

Mayor Edna B. DeVries
Deputy Mayor Linda Combs
Council Member Richard Best
Council Member Steve Carrington
Council Member David Fuller
Council Member Brad Hanson
Council Member Pete LaFrance

City Attorney Michael Gatti
City Clerk Norma I. Alley, MMC
City Manager Nathan Wallace

City of Palmer, Alaska
Special City Council Meeting
6 pm Tuesday, November 29, 2016
City Council Chambers
231 W. Evergreen Avenue, Palmer
www.cityofpalmer.org

Agenda

- A. Call to Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Audience Participation
- E. New Business
 - 1. Committee of the Whole: Presentation of the 2015 City of Palmer Audit
 - 2. Acceptance of the 2015 City of Palmer Audit
- F. Committee of the Whole (note: action may be taken by the council following the committee of the whole)
 - 1. 2017 City of Palmer Budget
 - 2. 2017 City of Palmer Pay Plan
 - 3. 2017 City of Palmer Fee Schedule
 - 4. 2017 City of Palmer Fine Schedule
 - 5. 2017 City of Palmer Capital Improvement Program
- G. Items Placed on the Table
- H. Adjournment



City of Palmer, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended December 31, 2015

DeLena Johnson
Mayor

Nathan Wallace
City Manager

Prepared by
Finance Department

Esther Greene, CMFO
Finance Director



City of Palmer, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended December 31, 2015

DeLena Johnson
Mayor

Nathan Wallace
City Manager

Prepared by
Finance Department

Esther Greene, CMFO
Finance Director

City of Palmer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis		7-18
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	22
Reconciliation of Governmental Funds		
Balance Sheet to Statement of Net Position	B-2	23
Statement of Revenues, Expenditures and Changes in		
Fund Balances	B-3	24
Reconciliation of the Change in Fund Balances of		
Governmental Funds to Statement of Activities	B-4	25
Proprietary Funds:		
Statement of Net Position	C-1	26-27
Statement of Revenues, Expenses and Changes		
in Net Position	C-2	28
Statement of Cash Flows	C-3	29-30
Notes to Basic Financial Statements		31-57
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance -		
Budget and Actual - General Fund	D-1	60
Public Employees Retirement System:		
Schedule of the City's Information on the Net Pension Liability	E-1	61
Schedule of City Contributions	E-2	62
Notes to Required Supplementary Information		63
Supplementary Information		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	68
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances	F-2	69

City of Palmer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Nonmajor Enterprise Funds:		
Combining Statement of Net Position	G-1	72
Combining Statement of Revenues, Expenses, and Changes in Net Position	G-2	73
Combining Statement of Cash Flows	G-3	74
General Fund:		
Balance Sheet	H-1	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	H-2	77-87
Special Revenue Funds:		
Narcotics Grant:		
Balance Sheet	I-1	90
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-2	91
Police Grants:		
Balance Sheet	I-3	92
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	I-4	93
Neighborhood Parks Development:		
Balance Sheet	I-5	94
Statement of Revenues, Expenditures and Changes in Fund Balance	I-6	95
Asset Forfeiture:		
Balance Sheet	I-7	96
Statement of Revenues, Expenditures and Changes in Fund Balance	I-8	97
Capital Project Funds:		
Capital Projects:		
Balance Sheet	J-1	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	J-2	101-102
Equipment:		
Balance Sheet	J-3	103
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	J-4	104
Road Improvements:		
Balance Sheet	J-5	105
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	J-6	106

City of Palmer, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
Enterprise Funds:		
Water and Sewer:		
Statement of Net Position	K-1	108-109
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	K-2	110-112
Statement of Cash Flows	K-3	113
Airport:		
Statement of Net Position	K-4	114
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	K-5	115-116
Statement of Cash Flows	K-6	117
Refuse:		
Statement of Net Position	K-7	118
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	K-8	119
Statement of Cash Flows	K-9	120
Golf Course:		
Statement of Net Position	K-10	121
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	K-11	122-123
Statement of Cash Flows	K-12	124
Land Development:		
Statement of Net Position	K-13	125
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	K-14	126
Statement of Cash Flows	K-15	127
Schedule of State Financial Assistance	L-1	130
Notes to Schedule of State Financial Assistance		131

City of Palmer, Alaska

Contents

	<u>Page</u>
SINGLE AUDIT SECTION	
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 <i>Government Auditing Standards</i>	134-135
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	136-137
Schedule of Findings and Questioned Costs	138



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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, 2015 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, 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 16 to the financial statements, in 2015 City of Palmer adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with the respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 18, the budgetary comparison information on page 60, and the Schedules of Net Pension Liability and Pension Contributions on pages 61 and 62, 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, 2015 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 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 State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying 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, 2015 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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, 2015.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Palmer as of and for the year ended December 31, 2014 (not presented herein), and have issued our report thereon dated June 2, 2015, which contained 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 individual fund financial statements and schedules for the year ended December 31, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 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
November 4, 2016

This page intentionally left blank.

Management's Discussion and Analysis

This page intentionally left blank.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

December 31, 2015

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, 2015. 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 2015 fiscal year by \$88,937,789. This amount represents a net decrease of \$1,643,576 from the prior year amount as reported prior to implementing GASB 68. Of the total net position, \$213,860 is Unrestricted Net Position.
- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$6,118,891, an increase of \$493,213.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$3,578,349 or 31% of total General Fund expenditures. The Nonspendable fund balance was \$946,131 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$363,710, 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. During 2015 the City drew down an additional \$252,781 on this loan, bringing the outstanding balance to \$955,925.
- In 2015 the City entered into another loan agreement with the Alaska Department of Environmental Conservation for Water main Replacement in the amount of \$1,285,714. Of this amount \$964,286 is offered as a subsidy for disadvantaged assistance. The maximum repayment amount is \$321,428. During 2015 the City drew down \$557,795 with \$416,346 forgiven, and \$139,449 reported as a loan payable balance.
- At year end the City's outstanding loans and bonds payable totaled \$3,877,780, a net decrease of \$7,877 from the previous year.
- In 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement 68 which requires the City to recognize its proportional share of the unfunded liability. As a result of this adoption, the city has recorded an opening restatement to reduce opening balance equity by \$5,009,891 which recognizes the net pension liability and associated deferral accounts.

CITY OF PALMER, ALASKA

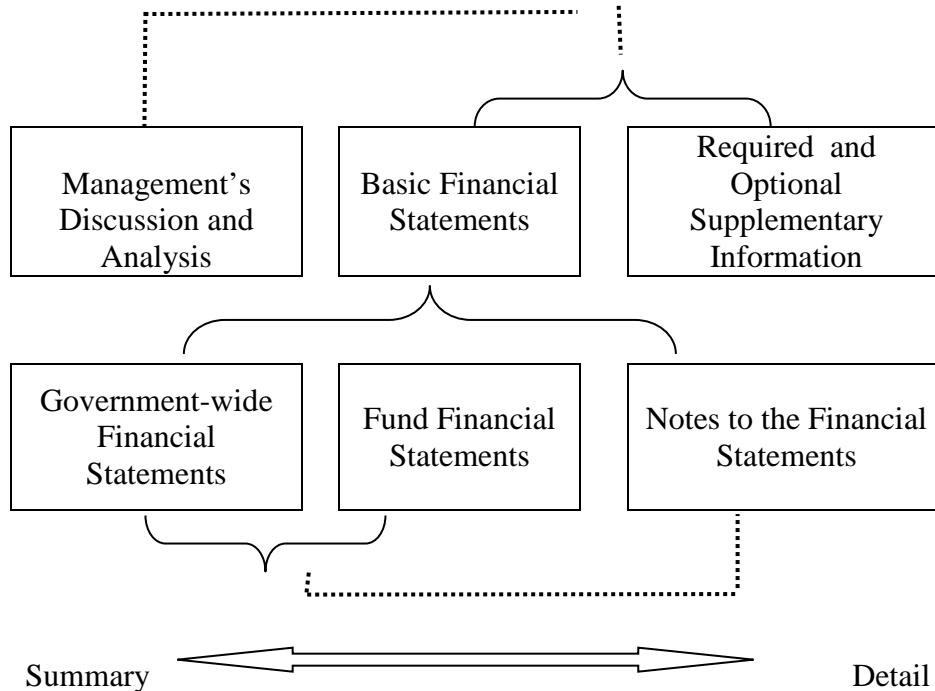
Management's Discussion and Analysis

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.
- 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**



CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

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.

