013.

8. Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition of an irrigation computer system for the golf course. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and therefore, has been recorded at the present value of the future minimum lease payments. The following is a summary of the asset acquired with the capital lease that has an outstanding balance as of December 31, 2013:

	Golf Course Fund
Machinery and equipment	\$ 96,170
Less accumulated depreciation	(22,440)
Carrying Value	\$ 73,730

The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at December 31, 2013:

<i>Year Ending December 31,</i>	Golf Course Fund
2014	\$ 18,653
Total minimum lease payments	18,653
Less current portion	18,683
Long-Term Portion	\$ -

City of Palmer, Alaska

Notes to Basic Financial Statements

9. Fund Balances

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

	General Fund	Nonmajor Funds	Totals
Nonspendable:			
Prepaid insurance and prepaid rent	\$ 489,654	\$ -	\$ 489,654
Advances to other funds	759,928	-	759,928
Total nonspendable	1,249,582	-	1,249,582
Restricted for public safety	-	129,033	129,033
Committed:			
Public safety	-	31,502	31,502
Capital projects and equipment	-	1,224,682	1,224,682
Total committed	-	1,256,184	1,256,184
Assigned:			
Vested unpaid vacation and sick leave	409,182	-	409,182
Parks	-	22,837	22,837
Total assigned	409,182	22,837	432,019
Unassigned	1,270,688	-	1,270,688
Total Fund Balances	\$ 2,929,452	\$ 1,408,054	\$ 4,337,506

10. 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

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 (2.97% for pension and 3.78% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.29% for pension and 4.21% for healthcare).

Employer and Other Contribution Rates

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

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

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

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

GASB 43 Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. For State fiscal year FY14 (six months ended December 2013), the rate uses an 8.00% pension discount rate and a 6.88% healthcare discount rate. Additionally, the GASB 43 rate disregards all future Medicare Part D payments.

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Contribution rates for the six months ended June 30, 2013 were determined as part of the June 30, 2010 actuarial valuation. Rates for the six months ended December 31, 2013 (State FY14) were determined in the June 30, 2011 valuation.

<i>January to June 2013</i>	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	9.67%	15.75%	24.95%
Postemployment healthcare	12.33%	20.09%	39.93%
Total Contribution Rate	22.00%	35.84%	64.88%

<i>July to December 2013</i>	Contractual Rate	ARM Board Adopted Rate	GASB 43 Rate
Pension	10.64%	18.38%	24.95%
Postemployment healthcare	11.36%	17.30%	39.93%
Total Contribution Rate	22.00%	35.68%	64.88%

* Note the State of Alaska will be implementing new GASB rules for pension accounting beginning in FY15. These new rules will change the accounting and disclosure requirements at the plan level.

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 is required to contribute approximately 13.84% and 13.68% of covered payroll for each six month period noted above. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State contribution in the amount of \$581,149 as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from the annual pension and OPEB cost required by the City, as reported below:

<i>Year Ended December 31,</i>	Annual Pension Cost	Annual OPEB Cost	Total Benefit Cost (TBC)	City Contributions	% of TBC Contributed
2013	\$ 382,485	\$ 360,091	\$ 742,576	\$ 742,576	100%
2012	343,789	438,439	782,228	782,228	100%
2011	300,757	541,936	842,693	842,693	100%

City of Palmer, Alaska

Notes to Basic Financial Statements

11. 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 2013</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	0.14%	0.99%
Contribution Rate for the DC Plan	5.62%	6.47%

<i>July to December 2013</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%
Contribution Rate for the DC Plan	5.68%	6.62%

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

Finally, 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 DBUL payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

City of Palmer, Alaska

Notes to Basic Financial Statements

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, 2013 were \$113,746 and \$137,290, respectively.

12. 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, 2013 was \$780,878.

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. The balance of the revenue bonds outstanding at December 31, 2013 was \$5,946,112.

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.

13. 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, 2013.

14. 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 which may be disallowed by the grantor cannot be determined at this time.

City of Palmer, Alaska

Notes to Basic Financial Statements

15. 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 matter noted below.

Palmer Airport Contingency

The Federal Administration (FAA) made preliminary findings that the City violated certain grant assurances with respect to the use of property at the Palmer Municipal Airport for non-aeronautical purposes by the City itself and by certain airport tenants. The City has submitted resolutions to each point in the corrective action plan and each proposal has been favorably received by the FAA. The City is awaiting final written approval on two matters. The FAA corrective action plan does not require the City to make any payments to any third party.

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. No liability has been reflected in these financial statements on this matter.

Wastewater Treatment Plant Issue

The State of Alaska contacted the City concerning the ammonia effluent levels which periodically exceed allowable discharge limits at the Waste Water Treatment Plant. The Alaska Department of Environmental Conservation advised City officials that they are developing a draft Compliance Order By Consent (COBC) which will provide guidance for the City to consistently maintain allowable ammonia effluent levels. The COBC may involve an undetermined financial penalty. No liability has been reflected in these financial statements on this matter.

16. New Accounting Pronouncements

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

GASB 67 - Financial Reporting for Pension Plans - Effective for year-end December 31, 2014 - This statement contains certain corrections to prior GASB statements on the topic of improving financial reporting by state and local governmental pension plans.

City of Palmer, Alaska

Notes to Basic Financial Statements

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 69 - Government Combinations and Disposals of Government Operations -Effective for year-end December 31, 2014 - This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees - Effective for year-end December 31, 2014 - This statement contains reporting requirements when a government financially guarantees the obligations of another government, non-profit, or private entity without receiving equal value in exchange.

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.

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Required Supplementary Information

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

<i>Year Ended December 31, 2013</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 7,069,790	\$ 7,069,790	\$ 7,285,447	\$ 215,657
Licenses and permits	156,450	157,450	157,089	(361)
Fines and forfeitures	163,000	163,000	108,566	(54,434)
Intergovernmental	694,059	1,206,408	1,226,233	19,825
Special assessments	135,500	135,500	109,562	(25,938)
Charges for services	2,431,002	2,431,002	2,342,266	(88,736)
Miscellaneous	84,800	101,687	75,140	(26,547)
Total Revenues	10,734,601	11,264,837	11,304,303	39,466
Expenditures				
General government	2,491,384	2,626,825	2,533,239	93,586
Public safety	4,349,527	4,623,758	4,410,999	212,759
Public works	1,959,176	1,999,394	1,834,017	165,377
Community services	1,361,550	1,418,534	1,329,221	89,313
Debt service	266,275	266,275	263,475	2,800
Total Expenditures	10,427,912	10,934,786	10,370,951	563,835
Excess of Revenues Over Expenditures	306,689	330,051	933,352	603,301
Other Financing Sources (Uses)				
Transfers in	194,310	194,310	194,310	-
Transfers out	(298,000)	(488,322)	(488,322)	-
Net Other Financing Sources (Uses)	(103,690)	(294,012)	(294,012)	-
Net Change in Fund Balance	\$ 202,999	\$ 36,039	639,340	\$ 603,301
Fund Balance, beginning			2,290,112	
Fund Balance, ending			\$ 2,929,452	

Supplementary Information

Nonmajor Governmental Funds

City of Palmer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2013</i>	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects	Equipment	Road Improve- ments	
Assets								
Cash and investments	\$ 26,705	\$ 2,506	\$ 22,837	\$ 129,033	\$ 760,546	\$ 526,674	\$ 109,268	\$ 1,577,569
Grants receivable	-	2,291	-	-	41,121	-	-	43,412
Total Assets	\$ 26,705	\$ 4,797	\$ 22,837	\$ 129,033	\$ 801,667	\$ 526,674	\$ 109,268	\$ 1,620,981
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 145,443	\$ -	\$ -	\$ 145,443
Unearned revenue	-	-	-	-	67,484	-	-	67,484
Total Liabilities	-	-	-	-	212,927	-	-	212,927
Fund Balances								
Restricted for public safety	-	-	-	129,033	-	-	-	129,033
Committed:								
Capital projects and equipment	-	-	-	-	588,740	526,674	109,268	1,224,682
Public safety	26,705	4,797	-	-	-	-	-	31,502
Assigned for parks	-	-	22,837	-	-	-	-	22,837
Total Fund Balances	26,705	4,797	22,837	129,033	588,740	526,674	109,268	1,408,054
Total Liabilities and Fund Balances	\$ 26,705	\$ 4,797	\$ 22,837	\$ 129,033	\$ 801,667	\$ 526,674	\$ 109,268	\$ 1,620,981