Overview of Financial Statements, continued

Illustration A-2			
Major Features of City of Palmer’s Government-wide and Fund Financial Statements			
	Fund Statements		
	Government-wide 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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund which are considered major funds. Data from the remaining 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 Governmental Funds financial statements are located at pages 22-25 of the report. The combining statements for the nonmajor funds can be found on pages 68-69 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 31-57 of this report.

Government-wide Financial Analysis

At the close of the 2015 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$88,937,789 (see Table A-1). Of this amount \$88,643,896, or 99.6%, 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 \$213,860, 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 for the government as a whole; however, the governmental activities are reporting an unrestricted deficit in 2015, significantly as a result of the recognition of the net pension liability.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Government-wide Financial Analysis, continued

**Table A-1
City of Palmer's Net Position
2015 and 2014**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 7,119,836	6,541,771	2,272,001	2,875,173	9,471,837	9,416,944
Capital assets	22,321,425	21,224,572	69,099,436	66,665,321	91,420,861	87,889,893
Deferred outflows	<u>1,271,977</u>	<u>75,571</u>	<u>117,920</u>	<u>-</u>	<u>1,389,897</u>	<u>75,571</u>
Total assets and Deferred outflows	<u>30,713,238</u>	<u>27,841,914</u>	<u>71,489,357</u>	<u>69,540,494</u>	<u>102,202,595</u>	<u>97,382,408</u>
Long-term liabilities outstanding	7,976,845	1,536,577	3,814,955	2,937,478	11,791,800	4,474,055
Other liabilities	<u>640,279</u>	<u>518,700</u>	<u>702,017</u>	<u>1,808,288</u>	<u>1,342,296</u>	<u>2,326,988</u>
Total liabilities	<u>8,617,124</u>	<u>2,055,277</u>	<u>4,516,972</u>	<u>4,745,766</u>	<u>13,134,096</u>	<u>6,801,043</u>
Net position:						
Net investment in capital assets	\$22,637,240	20,174,415	66,006,656	63,789,663	88,643,896	83,964,078
Restricted	80,033	123,771	-	-	80,033	123,771
Unrestricted (deficit)	<u>(740,213)</u>	<u>5,488,451</u>	<u>954,073</u>	<u>1,005,065</u>	<u>213,860</u>	<u>6,493,516</u>
Total net position	<u>21,977,060</u>	<u>25,786,637</u>	<u>66,960,729</u>	<u>64,794,728</u>	<u>88,937,789</u>	<u>90,581,365</u>

As reflected in Table A-2, the City's net position increased by \$3,366,315 as a result of current year activity. Overall, net position decreased from the prior year by \$1,643,576 as a result of the GASB 68 net pension liability recognition. Revenues exceeded expenditures and transfers in the governmental activities by \$753,531 and in the business-type activities revenues exceeded expenses by \$2,612,784.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Program revenues:						
Charges for service	\$ 2,853,972	2,890,995	4,004,272	3,748,668	6,858,244	6,639,663
Operating grants and contributions	1,956,687	1,153,348	180,985	93,544	2,137,672	1,246,892
Capital grants and contributions	1,717,480	1,123,609	4,585,107	6,263,261	6,302,587	7,386,870
General revenues:						
Property taxes	1,318,817	1,227,789	-	-	1,318,817	1,227,789
Sales taxes	6,503,870	6,494,251	-	-	6,503,870	6,494,251
Other	<u>789,180</u>	<u>772,333</u>	<u>-</u>	<u>-</u>	<u>789,180</u>	<u>772,333</u>
Total revenues	<u>15,140,006</u>	<u>13,662,325</u>	<u>8,770,364</u>	<u>10,105,473</u>	<u>23,910,370</u>	<u>23,767,798</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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Expenses:						
General government	\$ 3,409,741	2,818,417	-	-	3,409,741	2,818,417
Public safety	6,222,536	5,251,827	-	-	6,222,536	5,251,827
Public works	2,850,265	2,474,104	-	-	2,850,265	2,474,104
Community services	1,816,529	1,631,748	-	-	1,816,529	1,631,748
Water and sewer utility	-	-	3,647,966	3,420,518	3,647,966	3,420,518
Airport	-	-	969,806	802,834	969,806	802,834
Refuse	-	-	731,682	552,867	731,682	552,867
Golf Course	-	-	867,663	760,445	867,663	760,445
Interest expense	<u>27,867</u>	<u>38,085</u>	-	-	<u>27,867</u>	<u>38,085</u>
Total expenses	<u>14,326,938</u>	<u>12,214,181</u>	<u>6,217,117</u>	<u>5,536,664</u>	<u>20,544,055</u>	<u>17,750,845</u>
Increase (decrease) in net position before transfers	813,068	1,448,144	2,553,247	4,568,809	3,366,315	6,016,953
Transfers	<u>(59,537)</u>	<u>196,421</u>	<u>59,537</u>	<u>(196,421)</u>	-	-
Increase (decr) net position	753,531	1,644,565	2,612,784	4,372,388	3,366,315	6,016,953
Beginning net position, restated for 2015	<u>21,223,529</u>	<u>24,142,072</u>	<u>64,347,945</u>	<u>60,422,340</u>	<u>85,571,474</u>	<u>84,564,412</u>
Ending net position	\$ <u>21,977,060</u>	<u>25,786,637</u>	<u>66,960,729</u>	<u>64,794,728</u>	<u>88,937,789</u>	<u>90,581,365</u>

Governmental Activities

Governmental activities increased the City of Palmer's net position by \$753,531. The increase is primarily a result increased revenues in the current year, especially in the area of operating grants and capital grants. Charges for services decreased by a nominal amount. Property taxes increased by \$91,028 and sales tax collections increased by \$9,619. The City's expenses increased in the amount of \$2,112,757. Much of this was the result of increased on-behalf pension expense. Net transfers out of governmental activities was \$59,537 and is mostly related to capital asset transfers (see footnote 6 for a detail of transfers).

Business-Type Activities

The City's business-type activities had an increase of \$2,612,784 in net position primarily as a result of the receipt of large capital grants. At the operating level expenses exceed operating revenue and basic charges for services.

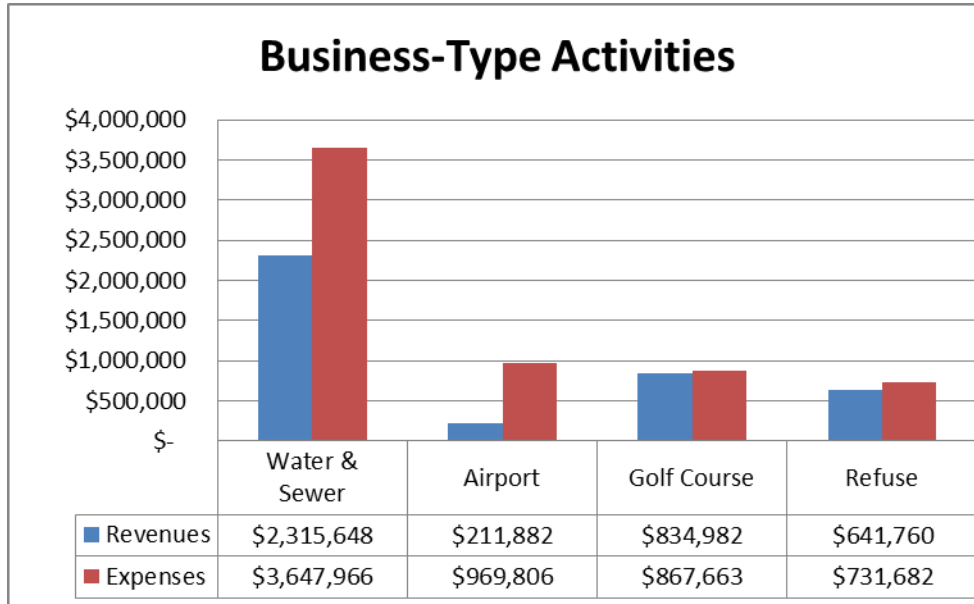
The following graph shows expenses and operating revenues for all of the business-type activities in 2015. Not included in the revenues are capital grants, contributions, and investment earnings. As reflected in the graph, all funds had expenses in excess of service revenues. If depreciation expense were removed from the analysis, the Water and Sewer Fund and the Golf Course fund operating revenues would exceed operating expenses; whereas the Airport Fund and Refuse Fund operating

CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

revenues would still fall below operating expenses.