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

<i>Year Ended December 31, 2013</i>	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds	
	Narcotics Grant	Police Grants	Neighborhood Development	Parks	Asset Forfeiture	Capital Projects	Equipment		Road Improve- ments
Revenues									
Federal government	\$ 62,093	\$ 18,287	\$ -	\$ -	\$ 4,711	\$ 6,777	\$ 13,609	\$ -	\$ 105,477
State of Alaska	-	-	-	-	-	763,034	-	-	763,034
Miscellaneous	-	-	1,101	-	-	-	-	-	1,101
Total Revenues	62,093	18,287	1,101	4,711	769,811	13,609	-	-	869,612
Expenditures									
Public safety	59,601	18,287	-	-	28,531	-	-	-	106,419
Capital outlay	-	-	-	-	-	948,705	89,691	2,937	1,041,333
Total Expenditures	59,601	18,287	-	28,531	948,705	89,691	2,937	-	1,147,752
Excess of Revenues Over (Under) Expenditures	2,492	-	1,101	(23,820)	(178,894)	(76,082)	(2,937)	-	(278,140)
Other Financing Sources									
Transfers in	-	-	-	-	367,500	50,438	-	-	417,938
Net Change in Fund Balances	2,492	-	1,101	(23,820)	188,606	(25,644)	(2,937)	-	139,798
Fund Balances, beginning	24,213	4,797	21,736	152,853	400,134	552,318	112,205	-	1,268,256
Fund Balances, ending	\$ 26,705	\$ 4,797	\$ 22,837	\$ 129,033	\$ 588,740	\$ 526,674	\$ 109,268	\$ -	\$ 1,408,054

Nonmajor Enterprise Funds

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

<i>December 31, 2013</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Assets			
Current Assets			
Cash and investments	\$ 1,013,334	\$ -	\$ 1,013,334
Accounts receivable	89,811	-	89,811
Prepays	176	-	176
Total Current Assets	1,103,321	-	1,103,321
Land Held for Sale	-	217,414	217,414
Property, Plant and Equipment			
Buildings	52,667	-	52,667
Machinery and equipment	1,005,823	-	1,005,823
Total property, plant and equipment	1,058,490	-	1,058,490
Less accumulated depreciation	(676,045)	-	(676,045)
Net Property, Plant and Equipment	382,445	-	382,445
Total Assets	\$ 1,485,766	\$ 217,414	\$ 1,703,180
Liabilities			
Current Liabilities			
Accounts payable	\$ 27,088	\$ -	\$ 27,088
Vested unpaid vacation and sick leave	7,383	-	7,383
Due to other funds	-	49,231	49,231
Total Current Liabilities	34,471	49,231	83,702
Net Position			
Net investment in capital assets	382,445	-	382,445
Unrestricted	1,068,850	168,183	1,237,033
Total Net Position	1,451,295	168,183	1,619,478
Total Liabilities and Net Position	\$ 1,485,766	\$ 217,414	\$ 1,703,180

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

<i>Year Ended December 31, 2013</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 482,636	\$ -	\$ 482,636
Operating Expenses			
Salaries and employee benefits	88,621	-	88,621
Administrative services	122,018	-	122,018
Other operating expenses	265,846	-	265,846
Depreciation	51,520	-	51,520
Total Operating Expenses	528,005	-	528,005
Operating Loss	(45,369)	-	(45,369)
Nonoperating Revenues			
Miscellaneous income	1,639	-	1,639
State PERS relief	6,504	-	6,504
Loss Before Transfers	(37,226)	-	(37,226)
Transfers out	(26,430)	-	(26,430)
Change in Net Position	(63,656)	-	(63,656)
Net Position, beginning	1,514,951	168,183	1,683,134
Net Position, ending	\$ 1,451,295	\$ 168,183	\$ 1,619,478

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

<i>Year Ended December 31, 2013</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Cash receipts from customers and users	\$ 468,245	\$ -	\$ 468,245
Payments to suppliers	(569,334)	-	(569,334)
Payments to employees	(82,170)	-	(82,170)
Payments for interfund services used	(122,018)	-	(122,018)
Net cash flows from operating activities	(305,277)	-	(305,277)
Cash Flows from Noncapital Financing Activities			
Transfers out	(26,430)	-	(26,430)
Net Decrease in Cash and Investments	(331,707)	-	(331,707)
Cash and Investments, beginning	1,345,041	-	1,345,041
Cash and Investments, ending	\$ 1,013,334	\$ -	\$ 1,013,334
Reconciliation of Operating Loss to Net			
Cash from (for) Operating Activities			
Operating loss	\$ (45,369)	\$ -	\$ (45,369)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation	51,520	-	51,520
Noncash expense - PERS relief	6,504	-	6,504
Other revenue	1,639	-	1,639
(Increase) decrease in assets:			
Accounts receivable	(16,030)	-	(16,030)
Prepays	(176)	-	(176)
Increase (decrease) in liabilities:			
Accounts payable	(303,312)	-	(303,312)
Vested unpaid vacation and sick leave	(53)	-	(53)
Net Cash from (for) Operating Activities	\$ (305,277)	\$ -	\$ (305,277)

General Fund

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>	2013	2012
Assets		
Cash and investments	\$ 1,767,450	\$ 1,182,047
Receivables, net of allowance for uncollectibles:		
Property and motor vehicle taxes	-	129,050
Sales taxes	706,155	417,528
Accounts	44,486	41,049
Assessments:		
Current	39,087	33,142
Delinquent	58,346	68,902
Deferred	328,076	271,789
Prepaid insurance	315,422	239,653
Prepaid rent - airport	174,232	200,000
Inventory	37,777	14,493
Due from other funds	49,231	443,683
Advances to other funds	759,928	226,333
Total Assets	\$ 4,280,190	\$ 3,267,669
Liabilities		
Accounts payable	\$ 55,710	\$ 326,121
Accrued payroll and employee benefits	166,108	129,646
Deposits	9,681	8,229
Unearned revenue	654,297	95,960
Total Liabilities	885,796	559,956
Deferred Inflows		
Deferred property taxes	39,433	39,433
Deferred assessments	425,509	378,168
Total Deferred Inflows	464,942	417,601
Total Liabilities and Deferred Inflows	1,350,738	977,557
Fund Balance		
Nonspendable:		
Prepaid insurance and prepaid rent	489,654	439,653
Advances to other funds	759,928	226,333
Assigned for vested unpaid vacation and sick leave	409,182	428,362
Unassigned	1,270,688	1,195,764
Total Fund Balance	2,929,452	2,290,112
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 4,280,190	\$ 3,267,669

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

<i>Year Ended December 31,</i>	2013		Variance with	2012
	Budget	Actual	Budget	Actual
Revenues				
Taxes:				
Sales taxes	\$ 5,879,790	\$ 6,121,186	\$ 241,396	\$ 5,882,204
Real and personal property taxes	1,190,000	1,164,261	(25,739)	1,214,736
Total taxes	7,069,790	7,285,447	215,657	7,096,940
Licenses and permits:				
Business licenses	57,000	61,250	4,250	57,405
Permits	100,450	95,839	(4,611)	140,098
Total licenses and permits	157,450	157,089	(361)	197,503
Fines and forfeitures	163,000	108,566	(54,434)	123,319
Intergovernmental:				
State revenue sharing	385,000	387,025	2,025	556,753
Liquor licenses	13,000	11,500	(1,500)	13,500
Electric and telephone co-op tax	145,823	145,823	-	136,559
State PERS relief	502,132	536,697	34,565	498,363
Library grants	75,553	75,553	-	71,614
Public safety grants	19,400	19,400	-	19,508
Motor vehicle tax	65,500	50,235	(15,265)	90,175
Total intergovernmental	1,206,408	1,226,233	19,825	1,386,472
Special assessments	135,500	109,562	(25,938)	100,057
Charges for services:				
Administrative service charges - other funds	647,465	647,465	-	617,207
Grant administration fees	50,000	37,900	(12,100)	26,125
Fire protection	314,485	298,920	(15,565)	281,148
Community center fees	38,000	39,160	1,160	32,960
Library fees	30,000	24,440	(5,560)	25,333
Equipment rental	1,000	-	(1,000)	-

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>	2013		Variance with	2012
	Budget	Actual	Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Dispatch	\$ 908,906	\$ 917,446	\$ 8,540	\$ 907,715
Ice rink revenues	337,500	299,945	(37,555)	307,273
Building rental	61,646	31,160	(30,486)	61,715
Planning and zoning	6,000	2,830	(3,170)	1,990
Public safety	36,000	43,000	7,000	36,000
Public works fees	-	-	-	176
Total charges for services	2,431,002	2,342,266	(88,736)	2,297,642
Miscellaneous:				
Investment income	32,000	28,451	(3,549)	40,549
Property and equipment sales	20,000	8,586	(11,414)	4,136
Police services	800	538	(262)	925
Insurance reimbursement	14,064	14,064	-	8,512
Land leases	2,000	-	(2,000)	-
Other	32,823	23,501	(9,322)	14,308
Total miscellaneous	101,687	75,140	(26,547)	68,430
Total Revenues	11,264,837	11,304,303	39,466	11,270,363
Expenditures				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	245,749	245,457	292	256,402
Audit	26,000	25,911	89	28,217
Advertising	8,300	5,668	2,632	9,851
Dues and subscriptions	5,900	4,514	1,386	6,864
Travel	9,100	8,939	161	6,569
Education and training	4,500	3,010	1,490	5,050
Legal fees	47,000	45,802	1,198	51,468
Services	5,000	4,050	950	3,163
Telephone	10,500	10,039	461	3,430
Insurance	3,990	3,990	-	3,677
Operating supplies	6,500	6,106	394	7,409
Services - Sister City program	7,500	5,026	2,474	4,850
Council donations	8,600	8,587	13	9,086

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website technology	\$ 1,750	\$ 920	\$ 830	\$ 1,925
Computer services	5,900	2,703	3,197	3,249
Election	8,100	7,293	807	9,951
Office equipment	5,250	3,873	1,377	5,419
Codification consulting services	9,650	9,276	374	6,696
Repairs and maintenance	1,000	268	732	892
Office supplies	6,000	4,099	1,901	5,668
Miscellaneous	-	-	-	150
Total Mayor/Council/Clerk	426,289	405,531	20,758	429,986
Administration:				
Salaries and employee benefits	756,015	749,407	6,608	682,596
Advertising	500	348	152	3,054
Dues and subscriptions	500	474	26	915
Travel	3,600	3,557	43	1,879
Education and training	1,400	1,150	250	318
Legal fees	21,200	21,164	36	12,793
Services	11,500	10,670	830	13,350
Telephone	10,000	9,585	415	11,832
Equipment leases	2,100	1,992	108	1,992
Insurance	6,015	6,015	-	6,303
Operating supplies	8,500	8,427	73	6,797
Repairs and maintenance	1,000	94	906	3,291
Office equipment	5,000	4,102	898	4,031
Miscellaneous	-	-	-	18,681
Computer services	71,450	42,130	29,320	60,595
Total finance	898,780	859,115	39,665	828,427
Buildings:				
Services	800	741	59	228
Power	14,250	14,229	21	16,367
Heat	3,600	3,090	510	3,281
Water and sewer	1,500	1,393	107	1,235

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Buildings, continued:				
Insurance	\$ 4,400	\$ 4,400	\$ -	\$ 4,017
Telephone	13,650	13,587	63	12,824
Operating supplies	2,000	1,700	300	2,052
Office supplies	9,000	6,017	2,983	7,294
Repairs and maintenance	40,000	38,182	1,818	18,218
Miscellaneous	10,000	9,208	792	14,716
Total buildings	99,200	92,547	6,653	80,232
City manager:				
Salaries and employee benefits	426,372	427,500	(1,128)	403,613
Advertising	22,700	18,626	4,074	22,057
Dues and subscriptions	2,550	2,527	23	1,656
Travel	6,200	6,187	13	2,628
Education and training	3,000	2,714	286	3,404
Legal fees	29,000	26,310	2,690	24,783
Services	10,000	4,222	5,778	7,158
Telephone	2,100	2,047	53	2,870
Insurance	5,725	5,603	122	4,342
Operating supplies	200	-	200	126
Small tools and equipment	4,800	3,709	1,091	2,140
Discretionary	22,000	21,951	49	19,542
Lobbying	7,400	7,121	279	4,100
Fuel	2,000	736	1,264	1,195
Repairs and maintenance	114,350	106,276	8,074	126,401
Office supplies	3,000	2,789	211	2,850
Board stipends	1,400	-	1,400	-
Miscellaneous	2,500	231	2,269	910
Total city manager	665,297	638,549	26,748	629,775
Community development:				
Salaries and employee benefits	445,707	448,588	(2,881)	451,576
Advertising	2,100	2,013	87	2,352
Dues and subscriptions	2,500	2,481	19	2,412

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
General government, continued:				
Community development, continued:				
Travel	\$ 3,200	\$ 3,186	\$ 14	\$ 1,644
Education and training	1,800	1,776	24	2,556
Legal fees	24,000	22,984	1,016	6,688
Services	19,750	19,678	72	1,940
Telephone	2,300	2,263	37	2,656
Power	6,600	6,527	73	6,969
Heat	3,000	2,904	96	3,020
Water and sewer	2,327	2,272	55	2,620
Insurance	5,105	5,099	6	4,741
Operating supplies	1,200	737	463	785
Equipment	2,570	2,543	27	2,545
Fuel	1,800	1,722	78	1,919
Repairs and maintenance	1,150	1,095	55	1,780
Annexation and community planning	700	671	29	5,852
Rental and lease	3,100	2,995	105	3,840
Office supplies	3,900	3,761	139	3,321
Board stipends	3,200	3,150	50	2,500
Miscellaneous	1,250	1,052	198	1,976
Total community development	537,259	537,497	(238)	513,692
Total general government	2,626,825	2,533,239	93,586	2,482,112
Public safety:				
Police department:				
Salaries and employee benefits	3,300,226	3,296,706	3,520	3,369,239
Advertising	3,250	2,925	325	3,512
Dues and subscriptions	650	290	360	1,144
Communications	850	-	850	646
Travel	17,400	12,838	4,562	15,714
Education and training	10,700	4,751	5,949	13,439
Legal fees	12,400	11,207	1,193	2,973
Services	67,487	47,954	19,533	54,553
Telephone	25,600	23,700	1,900	29,029
Power	30,595	30,027	568	30,023

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013			2012	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Public safety, continued:					
Police department, continued:					
Heat	\$ 17,075	\$ 14,543	\$ 2,532	\$ 15,306	
Water and sewer	9,500	9,101	399	8,328	
Fuel	50,000	40,059	9,941	52,192	
Insurance	37,085	37,058	27	34,648	
Vehicle insurance	19,450	18,754	696	18,775	
Office supplies	14,800	11,816	2,984	11,457	
Vehicle supplies	1,000	903	97	1,346	
Uniform purchases and allowances	14,600	12,107	2,493	13,035	
Operating supplies	15,925	8,316	7,609	12,575	
Repairs and maintenance	47,600	42,924	4,676	15,479	
Community planning	2,300	1,963	337	2,366	
Janitorial supplies	4,750	3,170	1,580	2,697	
Equipment	156,200	147,642	8,558	88,960	
Computer services	-	-	-	11,829	
Rowland Memorial Fund	2,000	2,000	-	2,000	
Miscellaneous	325	321	4	318	
Total police department	3,861,768	3,781,075	80,693	3,811,583	
Fire department:					
Salaries and employee benefits	391,390	288,779	102,611	348,811	
Volunteer firemen salaries and benefits	158,000	142,367	15,633	105,857	
Dues and subscriptions	1,500	1,403	97	1,388	
Education and training	13,000	11,595	1,405	10,773	
Services	12,000	11,519	481	17,646	
Telephone	6,800	6,778	22	6,313	
Power	9,000	7,621	1,379	9,156	
Heat	8,600	5,362	3,238	6,191	
Water and sewer	1,500	628	872	742	
Fuel	28,500	27,563	937	29,919	
Legal	500	456	44	-	
Rental and lease	11,600	11,588	12	11,588	
Insurance	5,400	5,400	-	4,801	
Vehicle insurance	9,000	9,000	-	9,717	
Office supplies	2,800	2,735	65	1,791	

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 17,850	\$ 17,849	\$ 1	\$ 19,783
Uniform purchases and allowances	2,000	1,301	699	693
Operating supplies	2,500	2,232	268	1,564
Repairs and maintenance	25,850	24,766	1,084	17,887
Small tools	10,300	10,216	84	4,463
Janitorial supplies	1,500	1,117	383	835
Computer services	-	-	-	1,322
Equipment	42,400	39,649	2,751	36,782
Total fire department	761,990	629,924	132,066	648,022
Total public safety	4,623,758	4,410,999	212,759	4,459,605
Public works:				
Administration:				
Salaries and employee benefits	667,475	667,621	(146)	741,321
Advertising	2,900	421	2,479	2,123
Travel	2,200	2,037	163	1,217
Education and training	5,000	1,154	3,846	3,087
Legal fees	8,500	8,173	327	5,576
Services	77,527	77,246	281	67,088
Telephone	15,300	15,273	27	16,938
Power	16,800	12,739	4,061	13,268
Heat	20,900	19,918	982	22,526
Water and sewer	9,000	8,403	597	7,494
Insurance	9,200	9,200	-	8,849
Vehicle insurance	10,000	10,000	-	11,400
Repairs and maintenance	11,000	9,936	1,064	11,908
Small tools	3,000	2,500	500	4,344
Janitorial supplies	1,500	1,498	2	1,524
Equipment	29,562	10,438	19,124	23,483
Office supplies	7,100	4,641	2,459	5,502
Rental and lease	600	550	50	-
Christmas lighting	4,000	1,994	2,006	7,700
Miscellaneous	10,000	9,404	596	2,683
Total administration	911,564	873,146	38,418	958,031

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 369,686	\$ 361,444	\$ 8,242	\$ 239,695
Services	58,000	39,377	18,623	44,478
Operating supplies	8,000	7,938	62	14,797
Repairs and maintenance	15,000	12,055	2,945	9,998
Rental and lease	6,500	6,300	200	7,100
Dust control and chemicals	12,938	12,938	-	6,960
Road salt and sand	87,062	37,539	49,523	87,682
Crack sealing	24,782	24,773	9	47,550
Safety equipment	4,600	2,747	1,853	3,122
Total roads	586,568	505,111	81,457	461,382
Engineering	10,000	1,828	8,172	19,341
Street lighting:				
Salaries and employee benefits	-	-	-	2,957
Services	2,500	-	2,500	-
Power	103,000	101,306	1,694	105,732
Operating supplies	3,000	2,885	115	1,591
Repairs and maintenance	7,000	5,862	1,138	3,205
Total street lighting	115,500	110,053	5,447	113,485
Building maintenance - salaries and employee benefits	-	-	-	178,736
State highway maintenance:				
Salaries and employee benefits	-	-	-	133
Rental and lease	3,600	-	3,600	-
Operating supplies	2,550	-	2,550	-
Total state highway maintenance	6,150	-	6,150	133