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, 2015, the City’s governmental funds reported combined ending fund balances of \$6,118,891, an increase of \$493,213. Of the ending balance, \$3,578,349, 58% 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. The General Capital Projects Fund (a major fund) reported an overall reduction of fund balance in 2015 due to capital asset construction and acquisition.

The remainder of this page intentionally left blank.

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 \$618,438, a decrease of \$100,890. This is due in part to changes in the newly recognized net pension liability as well as increases in equity due to capital acquisition. 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 \$865,200, a reduction of \$236,418 from that amount in 2014. The biggest change was the result of the net pension liability recognition which reduced unrestricted net position by \$291,249.

The Golf Course unrestricted net position shows a deficit of \$450,015 compared to a deficit of \$410,118 at the end of 2014. Operating revenues were below operating expense by \$32,681. Depreciation constitutes \$49,754 of those expenses. In addition, there were inventory adjustments in the 2015 that also contributed to the reduction.

The Airport Fund unrestricted net position shows a deficit of \$247,733 compared to a deficit of \$573,946 at the end of 2014. The largest change in unrestricted equity was due to an internal land sale to the general fund and the water sewer fund which resulted in an overall gain to the airport of approximately \$320,000.

The Land Development Fund unrestricted net position did not change from 2014. There is no change from the prior year due to no activity in the fund during the year.

General Fund Budgetary Highlights

The original adopted budget anticipated a net surplus of \$88,957. However, the final adopted budget projected an overall reduction to fund balance of \$392,219.

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

- Transfers in were increased by \$214,698 to account for the land transfers with the airport and revenues were increased by \$1,121,957. Intergovernmental grant revenue budget had a net increase of \$773,491 which included PERS relief of \$945,395 while other grants had reductions. PERS relief funding is funding provided by the state to political subdivisions to offset the unfunded state pension liability.
- The final budget increased expenditures by \$1,055,506, mostly related to PERS and Transfers out were increased by \$762,325 primarily related to the airport land transfer transaction (see footnote 5).

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, 2015, totals \$91,420,861 (net of accumulated depreciation). This amount represents a \$3,530,968 increase over the previous year.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$1,852,489	1,625,216	3,002,073	3,229,346	4,854,562	4,854,562
Buildings	2,867,906	3,197,594	110,554	124,319	2,978,460	3,321,913
Improvements other than buildings	13,787,945	11,740,892	59,128,447	54,848,828	72,916,392	66,589,720
Machinery and equipment	1,818,401	1,818,972	920,927	1,035,960	2,739,328	2,854,932
Construction work in progress	<u>1,994,684</u>	<u>2,841,899</u>	<u>5,937,435</u>	<u>7,426,868</u>	<u>7,932,119</u>	<u>10,268,767</u>
Total capital assets	<u>\$22,321,425</u>	<u>21,224,572</u>	<u>69,099,436</u>	<u>66,665,321</u>	<u>91,420,861</u>	<u>87,889,893</u>

Major capital events during the 2015 year included:

- Storm Water Master Plan
- Steel Water Main Improvements
- Airport Master Plan
- Sewer and Water Line Extensions
- Wastewater Treatment Plant Improvements

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

Long-term debt – The following table summarizes the City's long-term debt at December 31, 2015.

Table A-4
City of Palmer's Outstanding Debt

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
GO Bonds	\$ 888,546	1,010,000	-	-	888,546	1,010,000
Loans payable	-	-	<u>3,092,780</u>	<u>2,875,657</u>	<u>3,092,780</u>	<u>2,875,657</u>
Total	<u>888,546</u>	<u>1,010,000</u>	<u>3,092,780</u>	<u>2,875,657</u>	<u>3,981,326</u>	<u>3,885,567</u>
Compensated absences	363,710	410,849	63,760	61,820	427,470	472,669
Net pension liability	<u>6,724,589</u>	-	<u>658,415</u>	-	<u>7,383,004</u>	-
Total long-term debt	<u>\$7,976,845</u>	<u>1,420,849</u>	<u>3,814,955</u>	<u>2,937,477</u>	<u>11,791,800</u>	<u>4,358,326</u>

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Capital Asset and Debt Administration, continued

In 2015 the continued to pay down on its outstanding bonds and loans. The City paid off its outstanding Golf course related bond and continues to pay down on the Ice Rink Bond.

The city made scheduled payments on its numerous low interest ADEC clean water and drinking water loans. All of these loans are related to water and sewer improvements and bear interest at 1.5%.

In 2015, the City drew down an additional \$252,781 on its Alaska Drinking Water Fund for the Southwest Utility Expansion, Phase IIb project. Loan repayments begin one year following substantial completion and initiation of operation of the facility.

In 2015 the City entered into another loan agreement with the Alaska Department of Environmental Conservation for Water main Replacement in the amount of \$1,285,714. Of this amount \$964,286 is offered as a subsidy for disadvantaged assistance. The maximum repayment amount is \$321,428. During 2015 the City drew down \$557,795 with \$416,346 forgiven, and \$139,449 reported as a loan payable balance.

The City of Palmer issues bonded debt through the State of Alaska Municipal Bond Bank. As of July 2016, State of Alaska bond bank credit ratings were: Moodys: Aa1, Fitch AA+, Standard and Poors AA+.

Additional information on the City's long-term debt can be found in note 7 on pages 42-44 of this report.

Economic Factors and Next Year's Budgets (2016) and Rates

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 56% of total budgeted revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with expansion and construction and improvements to the water and sewer utility lines along with road improvement projects.
- Due to the increase in the rising cost of health insurance, beginning January 2014 and continuing in 2016 the City employees began contributing for the cost of providing health insurance coverage for spouses and children.

The remainder of this page intentionally left blank.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

These various factors were taken into consideration in the development of the City's 2016 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2016 budget include:

- The property tax rate remained at 3 mills or \$.03 per \$1,000 of assessed value. This amount was levied for the operation and maintenance activities in the General Fund, and to fund capital improvements not associated with the enterprise funds.
- Sales tax rate remained the same as 2015 at 3%.
- Budgeted expenditures in the General Fund decreased by \$185,792 over 2015 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, 2015</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 4,656,145	\$ 1,512,344	\$ 6,168,489
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	141,000	478,243	619,243
Sales taxes	640,528	-	640,528
Property taxes	232,056	-	232,056
Accounts	36,081	365,642	401,723
Assessments	320,990	198,749	519,739
Prepaid insurance	331,283	49,360	380,643
Internal balances	750,440	(750,440)	-
Inventories	11,313	200,689	212,002
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	3,847,173	8,939,508	12,786,681
Capital assets, net of accumulated depreciation	18,474,252	60,159,928	78,634,180
Total Assets	29,441,261	71,371,437	100,812,698
Deferred Outflows			
Unamortized loss on refunding	67,616	-	67,616
Related to pensions	1,204,361	117,920	1,322,281
Total Assets and Deferred Outflows of Resources	\$ 30,713,238	\$ 71,489,357	\$102,202,595
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 323,907	\$ 103,462	\$ 427,369
Capital related accounts payable	-	107,985	107,985
Accrued payroll and employee benefits	206,219	223	206,442
Customer deposits	9,146	195,544	204,690
Accrued interest payable	12,517	21,693	34,210
Unearned revenue	88,490	81,110	169,600
Civil penalty payable	-	192,000	192,000
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	363,710	63,760	427,470
Bonds and loans	75,000	177,146	252,146
Due in more than one year:			
Loans payable - State of Alaska	-	2,915,634	2,915,634
General obligation bonds, including unamortized premium	813,546	-	813,546
Net pension liability	6,724,589	658,415	7,383,004
Total Liabilities	8,617,124	4,516,972	13,134,096
Deferred Inflows of Resources - related to pensions	119,054	11,656	130,710
Net Position			
Net investment in capital assets	22,637,240	66,006,656	88,643,896
Restricted	80,033	-	80,033
Unrestricted	(740,213)	954,073	213,860
Total Net Position	21,977,060	66,960,729	88,937,789
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 30,713,238	\$ 71,489,357	\$102,202,595

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, 2015</i>							
Governmental Activities							
General government	\$ 3,409,741	\$ 834,632	\$ 466,872	\$ -	\$ (2,108,237)	\$ -	\$ (2,108,237)
Public safety	6,222,536	1,540,591	968,708	1,717,480	(1,995,757)	-	(1,995,757)
Public works	2,850,265	110,248	329,241	-	(2,410,776)	-	(2,410,776)
Community services	1,816,529	368,501	191,866	-	(1,256,162)	-	(1,256,162)
Unallocated interest	27,867	-	-	-	(27,867)	-	(27,867)
Total Governmental Activities	14,326,938	2,853,972	1,956,687	1,717,480	(7,798,799)	-	(7,798,799)
Business-type Activities							
Water and sewer	3,647,966	2,315,648	107,525	4,236,375	-	3,011,582	3,011,582
Airport	969,806	211,882	27,333	348,732	-	(381,859)	(381,859)
Refuse	731,682	641,760	46,127	-	-	(43,795)	(43,795)
Golf course	867,663	834,982	-	-	-	(32,681)	(32,681)
Total Business-type Activities	6,217,117	4,004,272	180,985	4,585,107	-	2,553,247	2,553,247
Totals	\$ 20,544,055	\$ 6,858,244	\$ 2,137,672	\$ 6,302,587	(7,798,799)	2,553,247	(5,245,552)
General Revenues							
Property taxes					1,318,817	-	1,318,817
Sales taxes					6,503,870	-	6,503,870
Grants and entitlements not restricted to a specific purpose					511,372	-	511,372
Investment income					10,715	-	10,715
Other					267,093	-	267,093
Transfers					(59,537)	59,537	-
Total General Revenues and Transfers					8,552,330	59,537	8,611,867
Change in Net Position					753,531	2,612,784	3,366,315
Beginning Net Position, as restated (Note 16)					21,223,529	64,347,945	85,571,474
Ending Net Position					\$ 21,977,060	\$ 66,960,729	\$ 88,937,789

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Governmental Funds
Balance Sheet

<i>December 31, 2015</i>	Major Funds		Nonmajor Funds	Total
	General	Capital Projects		Governmental Funds
Assets				
Cash and investments	\$ 3,388,104	\$ 514,294	\$ 753,747	\$ 4,656,145
Receivables, net of allowance for uncollectibles:				
Grants and shared revenues	-	73,809	67,191	141,000
Sales taxes	640,528	-	-	640,528
Property taxes	232,056	-	-	232,056
Accounts	36,081	-	-	36,081
Assessments	320,990	-	-	320,990
Prepaid insurance	331,283	-	-	331,283
Inventory	11,313	-	-	11,313
Due from other funds	146,905	-	-	146,905
Advances to other funds	603,535	-	-	603,535
Total Assets	\$ 5,710,795	\$ 588,103	\$ 820,938	\$ 7,119,836
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 190,567	\$ 69,345	\$ 63,995	\$ 323,907
Accrued payroll and employee benefits	206,219	-	-	206,219
Deposits	9,146	-	-	9,146
Unearned revenue	43,490	45,000	-	88,490
Total Liabilities	449,422	114,345	63,995	627,762
Deferred Inflows of Resources				
Deferred property taxes	52,192	-	-	52,192
Deferred assessments	320,991	-	-	320,991
Total Deferred Inflows of Resources	373,183	-	-	373,183
Total Liabilities and Deferred Inflows of Resources	822,605	114,345	63,995	1,000,945
Fund Balances				
Nonspendable:				
Prepaid insurance and inventory	342,596	-	-	342,596
Advances to other funds	603,535	-	-	603,535
Restricted for public safety	-	-	80,033	80,033
Committed:				
Capital projects and equipment	-	473,758	620,571	1,094,329
Public safety	-	-	31,502	31,502
Assigned:				
Vested unpaid vacation and sick leave	363,710	-	-	363,710
Parks	-	-	24,837	24,837
Unassigned	3,578,349	-	-	3,578,349
Total Fund Balances	4,888,190	473,758	756,943	6,118,891
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,710,795	\$ 588,103	\$ 820,938	\$ 7,119,836

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position
December 31, 2015

Total fund balances for governmental funds		\$ 6,118,891
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 consist of:		
Land and land improvements	\$ 1,852,489	
Construction in progress	1,994,684	
Buildings	10,802,901	
Improvements other than buildings	22,274,624	
Machinery and equipment	7,497,558	
Accumulated depreciation	<u>(22,100,831)</u>	
Total capital assets		22,321,425
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	320,991	
Delinquent property taxes receivable	<u>52,192</u>	
Total long-term assets		373,183
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	(785,000)	
Unamortized premium	(103,546)	
Accrued interest	(12,517)	
Vested unpaid vacation and sick leave	(363,710)	
Net pension liability	<u>(6,724,589)</u>	
Total long-term liabilities		(7,989,362)
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.		
		67,616
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	1,204,361	
Deferred inflows of resources related to pensions	<u>(119,054)</u>	
Total deferred pension items		<u>1,085,307</u>
Total Net Position of Governmental Activities		\$ 21,977,060

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2015	Major Funds			Total Governmental Funds
	General	Capital Projects	Nonmajor Funds	
Revenues				
Taxes	\$ 7,819,981	\$ -	\$ -	\$ 7,819,981
Licenses and permits	166,985	-	-	166,985
Fines and forfeitures	127,996	-	-	127,996
Intergovernmental	1,716,255	454,421	1,304,801	3,475,477
Special assessments	47,533	-	-	47,533
Charges for services	2,551,041	-	-	2,551,041
Miscellaneous	236,266	-	1,100	237,366
Total Revenues	12,666,057	454,421	1,305,901	14,426,379
Expenditures				
Current:				
General government	2,903,280	19,939	-	2,923,219
Public safety	5,089,108	40,857	85,480	5,215,445
Public works	1,928,768	-	-	1,928,768
Community services	1,382,880	-	-	1,382,880
Debt service	266,299	-	-	266,299
Capital outlay	-	648,742	1,281,003	1,929,745
Total Expenditures	11,570,335	709,538	1,366,483	13,646,356
Excess of Revenues Over (Under) Expenditures	1,095,722	(255,117)	(60,582)	780,023
Other Financing Sources (Uses)				
Transfers in	371,209	337,000	66,325	774,534
Transfers out	(903,325)	(158,019)	-	(1,061,344)
Net Other Financing Sources (Uses)	(532,116)	178,981	66,325	(286,810)
Net Change in Fund Balances	563,606	(76,136)	5,743	493,213
Fund Balances, beginning	4,324,584	549,894	751,200	5,625,678
Fund Balances, ending	\$ 4,888,190	\$ 473,758	\$ 756,943	\$ 6,118,891

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, 2015

Net change in fund balances - total governmental funds	\$ 493,213
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures.	
However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.	
This is the amount by which capital outlays (\$2,427,035) exceeds the sum of depreciation expense (\$1,313,454) and capital asset deletions (\$76,250).	
	1,096,853
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net decrease in deferred special assessments and property taxes.	
	(37,977)
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 (\$225,000) 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.	
	229,227
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 (increases) decreases in:	
Accrued interest	1,250
Vested unpaid vacation and sick leave	47,139
Net pension liability and related accounts	(1,076,174)
	753,531
Change in Net Position of Governmental Activities	\$ 753,531