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>	2013			2012	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Public works, continued:					
Motor vehicle maintenance:					
Salaries and employee benefits	\$ 198,762	\$ 199,356	\$ (594)	\$ 127,776	
Fuel	55,000	43,852	11,148	64,320	
Vehicle supplies	32,000	31,279	721	30,172	
Repairs and maintenance	46,850	46,742	108	50,646	
Small tools and equipment	37,000	22,650	14,350	30,644	
Total motor vehicle maintenance	369,612	343,879	25,733	303,558	
Total public works	1,999,394	1,834,017	165,377	2,034,666	
Community services:					
Tourist center:					
Services	148,520	148,520	-	138,860	
Telephone	2,300	2,155	145	2,070	
Fuel	2,700	1,386	1,314	1,461	
Power	3,800	3,753	47	3,557	
Water and sewer	2,000	869	1,131	2,019	
Insurance	1,425	1,425	-	1,288	
Total tourist center	160,745	158,108	2,637	149,255	
Community center building:					
Services	6,500	6,500	-	-	
Power	4,000	3,990	10	4,109	
Heat	5,600	5,104	496	5,671	
Water and sewer	1,650	1,554	96	1,553	
Insurance	968	968	-	761	
Operating supplies	7,500	4,857	2,643	4,161	
Rental and lease	500	500	-	-	
Repairs and maintenance	24,500	23,114	1,386	2,136	
Total community center building	51,218	46,587	4,631	18,391	

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013			2012	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Community services, continued:					
Parks and recreation:					
Salaries and employee benefits	\$ 82,707	\$ 68,989	\$ 13,718	\$ 79,846	
Fuel	5,100	62	5,038	4,739	
Operating supplies	25,040	9,764	15,276	8,903	
Repairs and maintenance	7,500	5,532	1,968	5,259	
Total parks and recreation	120,347	84,347	36,000	98,747	
Arena:					
Salaries and employee benefits	211,297	208,379	2,918	211,728	
Advertising	1,000	905	95	-	
Services	2,300	2,229	71	790	
Telephone	3,600	3,002	598	4,181	
Power	96,353	85,749	10,604	91,825	
Heat	50,707	38,679	12,028	43,084	
Water and sewer	12,764	12,470	294	5,763	
Rental and lease	12,764	2,749	10,015	-	
Fuel	6,242	3,575	2,667	4,103	
Insurance	5,100	4,641	459	4,085	
Operating supplies	6,583	5,469	1,114	10,569	
Janitorial supplies	4,000	2,851	1,149	4,490	
Learn to skate	2,000	1,288	712	2,160	
Small tools and equipment	243	243	-	470	
Repairs and maintenance	53,250	52,193	1,057	36,001	
Total arena	468,203	424,422	43,781	419,249	
Library:					
Salaries and employee benefits	443,430	444,591	(1,161)	403,663	
Advertising	200	-	200	102	
Subscriptions and dues	650	650	-	751	
Travel	2,025	1,995	30	7,055	
Education and training	342	317	25	1,235	
Services	21,770	21,663	107	15,919	
Telephone	10,617	10,272	345	10,904	

City of Palmer, Alaska

General Fund

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

Year Ended December 31,	2013		Variance with Budget	2012
	Budget	Actual		Actual
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Power	\$ 22,239	\$ 22,208	\$ 31	\$ 24,953
Heat	14,952	14,898	54	15,513
Water and sewer	3,888	3,854	34	3,159
Rental and lease	324	324	-	324
Insurance	5,189	5,189	-	5,008
Books and subscriptions	39,150	39,103	47	37,450
Operating supplies	23,232	22,897	335	21,005
Repairs and maintenance	11,000	10,521	479	5,647
Equipment	16,013	14,336	1,677	12,437
Miscellaneous	3,000	2,939	61	3,124
Total library	618,021	615,757	2,264	568,249
Total community services	1,418,534	1,329,221	89,313	1,253,891
Debt service on bonds:				
Principal	205,000	205,000	-	200,000
Interest	61,275	58,475	2,800	41,876
Debt issuance costs	-	-	-	5,944
Total debt service on bonds	266,275	263,475	2,800	247,820
Total Expenditures	10,934,786	10,370,951	563,835	10,478,094
Excess of Revenues Over Expenditures	330,051	933,352	603,301	792,269

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Other Financing Sources (Uses)				
Issuance of refunding bonds	\$ -	\$ -	\$ -	\$ 865,000
Premium on issuance	-	-	-	146,183
Payment to refunded bond escrow agent	-	-	-	(995,458)
Transfers in	194,310	194,310	-	195,882
Transfers out	(488,322)	(488,322)	-	(890,221)
Net Other Financing Sources (Uses)	(294,012)	(294,012)	-	(678,614)
Net Change in Fund Balance	<u>\$ 36,039</u>	639,340	<u>\$ 603,301</u>	113,655
Fund Balance, beginning		<u>2,290,112</u>		<u>2,176,457</u>
Fund Balance, ending		<u>\$ 2,929,452</u>		<u>\$ 2,290,112</u>

Special Revenue Funds

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>	2013	2012
Assets		
Cash and investments	\$ 26,705	\$ 17,269
Grants receivable	-	7,293
Total Assets	\$ 26,705	\$ 24,562
Liabilities		
Accounts payable	\$ -	\$ 349
Fund Balance		
Committed for public safety	26,705	24,213
Total Liabilities and Fund Balance	\$ 26,705	\$ 24,562

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues - federal government	\$ 115,222	\$ 62,093	\$ (53,129)	\$ 60,797
Expenditures - public safety:				
Salaries and employee benefits	108,746	57,136	51,610	58,598
Fuel	5,513	2,256	3,257	2,186
Equipment	963	209	754	936
Total Expenditures	115,222	59,601	55,621	61,720
Net Change in Fund Balance	<u>\$ -</u>	2,492	<u>\$ 2,492</u>	(923)
Fund Balance, beginning		<u>24,213</u>		<u>25,136</u>
Fund Balance, ending		<u>\$ 26,705</u>		<u>\$ 24,213</u>

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

<i>December 31,</i>	2013	2012
Assets		
Cash and investments	\$ 2,506	\$ 902
Grants receivable	2,291	3,895
Total Assets	\$ 4,797	\$ 4,797
Fund Balance		
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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues				
Federal government	\$ 20,297	\$ 18,287	\$ (2,010)	\$ 31,226
State of Alaska contract	-	-	-	102,253
Total Revenues	20,297	18,287	(2,010)	133,479
Expenditures - public safety:				
Salaries and employee benefits	18,821	16,832	1,989	130,852
Fuel	1,476	1,455	21	2,376
Total Expenditures	20,297	18,287	2,010	133,228
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>	251
Fund Balance, beginning		<u>4,797</u>		<u>4,546</u>
Fund Balance, ending		<u>\$ 4,797</u>		<u>\$ 4,797</u>

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

<i>December 31,</i>	2013	2012
Assets		
Cash and investments	\$ 22,837	\$ 28,949
Liabilities		
Accounts payable	\$ -	\$ 7,213
Fund Balance		
Assigned for parks	22,837	21,736
Total Liabilities and Fund Balance	\$ 22,837	\$ 28,949

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>	2013	2012
Revenues - development fees	\$ 1,101	\$ 1,700
Expenditures - improvements	-	7,213
Net Change in Fund Balance	1,101	(5,513)
Fund Balance, beginning	21,736	27,249
Fund Balance, ending	\$ 22,837	\$ 21,736

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

<i>December 31,</i>	2013	2012
Assets		
Cash and investments	\$ 129,033	\$ 152,853
Fund Balance		
Restricted for public safety	\$ 129,033	\$ 152,853

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

<i>Year Ended December 31,</i>	2013	2012
Revenues		
Federal government	\$ 4,711	\$ 34,756
State forfeiture funds	-	20,938
Total Revenues	4,711	55,694
Expenditures - public safety:		
Training	-	1,190
Equipment	28,531	26,830
Fuel	-	481
Total Expenditures	28,531	28,501
Net Change in Fund Balance	(23,820)	27,193
Fund Balance, beginning	152,853	125,660
Fund Balance, ending	\$ 129,033	\$ 152,853

Capital Project Funds

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>	2013	2012
Assets		
Cash and investments	\$ 760,546	\$ 384,215
Grants receivable	41,121	176,955
Total Assets	\$ 801,667	\$ 561,170
Liabilities		
Accounts payable	\$ 145,443	\$ 116,036
Unearned revenue	67,484	45,000
Total Liabilities	212,927	161,036
Fund Balance		
Committed for capital projects	588,740	400,134
Total Liabilities and Fund Balance	\$ 801,667	\$ 561,170