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Net Position

<i>December 31, 2015</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	\$ 475,059	\$ -	\$ -	\$ 1,037,285	\$ 1,512,344
Receivables:					
Accounts	253,681	4,625	-	107,336	365,642
Grants	359,116	119,127	-	-	478,243
Prepaid expenses	-	49,360	-	-	49,360
Inventory	140,707	-	59,982	-	200,689
Total Current Assets	1,228,563	173,112	59,982	1,144,621	2,606,278
Noncurrent Assets					
Land held for sale	-	-	-	217,414	217,414
Assessments receivable	198,749	-	-	-	198,749
Property, plant and equipment:					
Land and improvements	45,164	1,412,289	1,544,620	-	3,002,073
Buildings	60,067	509,758	254,559	52,667	877,051
Machinery and equipment	1,153,052	794,541	369,631	1,030,708	3,347,932
Improvements other than buildings	72,781,549	18,028,130	667,234	-	91,476,913
Total property, plant and equipment	74,039,832	20,744,718	2,836,044	1,083,375	98,703,969
Less accumulated depreciation	(19,744,218)	(14,123,030)	(892,244)	(782,476)	(35,541,968)
Net property, plant and equipment	54,295,614	6,621,688	1,943,800	300,899	63,162,001
Construction work in progress	5,425,826	511,609	-	-	5,937,435
Total Noncurrent Assets	59,920,189	7,133,297	1,943,800	518,313	69,515,599
Total Assets	61,148,752	7,306,409	2,003,782	1,662,934	72,121,877
Deferred Outflows of Resources - related to pensions	47,857	17,901	-	52,162	117,920
Total Assets and Deferred Outflows of Resources	\$ 61,196,609	\$ 7,324,310	\$ 2,003,782	\$ 1,715,096	\$ 72,239,797

See accompanying notes to basic financial statements.

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

<i>December 31, 2015</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Liabilities, Deferred Inflows of Resources, and Net Position					
Liabilities					
Current Liabilities					
Accounts payable	\$ 66,967	\$ 9,016	\$ 664	\$ 26,815	\$ 103,462
Capital related accounts payable	55,183	52,802	-	-	107,985
Accrued payroll and employee benefits	223	-	-	-	223
Vested unpaid vacation and sick leave	53,177	2,220	-	8,363	63,760
Current portion of loans payable - State of Alaska	177,146	-	-	-	177,146
Unearned revenue	-	62,723	18,387	-	81,110
Due to other funds	-	97,674	-	49,231	146,905
Accrued interest payable	21,693	-	-	-	21,693
Customer deposits	195,544	-	-	-	195,544
Civil penalty payable	192,000	-	-	-	192,000
Total Current Liabilities	761,933	224,435	19,051	84,409	1,089,828
Long-term Liabilities, net of current portion					
Loans payable - State of Alaska	2,915,634	-	-	-	2,915,634
Advances from other fund	-	112,589	490,946	-	603,535
Net pension liabilities	267,213	99,953	-	291,249	658,415
Total Long-term Liabilities	3,182,847	212,542	490,946	291,249	4,177,584
Total Liabilities	3,944,780	436,977	509,997	375,658	5,267,412
Deferred Inflows of Resources - related to pensions	4,731	1,769	-	5,156	11,656
Net Position					
Net investment in capital assets	56,628,660	7,133,297	1,943,800	300,899	66,006,656
Unrestricted (deficit)	618,438	(247,733)	(450,015)	1,033,383	954,073
Total Net Position	57,247,098	6,885,564	1,493,785	1,334,282	66,960,729
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 61,196,609	\$ 7,324,310	\$ 2,003,782	\$ 1,715,096	\$ 72,239,797

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, 2016</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Operating Revenues	\$ 2,249,602	\$ 211,882	\$ 834,982	\$ 641,760	\$ 3,938,226
Operating Expenses					
Salaries and employee benefits	672,649	151,501	-	184,462	1,008,612
Administrative services	369,789	116,224	658,850	128,882	1,273,745
Other operating expenses	641,367	164,191	159,059	364,647	1,329,264
Depreciation	1,741,079	537,890	49,754	53,691	2,382,414
Total Operating Expenses	3,424,884	969,806	867,663	731,682	5,994,035
Operating Income (Loss)	(1,175,282)	(757,924)	(32,681)	(89,922)	(2,055,809)
Nonoperating Revenues (Expenses)					
State PERS relief	107,525	27,333	-	46,127	180,985
Insurance reimbursement	29,138	-	-	-	29,138
Miscellaneous income	31,908	-	-	-	31,908
Gain on disposal of capital assets	5,000	-	-	-	5,000
Interest expense	(31,082)	-	-	-	(31,082)
Civil penalty expense	(192,000)	-	-	-	(192,000)
Net Nonoperating Revenues (Expenses)	(49,511)	27,333	-	46,127	23,949
Income (Loss) Before Contributions and Transfers	(1,224,793)	(730,591)	(32,681)	(43,795)	(2,031,860)
Capital contributions	4,236,375	348,732	-	-	4,585,107
Transfers in	40,909	590,000	-	-	630,909
Transfers out	(220,035)	(268,182)	(47,161)	(35,994)	(571,372)
Change in Net Position	2,832,456	(60,041)	(79,842)	(79,789)	2,612,784
Beginning Net Position, as restated (Note 16)	54,414,642	6,945,605	1,573,627	1,414,071	64,347,945
Ending Net Position	\$ 57,247,098	\$ 6,885,564	\$ 1,493,785	\$ 1,334,282	\$ 66,960,729

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2015	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Cash Flows from (for) Operating Activities					
Cash receipts from (for) customers and users	\$ 2,334,105	\$ 221,307	\$ 842,474	\$ 628,731	\$ 4,026,617
Payments to suppliers	(918,053)	(219,680)	(747,945)	(355,942)	(2,241,620)
Payments to employees	(519,600)	(108,410)	-	(92,309)	(720,319)
Payments for interfund services used	(369,789)	(116,224)	-	(128,882)	(614,895)
Net cash flows from (for) operating activities	526,663	(223,007)	94,529	51,598	449,783
Cash Flows from (for) Noncapital Financing Activities					
Increase in due to other funds	-	97,674	-	-	97,674
Transfers in	40,909	-	-	-	40,909
Transfers out	(220,035)	-	(47,161)	(35,994)	(303,190)
Net cash flows from (for) noncapital financing activities	(179,126)	97,674	(47,161)	(35,994)	(164,607)
Cash Flows from (for) Capital and Related Financing Activities					
Capital contributions received	5,068,250	283,278	-	-	5,351,528
Transfers in	-	590,000	-	-	590,000
Increase in property, plant and equipment and construction work in progress	(5,627,801)	(352,863)	(9,809)	(12,686)	(6,003,159)
Decrease in prepaid rent	-	(148,539)	-	-	(148,539)
Decrease in advance from other fund	-	(246,543)	(37,559)	-	(284,102)
Proceeds from loans	392,230	-	-	-	392,230
Proceeds from disposal of capital assets	5,000	-	-	-	5,000
Principal payments on loans payable - State of Alaska	(175,108)	-	-	-	(175,108)
Interest paid	(32,588)	-	-	-	(32,588)
Net cash flows from (for) capital and related financing activities	(370,017)	125,333	(47,368)	(12,686)	(304,738)
Net Increase (Decrease) in Cash and Investments	(22,480)	-	-	2,918	(19,562)
Cash and Investments, beginning	497,539	-	-	1,034,367	1,531,906
Cash and Investments, ending	\$ 475,059	\$ -	\$ -	\$ 1,037,285	\$ 1,512,344

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2015</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	\$ (1,175,282)	\$ (757,924)	\$ (32,681)	\$ (89,922)	\$ (2,055,809)
Adjustments to reconcile operating loss to net cash from (for) operating activities:					
Depreciation	1,741,079	537,890	49,754	53,691	2,382,414
Noncash expense - PERS relief	107,525	27,333	-	46,127	180,985
Other revenues	61,046	-	-	-	61,046
(Increase) decrease in assets and deferred outflows of resources:					
Accounts receivable	13,444	(4,625)	-	(13,029)	(4,210)
Prepaid expenses	-	(49,360)	3,269	-	(46,091)
Inventories	(12,770)	-	66,688	-	53,918
Deferred outflows of resources related to pensions	(39,037)	(14,602)	-	(42,549)	(96,188)
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	(263,916)	(6,129)	7	8,705	(261,333)
Vested unpaid vacation and sick leave	2,760	(237)	-	(583)	1,940
Unearned revenue	(9,187)	14,050	7,492	-	12,355
Customer deposits	19,200	-	-	-	19,200
Net pension liability	96,763	36,194	-	105,466	238,423
Deferred inflows of resources related to pensions	(14,962)	(5,597)	-	(16,308)	(36,867)
Net Cash from (for) Operating Activities	\$ 526,663	\$ (223,007)	\$ 94,529	\$ 51,598	\$ 449,783
Noncash Capital and Related Financing Activities					
Purchased capital assets included in accounts payable	55,183	52,802	-	-	107,985
Transfer of capital assets to another fund	-	(268,182)	-	-	(268,132)

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Notes to Basic Financial Statements December 31, 2015

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.

The *Capital Projects Capital Project Fund* is used to account for the revenues obtained and expenditures made for capital investments funded by the City. The Capital Projects Fund did not meet the quantitative criteria for a major fund presentation; however, the City has elected to report it as major for consistency and due to public interest.

Major proprietary funds:

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

City of Palmer, Alaska

Notes to Basic Financial Statements

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Pensions

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

Comparative Data

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

Deferred Inflows/Outflows of Resources

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

2. Stewardship, Compliance and Accountability

Budgetary Accounting

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

3. Cash and Investments

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

Reconciliation of Deposit and Investment Balances

Cash and investments were comprised of the following at December 31, 2015.

Cash and cash equivalents	\$	5,176,853
Investments		991,636
Total Cash and Investments	\$	6,168,489

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 Moody's, 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, 2015 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 991,636	\$ -	\$ 991,636
Total Investments	\$ 991,636	\$ -	\$ 991,636

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, 2015, 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	\$ 52,192
Special assessments not yet due and delinquent - General Fund	320,991
Total Deferred Inflows	\$ 373,183
Unearned revenue:	
Grant drawdowns	\$ 78,640
Other revenues received in advance	9,850
Total Unearned Revenue	\$ 88,490

The remainder of this page intentionally left blank.

City of Palmer, Alaska

Notes to Basic Financial Statements

5. Capital Assets

In 2015, the City recorded two land asset transfers (internal asset sales) from the Airport Fund to two other funds. Pursuant to FAA regulation, the sales were required to be consummated at fair market value, based on current appraisal. Generally accepted accounting rules require that internal capital asset sales must be recorded at the original cost basis, and any payment over the original basis must be reflected as an operating transfer. In order to satisfy both requirements, the City recorded cash transfers in the amount of the appraised value to the Airport Fund to demonstrate the full market value cash movement; then, in turn, recorded the capital asset transfers out of the Airport Fund, at historical cost. The assets sold were as follows:

	Historical Cost (Transfer OUT of Airport)	Appraised Value (Transfer IN to Airport)	Airport "gain" on sale (Net transfers IN to Airport)
Land sale from Airport to Water/Sewer Fund	\$ 40,909	\$ 90,000	\$ 49,091
Land sale from Airport to General Capital Assets	227,273	500,000	272,727
Total Transfers	\$ 268,182	\$ 590,000	\$ 321,818

The following summarizes the changes in capital assets for the year ended December 31, 2015:

	Balance January 1, 2015	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2015
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,625,216	\$ 227,273	\$ -	\$ 1,852,489
Construction in progress	2,841,899	1,762,899	(2,610,114)	1,994,684
Total assets not being depreciated	4,467,115	1,990,172	(2,610,114)	3,847,173
<i>Capital assets being depreciated:</i>				
Buildings	10,802,901	-	-	10,802,901
Improvements other than buildings	19,556,743	2,700,118	(14,541)	22,242,320
Machinery and equipment	7,261,440	346,859	(78,437)	7,529,862
Total assets being depreciated	37,621,084	3,046,977	(92,978)	40,575,083
Less accumulated depreciation for:				
Buildings	7,608,269	326,726	-	7,934,995
Improvements other than buildings	7,852,956	601,419	-	8,454,375
Machinery and equipment	5,402,402	385,309	(76,250)	5,711,461
Total accumulated depreciation	20,863,627	1,313,454	(76,250)	22,100,831
Total capital assets being depreciated, net	16,757,457	1,733,523	(16,728)	18,474,252
Governmental Activity Capital Assets, Net	\$21,224,572	\$ 3,723,695	\$ (2,626,842)	\$ 22,321,425

City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2015	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2015
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,229,346	\$ 40,909	\$ (268,182)	\$ 3,002,073
Construction work in progress	7,426,868	4,987,451	(6,476,884)	5,937,435
Total assets not being depreciated	10,656,214	5,028,360	(6,745,066)	8,939,508
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	85,000,029	6,476,884	-	91,476,913
Machinery and equipment	3,291,581	56,351	-	3,347,932
Total assets being depreciated	89,168,661	6,533,235	-	95,701,896
Less accumulated depreciation for:				
Buildings	752,732	13,765	-	766,497
Improvements other than buildings	30,145,622	2,202,844	-	32,348,466
Machinery and equipment	2,261,200	165,805	-	2,427,005
Total accumulated depreciation	33,159,554	2,382,414	-	35,541,968
Total capital assets being depreciated, net	56,009,107	4,150,821	-	60,159,928
Business-type Activity Capital Assets, Net	\$ 66,665,321	\$ 9,179,181	\$ (6,745,066)	\$ 69,099,436

Depreciation expense was charged to the functions as follows for the year ended December 31, 2015:

Governmental Activities	
General government	\$ 75,097
Public safety	268,092
Public works	675,441
Community services	294,824
Total Governmental Activities	\$ 1,313,454
Business-type Activities	
Water and sewer	\$ 1,741,079
Airport	537,890
Refuse	53,691
Golf course	49,754
Total Business-type Activities	\$ 2,382,414

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, 2015, follows:

Advance from the General Fund to:	
Golf Course Enterprise Fund	\$ 490,946
Airport Enterprise Fund	112,589
<hr/>	
Total Advance from Other Funds	\$ 603,535
<hr/>	
Due to the General Fund from:	
Airport Enterprise Fund for short-term operating advances	97,674
Nonmajor enterprise funds for short-term operating advances	49,231
<hr/>	
Total Due to the General Fund	\$ 146,905

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 for payment in lieu of tax	\$ 130,035
Golf Course Enterprise Fund for payment in lieu of tax	47,161
Nonmajor enterprise funds for payment in lieu of tax	35,994
Capital Projects Capital Project Fund for return of capital	158,019
To Equipment Capital Projects Fund from General Fund to cover capital costs	66,325
To Capital Projects Fund from General Fund to cover capital costs	337,000
To Airport Enterprise Fund from General Fund for interfund land sales	500,000
To Airport Enterprise Fund from Water and Sewer Enterprise Fund for interfund land sales	90,000
To Water and Sewer Enterprise Fund from Airport Enterprise Fund for interfund land sales	40,909
<hr/>	
Total Transfers to Other Fund - Fund Level	\$ 1,405,443
<hr/>	
Transfer of capital asset to governmental capital assets from Airport Enterprise Fund for interfund land sales	227,273
<hr/>	
Total Transfers - Including Capital Assets	\$ 1,632,716

City of Palmer, Alaska

Notes to Basic Financial Statements

7. Long-term Debt

In October 2010, voters approved \$3 million in general obligation bonds to acquire property known as Mat Maid block. In October 2011, voters approved \$2 million in revenue bonds to be used to finance additional water and sewer improvement projects. As of December 31, 2015, neither of these bonds has been issued.

In October 2013, the City signed a Drinking 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, 2015 \$955,925 had been drawn on the loan.

In May 2015, the City signed a Drinking Water Loan Agreement to fund the on-going Steel Water Main Replacement project. The loan is in a maximum amount of \$1,285,714 with \$964,286 eligible for principal forgiveness subsidy. The unsubsidized portion will bear interest at 1.5% with a repayment term of 20 years following project completion.