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ 2,067,210	\$ 763,034	\$ (1,304,176)	\$ 589,209
Federal government	12,963	6,777	(6,186)	89,922
Miscellaneous	140,053	-	(140,053)	12,583
Total Revenues	2,220,226	769,811	(1,450,415)	691,714
Expenditures				
Soccer field	24,281	-	24,281	355
Public works air system	34,196	(9,050)	43,246	115,802
Wilson Park pump truck	37,227	703	36,524	-
Wayfinding and streetscapes	45,000	-	45,000	-
Marketing plan	4,363	-	4,363	742
Park improvements	96,291	-	96,291	-
South valley way improvements	128,000	116,062	11,938	-
Sidewalk improvements	95,917	95,917	-	4,083
Safe routes to school	6,179	-	6,179	28,821
Deferred maintenance	30,000	14,129	15,871	-
Sidewalk ADA upgrades	100,000	52,795	47,205	10,192
Storm water master plan	115,000	2,200	112,800	-
MTA Center	725,000	16,382	708,618	-
Supplemental legal services	48,011	-	48,011	-
Downtown railway corridor	36,000	-	36,000	-
Ice arena expansion	19,828	19,828	-	101,035
Homeland Security Co-op	-	-	-	39,650
City facilities improvement	114,418	3,363	111,055	-

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>	2013			2012	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Trails and parks plan	\$ 290	\$ -	\$ 290	\$ -	-
Mat Maid property	96,987	37,925	59,062	116,395	-
Fire station	37,063	170,528	(133,465)	788	-
Tanker truck	742,150	418,293	323,857	-	-
Tourist center	13,500	-	13,500	-	-
Records center	-	-	-	13,026	-
Property acquisition	56,000	-	56,000	-	-
Arena and Events Center expansion	2,492	2,492	-	397,508	-
Fire training center floor	361	361	-	76,639	-
Homeland Security	6,784	6,777	7	21,451	-
Total Expenditures	2,615,338	948,705	1,666,633	926,487	-
Excess of Revenues Over (Under)					
Expenditures	(395,112)	(178,894)	216,218	(234,773)	-
Other Financing Sources (Uses)					
Transfers in	367,500	367,500	-	214,000	-
Transfers out	-	-	-	(10,186)	-
Net Other Financing Sources (Uses)	367,500	367,500	-	203,814	-
Net Change in Fund Balance	<u>\$ (27,612)</u>	188,606	<u>\$ 216,218</u>	(30,959)	-
Fund Balance, beginning		<u>400,134</u>		<u>431,093</u>	
Fund Balance, ending		<u>\$ 588,740</u>		<u>\$ 400,134</u>	

City of Palmer, Alaska
Equipment Capital Project Fund
Balance Sheet

<i>December 31,</i>	2013	2012
Assets		
Cash and investments	\$ 526,674	\$ 560,618
Grants receivable	-	3,090
Total Assets	\$ 526,674	\$ 563,708
Liabilities		
Unearned revenue	\$ -	\$ 11,390
Fund Balance		
Committed for equipment replacement	526,674	552,318
Total Liabilities and Fund Balance	\$ 526,674	\$ 563,708

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ -	\$ -	\$ -	\$ 11,335
Federal government	2,604	13,609	11,005	18,025
Total Revenues	2,604	13,609	11,005	29,360
Expenditures - capital outlay:				
Clerk/Council equipment	38,936	32,302	6,634	-
Dispatch equipment	30,687	-	30,687	-
Fire fighting equipment	-	-	-	11,335
Public works equipment	142,149	43,779	98,370	-
Police equipment	3,565	10,360	(6,795)	750
Byrn JAG	2,604	3,250	(646)	-
Public safety equipment	-	-	-	7,111
Lighting improvements	-	-	-	10,164
Total Expenditures	217,941	89,691	128,250	29,360
Excess of Revenues Over (Under)				
Expenditures	(215,337)	(76,082)	139,255	-
Other Financing Sources - transfers in	50,438	50,438	-	40,148
Net Change in Fund Balance	<u>\$ (164,899)</u>	(25,644)	<u>\$ 139,255</u>	40,148
Fund Balance, beginning		<u>552,318</u>		<u>512,170</u>
Fund Balance, ending		<u>\$ 526,674</u>		<u>\$ 552,318</u>

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

<i>December 31,</i>	2013	2012
Assets		
Cash and investments	\$ 109,268	\$ 112,205
Fund Balance		
Committed for roads and streets	\$ 109,268	\$ 112,205

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay:				
Gulkana LID	\$ 10,262	\$ 640	\$ 9,622	\$ -
South Bonanza LID	78,013	2,297	75,716	-
West Dolphin/Caribou Area LID	23,930	-	23,930	-
Total Expenditures	112,205	2,937	109,268	-
Net Change in Fund Balance	<u>\$ (112,205)</u>	(2,937)	109,268	-
Fund Balance, beginning		<u>112,205</u>		<u>112,205</u>
Fund Balance, ending		<u>\$ 109,268</u>		<u>\$ 112,205</u>

Enterprise Funds

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>	2013	2012
Assets		
Current Assets		
Cash and investments	\$ 512,872	\$ 573,495
Receivables:		
Grants	571,208	580,120
Accounts	250,289	232,266
Inventories - materials and supplies	140,919	147,550
Prepays	503	-
Total Current Assets	1,475,791	1,533,431
Noncurrent Assets		
Assessments receivable	197,294	199,129
Property, plant and equipment:		
Land	4,255	4,255
Buildings	60,067	60,067
Machinery and equipment	893,860	886,951
Improvements other than buildings	65,128,361	62,600,035
Total property, plant and equipment	66,086,543	63,551,308
Less accumulated depreciation	(16,275,865)	(14,713,241)
Net property, plant and equipment	49,810,678	48,838,067
Construction work in progress	1,124,189	2,719,251
Total Noncurrent Assets	51,132,161	51,756,447
Total Assets	\$ 52,607,952	\$ 53,289,878

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

<i>December 31,</i>	2013	2012
Liabilities		
Current Liabilities		
Accounts payable	\$ 68,519	\$ 119,894
Accrued payroll and employee benefits	223	16,177
Vested unpaid vacation and sick leave	43,453	46,270
Current portion of loans payable - State of Alaska	173,096	171,116
Accrued interest payable	23,199	24,892
Unearned revenue	25,048	16,748
Customer deposits	160,914	144,828
Total Current Liabilities	494,452	539,925
Long-term Liabilities, net of current portion - loans payable -		
State of Alaska	2,172,513	2,345,607
Total Liabilities	2,666,965	2,885,532
Net Position		
Net investment in capital assets	48,589,258	49,040,595
Unrestricted	1,351,729	1,363,751
Total Net Position	49,940,987	50,404,346
Total Liabilities and Net Position	\$ 52,607,952	\$ 53,289,878

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Water sales	\$ 1,140,050	\$ 1,143,318	\$ 3,268	\$ 1,108,777
Sewer services	825,000	852,932	27,932	828,125
Connection fees	20,500	28,865	8,365	30,183
Miscellaneous	23,000	23,606	606	25,054
Total Operating Revenues	2,008,550	2,048,721	40,171	1,992,139
Operating Expenses Excluding Depreciation				
Water:				
Salaries and employee benefits	275,270	273,132	2,138	225,224
Administrative services	204,810	204,810	-	192,244
Audit	6,750	5,826	924	11,430
Advertising	1,700	1,693	7	1,489
Education and training	5,500	4,956	544	2,515
Legal fees	136,100	145,080	(8,980)	159,466
Services	38,000	31,261	6,739	27,964
Telephone	7,500	7,077	423	7,172
Power	78,010	78,010	-	79,469
Heat	6,500	5,925	575	5,080
Fuel	9,550	9,512	38	9,625
Equipment rental	1,900	1,848	52	1,848
Insurance	10,037	10,037	-	9,559
Office supplies	2,000	1,014	986	613
Operating supplies	1,000	754	246	9,249
Repairs and maintenance	51,390	13,203	38,187	43,876
Small tools	6,000	1,809	4,191	2,835
Engineering	5,000	-	5,000	-
Chemicals	9,000	5,733	3,267	5,805
Permits	8,200	8,158	42	7,500
Equipment	52,939	1,945	50,994	3,849
Travel	500	160	340	-
Miscellaneous	4,500	4,469	31	4,396
Total water	922,156	816,412	105,744	811,208