A summary of long-term debt transactions of the City for the year ended December 31, 2015, follows:

	Balance December 31, 2014	Additions	Retired	Balance December 31, 2015	Due Within One Year
Governmental Activities					
<i>Bonds Payable:</i>					
\$1,320,000 refunding Golf Course general obligation bonds, paid in full in 2015	\$ 150,000	\$ -	\$ 150,000	\$ -	-
\$900,000 2012 refunding Ice Rink general obligation bonds, due in annual installments of \$75,000 to \$110 250, plus interest ranging from 2.0% to 5.0% through 2024	860,000	-	75,000	785,000	75,000
Unamortized premium on Ice Rink GO bonds	115,728	-	12,182	103,546	-
Vested unpaid vacation and sick leave	410,849	429,525	476,664	363,710	363,710
Net pension liability (restated)	4,289,483	2,435,106	-	6,724,589	-
Total Governmental Activities	\$ 5,826,060	\$ 2,864,631	\$ 713,846	\$ 7,976,845	\$ 438,710

The remainder of this page intentionally left blank.

City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance December 31, 2014	Additions	Retired	Balance December 31, 2015	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	\$ 67,531	\$ -	\$ 13,107	\$ 54,424	\$ 13,304
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	243,742	-	20,546	223,196	20,854
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	315,672	-	29,495	286,177	29,937
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	508,300	-	39,100	469,200	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	1,037,268	-	72,859	964,409	73,951
\$1,071,429 State of Alaska Water Utility loan currently in drawdown phase. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	703,144	252,781	-	955,925	-
\$1,285,714 (\$964,286 forgiven) State of Alaska Water Utility loan currently in drawdown phase. Maximum repayment amount of \$321,428. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	-	139,449	-	139,449	-
Vested unpaid vacation and sick leave	61,820	53,293	51,353	63,760	63,760
Net pension liability (restated)	238,423	419,992	-	658,415	-
Total Business-type Activities	\$ 3,175,900	\$ 865,515	\$ 226,460	\$ 3,814,955	\$ 240,906

City of Palmer, Alaska

Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2016	\$ 75,000	\$ 34,550	\$ 109,550
2017	75,000	31,550	106,550
2018	80,000	30,050	110,050
2019	80,000	26,850	106,850
2020	85,000	22,850	107,850
2021-2025	390,000	49,100	439,100
2026-2030	-	-	-
Total Governmental Activities General Obligation Bonds	\$ 785,000	\$ 194,950	\$ 979,950

Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2016	\$ 177,146	\$ 29,961	\$ 207,107
2017	179,216	27,305	206,521
2018	181,318	24,616	205,934
2019	183,452	21,896	205,348
2020	171,497	19,144	190,641
2021-2025	853,641	56,529	910,170
2026-2030	251,136	5,661	256,797
	\$ 1,997,406	\$ 185,112	\$ 2,182,518
Loans not in repayment status	1,095,374		
Total Business-type Activities Loans Payable	\$ 3,092,780		

Bond Covenants

All significant bond covenants have been complied with as of December 31, 2015.

8. 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, 2015 was \$550,898.

These bonds do not 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.

City of Palmer, Alaska

Notes to Basic Financial Statements

9. Fund Balances

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

	General Fund	Capital Projects Capital Project Fund	Nonmajor Funds	Totals
Nonspendable:				
Prepaid insurance and inventory	\$ 342,596	\$ -	\$ -	\$ 342,596
Advances to other funds	603,535	-	-	603,535
Total nonspendable	946,131	-	-	946,131
Restricted for public safety	-	-	80,033	80,033
Committed:				
Public safety	-	-	31,502	31,502
Capital projects and equipment	-	473,758	620,571	1,094,329
Total committed	-	473,758	652,073	1,125,831
Assigned:				
Vested unpaid vacation and sick leave	363,710	-	-	363,710
Parks	-	-	24,837	24,837
Total assigned	363,710	-	24,837	388,547
Unassigned	3,578,349	-	-	3,578,349
Total Fund Balances	\$ 4,888,190	\$ 473,758	\$ 756,943	\$ 6,118,891

10. Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

Historical Context and Special Funding Situation

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

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

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State initially determined that the Plan is *not* in a special funding situation. Following much discussion with various stakeholders, participant communities, attorneys, auditors, and the GASB, itself the State has subsequently reversed its position on this matter, and as of June 30, 2015, the State did record the liability presuming that the current statute does constitute a special funding situation as the legislation is currently written. It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process, and it is likely that the State will pursue efforts to do so in a future legislative session.

For the current year financial statements, management has treated AS 39.35.255 as constituting a special funding situation under GASB 68 rules and has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

The City records these on-behalf contributions as revenue and expense/expenditures as dictated by the governing GAAP for each basis of accounting depending on fund type.

Employee Contribution Rates

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in state fiscal year 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for State Fiscal Year 2015 (July 1, 2014 - June 30, 2015) significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. On the enterprise fund and government-wide financial statements, the on-behalf amounts are included in revenue and expense only to the extent they are applicable to the measurement period.

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

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

The remainder of this page intentionally left blank.

City of Palmer, Alaska

Notes to Basic Financial Statements

Contribution rates for the years ended June 30, 2015 and June 30, 2016 were determined in the June 30, 2012 and June 30, 2013 actuarial valuations, respectively. City contribution rates for the 2015 calendar year were as follows:

<i>January 1, 2015 to June 30, 2015</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	12.54%	25.09%	42.41%	33.05%
Postemployment healthcare (see Note 12)	9.46%	18.94%	- %	55.07%
Total Contribution Rates	22.00%	44.03%	42.41%	88.12%

<i>July 1, 2015 to December 31, 2015</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (see Note 12)	8.75%	10.81%	1.56%	58.73%
Total Contribution Rates	22.00%	27.19%	5.19%	96.52%

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

	Measurement Period July 1, 2014 to June 30, 2015	City Fiscal Year January 1, 2015 to December 31, 2015
Employer contributions (including DBUL)	\$ 428,236	\$ 446,116
Nonemployer contributions (on-behalf)	1,983,379	1,158,181
Total Contributions	\$ 2,411,615	\$ 1,604,297

In addition, employee contributions to the Plan totaled \$170,303 during the City's fiscal year.

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

At December 31, 2015, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2015
City proportionate share of NPL	\$ 7,383,004
State's proportionate share of NPL associated with the City	1,977,456
Total Net Pension Liability	\$ 9,360,460

City of Palmer, Alaska

Notes to Basic Financial Statements

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2015 measurement date, the City's proportion was 0.15223 percent, which was an increase of 0.05126 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$3,611,038. Of this amount, \$1,977,456 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,606	\$ -
Changes in assumptions	431,692	-
Net difference between projected and actual earnings on pension plan investments	-	(130,710)
Changes in proportion and differences between City contributions and proportionate share of contributions	650,428	-
City contributions subsequent to the measurement date	231,555	-
Total Deferred Outflows and Deferred Inflows Related to Pensions	\$ 1,322,281	\$ (130,710)

The \$231,555 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,

2016	\$	908,252
2017		14,581
2018		(83,946)
2019		121,129
Total Amortization	\$	960,016

City of Palmer, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement period, and rolled forward to the measurement date of June 30, 2015. The actuarial valuation for the year ended June 30, 2014 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for Peace Officers/Firefighters. Graded by age and service, from 8.53% to 4.34% for all others.
Investment Return / Discount Rate	8.00% net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and real rate of return over 4.88%.
Mortality	Rates based on the 1994 Group Annuity Mortality Table, sex distinct, 1994 Base year without margin projected to 2013 using Projection Scale AA, 80% of the male table and 60% of the female table for pre-termination mortality for Peace officers/fire fighters. 75% for male and 55% for female for pre-termination for all others; and 100% for males and 1-year set-forward for females for post-termination.