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Operating expenses excluding depreciation, continued:				
Sewer:				
Salaries and employee benefits	\$ 266,208	\$ 264,712	\$ 1,496	\$ 278,041
Administrative services	199,604	199,604	-	185,134
Audit	6,300	5,441	859	11,197
Education and training	7,480	3,215	4,265	100
Legal fees	2,000	-	2,000	-
Services	69,100	49,213	19,887	54,620
Telephone	6,800	6,772	28	6,610
Power	150,000	148,741	1,259	163,643
Heat	13,000	11,948	1,052	11,486
Fuel	5,800	5,796	4	8,021
Equipment rental	4,000	2,423	1,577	350
Insurance	10,000	10,000	-	9,551
Office supplies	1,900	1,846	54	1,280
Operating supplies	61,840	14,783	47,057	14,715
Repairs and maintenance	16,000	4,807	11,193	9,990
Small tools	5,000	1,302	3,698	3,976
Engineering	5,000	-	5,000	5,000
Permits	10,000	7,815	2,185	9,838
Equipment	2,939	-	2,939	8,368
Advertising	1,000	-	1,000	-
Miscellaneous	4,100	4,056	44	3,928
Total sewer	848,071	742,474	105,597	785,848
Total Operating Expenses Excluding Depreciation	1,770,227	1,558,886	211,341	1,597,056
Operating Income before Depreciation	238,323	489,835	251,512	395,083
Depreciation	-	1,605,341	(1,605,341)	1,345,195
Operating Income (Loss)	238,323	(1,115,506)	(1,353,829)	(950,112)

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Nonoperating Revenues (Expenses)				
State PERS relief	\$ 35,575	\$ 37,948	\$ 2,373	\$ 33,453
Insurance reimbursement	104,467	104,219	(248)	78,788
Miscellaneous income	-	1,161	1,161	537
Loss on disposal of capital assets	-	(24,046)	(24,046)	(9,390)
Interest expense	(37,753)	(36,058)	1,695	(47,629)
Net Nonoperating Revenues (Expenses)	102,289	83,224	(19,065)	55,759
Income (Loss) Before Contributions and Transfers	340,612	(1,032,282)	(1,372,894)	(894,353)
Capital contributions	-	689,433	689,433	1,874,415
Capital contribution refund	-	-	-	(554,602)
Transfers in	-	-	-	676,810
Transfers out	(120,510)	(120,510)	-	(124,358)
Change in Net Position	<u>\$ 220,102</u>	(463,359)	<u>\$ (683,461)</u>	977,912
Net Position, beginning		<u>50,404,346</u>		<u>49,426,434</u>
Net Position, ending		<u>\$ 49,940,987</u>		<u>\$ 50,404,346</u>

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

<i>Year Ended December 31,</i>	2013	2012
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 2,162,299	\$ 2,107,995
Payments to suppliers	(661,875)	(757,539)
Payments to employees	(518,667)	(451,620)
Payments for interfund services used	(404,414)	(377,378)
Net cash flows from operating activities	577,343	521,458
Cash Flows from Noncapital Financing Activities		
Transfers out	(120,510)	(124,358)
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	698,345	2,493,975
Capital contribution refund	-	(554,602)
Increase in property, plant and equipment and construction work in progress	(1,006,936)	(2,821,113)
Principal payments on loans payable - State of Alaska	(171,114)	(169,166)
Interest paid	(37,751)	(40,288)
Transfers in	-	676,810
Net cash flows from capital and related financing activities	(517,456)	(414,384)
Net Decrease in Cash and Investments	(60,623)	(17,284)
Cash and Investments, beginning	573,495	590,779
Cash and Investments, ending	\$ 512,872	\$ 573,495
Reconciliation of Operating Loss to Net Cash from (for) Operating Activities		
Operating income	\$ (1,115,506)	\$ (950,112)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,605,341	1,345,195
Noncash expense - PERS relief	37,948	33,453
Other revenues	105,380	79,325
(Increase) decrease in assets:		
Accounts receivable	(18,023)	15,323
Assesments receivable	1,835	-
Inventories	6,631	(2,340)
Prepays	(503)	-
Increase (decrease) in liabilities:		
Accounts payable	(51,375)	(38,786)
Accrued payroll and employee benefits	(15,954)	15,954
Vested unpaid vacation and sick leave	(2,817)	2,238
Unearned revenue	8,300	10,274
Customer deposits	16,086	10,934
Net Cash from Operating Activities	\$ 577,343	\$ 521,458

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

<i>December 31,</i>	2013	2012
Assets		
Current Assets		
Receivables:		
Grants	\$ -	\$ 8,906
Accounts	3,942	7,458
Total Current Assets	3,942	16,364
Property, Plant and Equipment		
Land	1,680,471	1,680,471
Buildings	509,758	509,758
Machinery and equipment	794,541	794,541
Improvements other than buildings	17,795,987	17,772,252
Total property, plant and equipment	20,780,757	20,757,022
Less accumulated depreciation	(13,055,320)	(12,559,918)
Net Property, Plant and Equipment	7,725,437	8,197,104
Total Assets	\$ 7,729,379	\$ 8,213,468
Liabilities		
Current Liabilities		
Accounts payable	\$ 13,168	\$ 5,801
Unearned revenue	57,772	3
Prepaid rent from General Fund	174,232	200,000
Total Current Liabilities	245,172	205,804
Long-term Liabilities - advance from other fund	240,851	226,333
Total Liabilities	486,023	432,137
Net Position		
Net investment in capital assets	7,725,437	8,197,104
Unrestricted (deficit)	(482,081)	(415,773)
Total Net Position	7,243,356	7,781,331
Total Liabilities and Net Position	\$ 7,729,379	\$ 8,213,468

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Aviation fuel - revenue sharing	\$ 1,500	\$ 1,427	\$ (73)	\$ 1,654
Tiedown fees	22,500	17,575	(4,925)	17,444
Land leases	163,406	109,387	(54,019)	157,661
Agricultural land leases	5,031	5,035	4	4,070
Miscellaneous	-	6,756	6,756	4,323
Total Operating Revenues	192,437	140,180	(52,257)	185,152
Operating Expenses Excluding Depreciation				
Administrative services	121,033	121,033	-	128,074
Audit	3,200	2,763	437	2,933
Advertising	2,500	2,000	500	2,446
Education and training	1,950	-	1,950	254
Legal fees	50,000	49,770	230	62,374
Services	61,084	36,568	24,516	21,922
Telephone	-	-	-	66
Power	13,300	13,288	12	12,694
Heat	4,600	4,009	591	3,824
Fuel	5,750	5,693	57	6,279
Rental and lease	2,200	2,156	44	1,625
Insurance	9,585	9,037	548	10,176
Operating supplies	200	69	131	198
Repairs and maintenance	12,000	926	11,074	2,492
Engineering	15,000	-	15,000	594
Small tools and equipment	-	-	-	288
Board stipends	4,200	-	4,200	-
Water/sewer/garbage	824	332	492	306
Total Operating Expenses Excluding Depreciation	307,426	247,644	59,782	256,545
Operating Loss Before Depreciation	(114,989)	(107,464)	7,525	(71,393)
Depreciation	-	495,402	(495,402)	527,737
Operating Loss	(114,989)	(602,866)	(487,877)	(599,130)

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Nonoperating Revenues (Expenses)				
Master plan study grant revenue	\$ -	\$ -	\$ -	\$ 8,906
Master plan study expenses	-	(8,906)	(8,906)	(8,906)
Net Nonoperating Revenues (Expenses)	-	(8,906)	(8,906)	-
Loss Before Contributions and Transfers	(114,989)	(611,772)	(496,783)	(599,130)
Capital contributions	-	3,413	3,413	6,007
Transfers in	70,384	70,384	-	15,000
Transfers out	-	-	-	(10,651)
Change in Net Position	<u>\$ (44,605)</u>	(537,975)	<u>\$ (493,370)</u>	(588,774)
Net Position, beginning		<u>7,781,331</u>		<u>8,370,105</u>
Net Position, ending		<u>\$ 7,243,356</u>		<u>\$ 7,781,331</u>

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

<i>Year Ended December 31,</i>	2013	2012
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 201,465	\$ 181,921
Payments to suppliers	(119,244)	(144,512)
Payments for interfund services used	(121,033)	(128,074)
Net cash flows from operating activities	(38,812)	(90,665)
Cash Flows from Noncapital Financing Activities		
Transfers in	70,384	15,000
Transfers out	-	(10,651)
Net cash flows from noncapital financing activities	70,384	4,349
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	3,413	70,240
Increase in property, plant and equipment	(23,735)	(6,007)
Decrease in prepaid rent	(25,768)	-
Increase in advance from other fund	14,518	22,083
Net cash flows from capital and related financing activities	(31,572)	86,316
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash from (for) Operating Activities		
Operating loss	\$ (602,866)	\$ (599,130)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	495,402	527,737
Nonoperating expenses	-	(8,906)
(Increase) decrease in assets -		
accounts receivable	3,516	(555)
Increase (decrease) in liabilities:		
Accounts payable	7,367	(7,135)
Unearned revenue	57,769	(2,676)
Net Cash for Operating Activities	\$ (38,812)	\$ (90,665)

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

<i>December 31,</i>	2013	2012
Assets		
Current Assets		
Cash and investments	\$ 1,013,334	\$ 1,345,041
Accounts receivable	89,811	73,781
Prepays	176	-
Total Current Assets	1,103,321	1,418,822
Property, Plant and Equipment		
Buildings	52,667	52,667
Machinery and equipment	1,005,823	1,005,823
Total property, plant and equipment	1,058,490	1,058,490
Less accumulated depreciation	(676,045)	(624,525)
Net Property, Plant and Equipment	382,445	433,965
Total Assets	\$ 1,485,766	\$ 1,852,787
Current Liabilities		
Accounts payable	27,088	\$ 330,400
Vested unpaid vacation and sick leave	7,383	7,436
Total Current Liabilities	34,471	337,836
Net Position		
Net investment in capital assets	382,445	433,965
Unrestricted	1,068,850	1,080,986
Total Net Position	1,451,295	1,514,951
Total Liabilities and Net Position	\$ 1,485,766	\$ 1,852,787

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>	2013		2012	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - solid waste collection fees	\$ 437,000	\$ 482,636	\$ 45,636	\$ 447,406
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	90,294	88,621	1,673	88,960
Administrative services	122,018	122,018	-	111,755
Audit	3,600	3,113	487	3,293
Services	235,000	215,162	19,838	193,959
Fuel	20,000	17,442	2,558	15,083
Insurance	3,858	3,858	-	3,615
Vehicle insurance	3,500	3,441	59	2,767
Operating supplies	5,000	1,574	3,426	5,153
Repairs and maintenance	15,000	4,882	10,118	10,652
Equipment	19,000	12,389	6,611	1,506
Legal	1,000	-	1,000	-
Advertising	1,500	-	1,500	-
Miscellaneous	4,000	3,985	15	3,927
Total Operating Expenses Excluding Depreciation	523,770	476,485	47,285	440,670
Operating Income (Loss) Before Depreciation	(86,770)	6,151	92,921	6,736
Depreciation	-	51,520	(51,520)	32,449
Operating Loss	(86,770)	(45,369)	41,401	(25,713)
Nonoperating Revenues				
Miscellaneous income	5,000	1,639	(3,361)	-
State PERS relief	6,097	6,504	407	5,718
Total Nonoperating Revenues	11,097	8,143	(2,954)	5,718
Loss Before Transfers	(75,673)	(37,226)	38,447	(19,995)
Transfers out	(26,430)	(26,430)	-	(53,552)
Change in Net Position	<u>\$ (102,103)</u>	(63,656)	<u>\$ 38,447</u>	(73,547)
Net Position, beginning		<u>1,514,951</u>		<u>1,588,498</u>
Net Position, ending		<u>\$ 1,451,295</u>		<u>\$ 1,514,951</u>

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

<i>Year Ended December 31,</i>	2013	2012
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 468,245	\$ 443,610
Payments to suppliers	(569,334)	(259,448)
Payments to employees	(82,170)	(82,326)
Payments for interfund services used	(122,018)	(111,755)
Net cash flows from operating activities	(305,277)	(9,919)
Cash Flows from Noncapital Financing Activities		
Transfers out	(26,430)	(53,552)
Cash Flows from Capital and Related Financing Activities		
Increase in property, plant and equipment	-	(16,655)
Net Decrease in Cash and Investments	(331,707)	(80,126)
Cash and Investments, beginning	1,345,041	1,425,167
Cash and Investments, ending	\$ 1,013,334	\$ 1,345,041
Reconciliation of Operating Loss to Net Cash from (for) Operating Activities		
Operating loss	\$ (45,369)	\$ (25,713)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	51,520	32,449
Noncash expense - PERS relief	6,504	5,718
Other revenue	1,639	-
(Increase) decrease in assets:		
Accounts receivable	(16,030)	(3,796)
Prepays	(176)	-
Increase (decrease) in liabilities:		
Accounts payable	(303,312)	294,645
Vested unpaid vacation and sick leave	(53)	916
Net Cash from (for) Operating Activities	\$ (305,277)	\$ 304,219
Noncash Capital and Related Financing Activities		
Purchase of equipment included in accounts payable	\$ -	\$ (314,138)

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

<i>December 31,</i>	2013	2012
Assets		
Current Assets		
Accounts receivable	\$ -	\$ 50,000
Inventories - materials and supplies	135,530	137,395
Total Current Assets	135,530	187,395
Property, Plant and Equipment		
Land and land improvements	1,544,620	1,544,620
Buildings	254,559	254,559
Machinery and equipment	351,485	332,753
Improvements other than buildings	667,234	672,569
Total property, plant and equipment	2,817,898	2,804,501
Less accumulated depreciation	(787,824)	(739,487)
Net Property, Plant and Equipment	2,030,074	2,065,014
Total Assets	\$ 2,165,604	\$ 2,252,409
Liabilities		
Current Liabilities		
Accounts payable	\$ 784	\$ 39,635
Current portion of capital lease	18,653	31,972
Unearned revenue	8,571	6,034
Due to General Fund	-	394,452
Total Current Liabilities	28,008	472,093
Long-term Liabilities		
Capital lease, net of current portion	-	18,653
Advance from other fund	519,077	-
Total Liabilities	547,085	490,746
Net Position		
Net investment in capital assets	2,011,421	2,014,389
Unrestricted (deficit)	(392,902)	(252,726)
Total Net Position	1,618,519	1,761,663
Total Liabilities and Net Position	\$ 2,165,604	\$ 2,252,409

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>	2013		Variance with	2012
	Budget	Actual	Budget	Actual
Operating Revenues				
Golf course fees:				
Green fees	\$ 345,000	\$ 270,110	\$ (74,890)	\$ 291,854
Driving range fees	26,000	22,074	(3,926)	22,374
Golf cart rentals and trail fees	127,000	92,716	(34,284)	87,007
Golf club rentals	6,000	6,247	247	4,772
Clubhouse revenues:				
Beer and wine sales	45,000	35,883	(9,117)	32,395
Snack bar	70,000	65,478	(4,522)	65,004
Merchandise sales	170,000	121,404	(48,596)	130,875
Miscellaneous	500	-	(500)	-
Total Operating Revenues	789,500	613,912	(175,588)	634,281
Operating Expenses Excluding Depreciation				
Golf management contract	625,400	586,865	38,535	71,016
Audit	7,000	6,910	90	7,994
Advertising	-	-	-	299
Services	11,000	10,747	253	564,320
Power	12,500	11,788	712	18,349
Heat	1,875	1,458	417	1,722
Water and sewer	1,500	1,100	400	1,562
Rental and lease	5,800	5,790	10	5,790
Insurance	6,975	6,911	64	6,761
Vehicle insurance	300	300	-	325
Operating supplies	-	16,813	(16,813)	10
Repairs and maintenance	5,000	4,517	483	-
Equipment	5,000	-	5,000	-
Legal fees	2,125	2,109	16	38
Total Operating Expenses Excluding Depreciation	684,475	655,308	29,167	678,186
Operating Income (Loss) Before Depreciation	105,025	(41,396)	(146,421)	(43,905)

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>	2013			2012
	Budget	Actual	Variance with Budget	Actual
Depreciation	\$ -	\$ 51,531	\$ (51,531)	\$ 55,746
Operating Income (Loss)	105,025	(92,927)	(197,952)	(99,651)
Nonoperating Expenses - loss on disposal of capital asset	-	(2,847)	(2,847)	-
Income (Loss) Before Transfers	105,025	(95,774)	(200,799)	(99,651)
Transfers out	(47,370)	(47,370)	-	(52,872)
Change in Net Position	<u>\$ 57,655</u>	(143,144)	<u>\$ (200,799)</u>	(152,523)
Net Position, beginning		<u>1,761,663</u>		<u>1,914,186</u>
Net Position, ending		<u>\$ 1,618,519</u>		<u>\$ 1,761,663</u>

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

<i>Year Ended December 31,</i>	2013	2012
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 666,449	\$ 705,807
Payments to suppliers	(692,294)	(685,930)
Net cash flows from operating activities	(25,845)	19,877
Cash Flows from Noncapital Financing Activities		
Transfers out	(47,370)	(52,872)
Cash Flows from Capital and Related Financing Activities		
Increase in property, plant and equipment	(19,438)	-
Increase in due to/advance from General Fund	124,625	64,967
Principal payments on capital lease	(31,972)	(31,972)
Net cash flows from capital and related financing activities	73,215	32,995
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash from (for) Operating Activities		
Operating loss	\$ (92,927)	\$ (99,651)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	51,531	55,746
(Increase) decrease in assets:		
Accounts receivable	50,000	67,811
Inventories	1,865	1,341
Increase (decrease) in liabilities:		
Accounts payable	(38,851)	(9,085)
Unearned revenue	2,537	3,715
Net Cash from (for) Operating Activities	\$ (25,845)	\$ 19,877

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

<i>December 31,</i>	2013	2012
Assets		
Land held for sale	\$ 217,414	\$ 217,414
Liabilities		
Due to other funds	\$ 49,231	\$ 49,231
Net Position		
Unrestricted	168,183	168,183
Total Liabilities and Net Position	\$ 217,414	\$ 217,414

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>	2013		Variance with Budget	2012
	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

<i>Year Ended December 31,</i>	2013	2012
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -

Schedules of Federal and State Expenditures

City of Palmer, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

	Grant Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	January 1, 2013 Receivable (Unearned)	Federal Share of Expenditures	Federal Receipts	December 31, 2013 Receivable (Unearned)
Department of Transportation							
Direct:							
Airport Improvement Program	3-02-0211-017-2012	20.106	\$ 375,000	\$ 8,906	\$ (8,906)	\$ -	\$ -
Passed through State of Alaska Department of Transportation and Public Facilities:							
Safe Routes to School Grant	LU20-12-0004	20.205	35,000	28,821	-	28,821	-
State and Community Highway Safety - ASTEP Seatbelt Enforcement							
	402PT 13-06-01 (A)-8	20.600	4,730	-	1,043	1,043	-
Alcohol Open Container Requirements:							
ASTEP DUI Enforcement	154AL-14-01-00(A)-8	20.607	4,300	-	2,291	-	2,291
ASTEP DUI Enforcement	154AL-13-01-00(B)-7	20.607	49,715	3,895	14,953	18,848	-
Total CFDA 20.607				3,895	17,244	18,848	2,291
Total Department of Transportation				41,622	9,381	48,712	2,291
Department of Justice							
Direct:							
Bullet Proof Vest and Body Armor Safety Initiative	2009BUBX08041814	16.607	2,800	236	1,590	236	1,590
Edward Byrne Memorial Justice Assistance Grants:							
Police Vehicle Equipment Project	2010-DJ-BX-1224	16.738	30,219	2,340	3,249	5,589	-
Police Department Law Enforcement Upgrade Project	2011-DJ-BX-3201	16.738	22,812	750	10,360	11,110	-
Total CFDA 16.738				3,090	13,609	16,699	-
Total Department of Justice				3,326	15,199	16,935	1,590
Department of Agriculture							
Passed through State of Alaska Department of Natural Resources Cooperative Forestry Assistance - 2013 Volunteer Fire Assistance Grant							
	N/A	10.664	19,400	-	19,400	19,400	-
Environmental Protection Agency							
Passed through State of Alaska Department of Environmental Conservation:							
Capitalization Grants for Clean Water State Revolving Funds - Recovery Act -							
Wastewater Treatment Plant Improvements	671161	66.458 ARRA	2,500,000	14,704	5,607	20,311	-
Capitalization Grants for Drinking Water State Revolving Funds - Recovery Act -							
Steel Water Main Replacement	677221	66.468 ARRA	2,500,000	(10,273)	629,284	33,071	585,940
Total Environmental Protection Agency				4,431	634,891	53,382	585,940
Department of Homeland Security							
Passed through State of Alaska Department of Military and Veterans Affairs:							
Homeland Security Grant Program:							
2010 Homeland Security Grant	10SHSP-GR34067	97.067	51,784	26,433	6,777	33,210	-
2012 Homeland Security Grant	12SHSP-GR34077	97.067	21,451	21,451	-	21,451	-
Total Department of Homeland Security				47,884	6,777	54,661	-
Institute of Museum and Library Services							
Passed through State of Alaska Department of Education and Early Development -							
Grants to State - Continuing Education Grant	CED 13-759-136	45.310	1,000	-	1,000	1,000	-
Department of Commerce							
Passed through State of Alaska Department of Education and Early Development -							
Alaska OWL Project - AWE Early Literacy Stations	OWL-13-759-01	11.557	2,953	-	2,953	2,953	-
Total Expenditures of Federal Awards				\$ 97,263	\$ 689,601	\$ 197,043	\$ 589,821

City of Palmer, Alaska
Schedule of State Financial Assistance
Year Ended December 31, 2013

	Grant Number	Total Grant Award	January 1, 2013 Receivable (Unearned)	State Share of Expenditures	December 31, 2013 State Receipts	December 31, 2013 Receivable (Unearned)
Department of Commerce, Community and Economic Development						
Palmer SW Sewer & Water Extension	07-DC-503	\$ 2,000,000	\$ 30,697	\$ -	\$ 30,697	\$ -
Airport Nav Aids- Legislative Grant	12-DM-134	8,300	(8,300)	-	-	(8,300)
Arena and Events Center Expansion	12-DC-414	400,000	21,149	2,492	23,641	-
Fire Training Center Station Floor	12-DC-415	77,000	68,239	361	68,600	-
Matanuska Maid Block Land Acquisition	12-DC-416	100,000	10,862	-	10,862	-
* Sidewalk Improvements	12-DC-417	100,000	-	95,916	95,916	-
Waste Water Treatment Plant Master Plan	13-DC-043	70,000	-	875	875	-
* Sidewalk Improvements	13-DC-135	100,000	-	52,796	52,796	-
Storm Water Improvement Master Plan	13-DC-175	115,000	-	2,200	2,200	-
Wayfind and Streetscapes Planning Phase 1	13-DM-206	45,000	(45,000)	-	-	(45,000)
Sidewalk Improvements	13-DC-233	167,000	-	3,363	3,363	-
MTA Events Center Expansion, Phase 2	13-DC-411	725,000	-	16,382	38,866	(22,484)
* Public Safety Projects	13-DC-421	780,000	-	588,822	548,405	40,417
Wastewater Treatment Plant Property Acquisition	13-DC-527	2,500,000	-	3,150	3,150	-
* Community Revenue Sharing	N/A	387,530	-	387,530	387,530	-
Total Department of Commerce, Community and Economic Development			77,647	1,153,887	1,266,901	(35,367)
Department of Environmental Conservation						
Wastewater Treatment Plant Expansion Phase III	67107	612,300	54,562	(69,523)	(14,961)	-
Water Main Replacement Phase V	67113	2,000,000	401	-	398	3
Southwest Utility Extension Phase II	67116	2,401,210	189	-	189	-
Steel Water Main Replacement Phase VII	67117	4,424,000	-	10,318	10,318	-
* Southwest Utility Extension Phase II	67119	4,250,000	479,566	135,643	614,299	910
Total Department of Environmental Conservation			534,718	76,438	610,243	913
Department of Public Safety						
* Byrne Memorial JAG Program	JAG-13-23C	79,711	7,293	62,093	69,386	-
Department of Transportation and Public Facilities						
FY 07 AIP Matching Grant	AIP 3-02-0211-016-2007	59,193	-	3,413	3,413	-
Department of Natural Resources						
Wilson Park Pump Track/Trail	10793312	37,227	-	703	-	703
Department of Revenue						
* Electric & Telephone Cooperative	N/A	145,823	-	145,823	145,823	-
Liquor Licenses	N/A	11,500	-	11,500	11,500	-
Aviation Fuel Tax	N/A	1,427	-	1,427	1,427	-
Total Department of Revenue			-	158,750	158,750	-
Department of Administration						
* PERS Relief	N/A	581,149	-	581,149	581,149	-
Department of Education and Early Development						
Public Library Assistance Grant	PLA 13-75957	6,600	-	6,600	6,600	-
Total State Financial Assistance			\$ 619,658	\$ 2,043,033	\$ 2,696,442	\$ (33,751)

* Major programs

City of Palmer, Alaska

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended December 31, 2013

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the grant activity of City of Palmer and are presented on the modified accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of 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*.

2. Prior Year Disallowed Costs

In 2012, it was discovered that certain non-reimbursable costs were inadvertently charged to federal and state programs. The State of Alaska Department of Environmental Conservation (ADEC) disallowed \$599,721 of prior year costs on the federal Steel Water Main Replacement Drinking Water Fund - Recovery Act Loan number 677221, and \$77,089 of prior year costs on the state Steel Water Main Replacement Phase VII grant number 67117. These costs have been reflected in the prior year on the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance. In 2013, a further \$15,647 of federal disallowed costs relating to 2012 was identified. This was reduced from the federal award in 2013 and is shown as net expenditures for the current year.

The City notes that, while these costs were disallowed under the specific grant programs involved, the costs were reasonable for the overall project which included water, sewer, streets and street lighting upgrades. The disallowed portion was substantially associated with street and street lighting improvements not eligible under the water and sewer programs.

In 2002, the City was awarded the Wastewater Treatment Plant Expansion, Phase III grant number 67107. This original award contained a 30 percent required match by the City. This grant was subsequently updated in 2006, and additional funds were added to the original grant award. The additional funds required a 50 percent match from the City. During the years subsequent to 2006, the City mistakenly billed ADEC with only the 30 percent required match. This was discovered in 2013 and the City reimbursed ADEC for the excess portion of the grant. The net effect of this is shown as negative state expenditures on the Schedule of State Financial Assistance.

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, 2013, 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 27, 2014.

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 report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
June 27, 2014



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3601 C Street, Suite 600
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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, 2013. 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, 2013.

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 27, 2014



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

Honorable Mayor and City Council
City of 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, 2013. 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, 2013.

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 27, 2014

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2013

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>
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 \$ 50,000

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2013

Section II - Financial Statement Findings Required to be Reported in Accordance with <i>Government Auditing Standards</i>
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None noted.

Section III - Federal Award Findings and Questioned Costs

None noted.

Section IV - State Award Findings and Questioned Costs
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None noted.

City of Palmer, Alaska

Schedule of Prior Audit Findings Year Ended December 31, 2013

Financial Statement Findings

There were no prior year financial statement findings.

Federal Award Findings and Questioned Costs

Finding 2012-01 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 2013.

State Award Findings and Questioned Costs

Finding 2012-01 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 2013.

City of Palmer, Alaska
Corrective Action Plan
Year Ended December 31, 2013

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