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

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	5.35%
International equity	5.55%
Private equity	6.25%
Fixed income	.08%
Real estate	3.65%
Absolute return	4.70%

City of Palmer, Alaska

Notes to Basic Financial Statements

Discount Rate

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

Discount Rate Sensitivity

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.15223%	\$ 9,815,078	\$ 7,383,004	\$ 5,335,448

Pension Plan Fiduciary Net Position

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

11. Defined Contribution (DC) Pension Plan

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2015, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2015 were \$98,559 and \$157,693, respectively. The City contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

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

Employer Contribution Rate

For the six months ended June 30, 2015, the City was required to contribute 9.46% of covered payroll into the OPEB plan. That rate changed to 8.75% of covered payroll as of July 1, 2015. Employees do not contribute.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2015, 2014, and 2013 were \$34,833, \$135,390 and \$235,323, respectively.

<i>Years Ending December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2015	\$ 314,323	\$ 314,323	100 %
2014	345,813	345,813	100 %
2013	392,770	392,770	100 %

City of Palmer, Alaska

Notes to Basic Financial Statements

Defined Contribution OPEB

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2015 were as follows:

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

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

Annual Postemployment Healthcare Cost

In 2015, the City contributed \$110,415 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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, 2015.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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 matters noted below. To date, due to the current status and unknown final disposition of each of these claims, no liabilities have been recorded or reflected in these financial statements.

Wastewater Treatment Plant (Civil Penalty)

The City has been in ongoing communication with the Alaska Department of Environmental Conservation, the US Environmental Protection Agency, and the US Department of Justice regarding compliance with wastewater utility discharge permit requirements based on Clean Water Act standards and the City's Alaska Pollution Discharge Elimination System (AKPDES) and National Pollution Discharge Elimination System Permits. A tolling agreement between the City, State of Alaska, and the US Government was implemented subsequent to year end and negotiations on a consent decree are ongoing. The City is developing a wastewater treatment facility master plan and future development of a major construction project to the Wastewater Treatment Plan to reduce discharge to acceptable levels. Management believes that a civil penalty in the amount of \$ 192,000 will result from negotiations and future settlement which has been assessed to the Water and Sewer fund as of December 31, 2015.

Beeson vs. City of Palmer

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

US Ex Rel. Cohen vs. City of Palmer, Alaska

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

The remainder of this page intentionally left blank.

City of Palmer, Alaska

Notes to Basic Financial Statements

Citizen Complaint

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

Airport

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

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

16. Change in Accounting Principle

As discussed in Note 10 to the financial statements, the City participates in the Alaska Public Employees Retirement System (PERS) plan. In 2015 the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance pension liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Governmental Activities	\$ 25,786,637	\$ (4,563,108)	\$ 21,223,529
Business-type Activities	64,794,728	(446,783)	64,347,945
Water and Sewer Enterprise Fund	54,595,965	(181,323)	54,414,642
Airport Enterprise Fund	7,013,431	(67,826)	6,945,605
Refuse Enterprise Funds	\$ 1,443,522	\$ (197,634)	\$ 1,245,888

The remainder of this page intentionally left blank.

City of Palmer, Alaska

Notes to Basic Financial Statements

17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined.

GASB 72 - Fair Value Measurement and Application - Effective for year-end December 31, 2016 - This statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This statement is expected to primarily affect investment disclosures.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This statement contains certain clarifications and amendments to GASB 67 and 68 as well as establishing requirements for both defined benefit and defined contribution pension plans not within the scope of GASB 68. Effective for fiscal year-end December 31, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for year-end December 31, 2017, with earlier application encouraged.

GASB 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Effective for year-end December 31, 2017, with earlier application encouraged - This statement contains financial reporting guidelines for Postemployment Benefit Plans. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new GASB 67 Pension rules.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end December 31, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - Effective for year-end December 31, 2016 - This statement clarifies the hierarchy of generally accepted accounting principles to be used in the preparation of state and local government financial statements. This statement supersedes the previous hierarchy established in GASB 55.

GASB 77 - Tax Abatement Disclosures - Effective for year-end December 31, 2016 - This statement requires local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, and the type and dollar amount of the tax. In addition, the statement requires disclosure of tax abatements issued by other governments that affect the local government's revenue recognition and reporting.

GASB 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - Effective for year-end December 31, 2016 - This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees through a cost-sharing multiple-employer defined benefit pension plan that is (1) not a state or local government pension plan, (2) used to

City of Palmer, Alaska

Notes to Basic Financial Statements

provide defined benefit pensions to employees of both government and non-government employers, and (3) has no predominant state or local government employer, either individually or collectively with other governmental employers providing pensions in the plan.

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

GASB 80 - Blending Requirements for Certain Component Units - Effective for year-end December 31, 2017, with earlier application encouraged - This statement requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement amends the previous requirements established in paragraph 53 of GASB 14. The criterion specified in GASB 80 does not apply to component units included in the financial reporting entity pursuant to GASB 39.

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

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

The remainder of this page intentionally left blank.

This page intentionally left blank.

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, 2015</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 7,569,655	\$ 7,661,880	\$ 7,819,981	\$ 158,101
Licenses and permits	169,825	178,515	166,985	(11,530)
Fines and forfeitures	109,000	126,977	127,996	1,019
Intergovernmental	802,305	1,575,796	1,716,255	140,459
Special assessments	49,563	61,023	47,533	(13,490)
Charges for services	2,482,188	2,555,614	2,551,041	(4,573)
Miscellaneous	96,412	241,100	236,266	(4,834)
Total Revenues	11,278,948	12,400,905	12,666,057	265,152
Expenditures				
General government	2,791,396	2,937,349	2,903,280	34,069
Public safety	4,676,854	5,204,879	5,089,108	115,771
Public works	2,161,262	2,157,342	1,928,768	228,574
Community services	1,149,354	1,534,802	1,382,880	151,922
Debt service	266,300	266,300	266,299	1
Total Expenditures	11,045,166	12,100,672	11,570,335	530,337
Excess of Revenues Over Expenditures	233,782	300,233	1,095,722	795,489
Other Financing Sources (Uses)				
Transfers in	159,422	374,120	371,209	(2,911)
Transfers out	(304,247)	(1,066,572)	(903,325)	163,247
Net Other Financing Sources (Uses)	(144,825)	(692,452)	(532,116)	160,336
Net Change in Fund Balance	\$ 88,957	\$ (392,219)	563,606	\$ 955,825
Fund Balance, beginning			4,324,584	
Fund Balance, ending			\$ 4,888,190	

City of Palmer, Alaska
Public Employees Retirement System
Schedule of the City's Information on the Net Pension Liability
Year Ended December 31, 2015

<i>Measurement Period Ended December 31,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.15223%	\$ 7,383,004	\$ 1,977,456	\$ 9,360,460	\$ 4,476,197	164.94%	63.96%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska
Public Employees Retirement System
Schedule of City Contributions

<i>Year Ended December 31,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 446,116	\$ 446,116	-	\$ 4,406,408	10.12%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska

Notes to Required Supplementary Information December 31, 2015

1. Budgetary Comparison Schedule

An operating budget is adopted each fiscal year for the General Fund on a modified accrual basis used to reflect actual revenues and expenditures. Appropriations lapse at year end to the extent that they have not been expended or encumbered.

The City follows these procedures in establishing the budgetary data reflected in the required budgetary comparison schedules

- a. During or prior to the sixth week prior to January 1, the City Manager submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. Prior to December 31, the budget is legally enacted through passage of a resolution.
- d. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.

The City publishes its annual budget document and it is available on the City's website at: www.cityofpalmer.org

2. Pension Disclosures

In accordance with GASB Statement 82, "Covered Payroll" is defined as payroll on which contributions to the pension plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both DB and DC).

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

Schedule of City's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2015, the Plan measurement date is June 30, 2015.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.
- There was a material change in the allocation methodology from the prior measurement period. The June 30, 2014 allocation was based on actual contributions for 2014. The June 30, 2015 allocation was based on the present value of future contributions for FY2017-FY2039, by projections based on the June 30, 2014 valuation.

Schedule of City Contributions

- This table is based on the City's contributions during calendar year 2015. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow on the December 31, 2015 basic financial statements.

This page intentionally left blank.

Supplementary Information

This page intentionally left blank.

Nonmajor Governmental Funds

City of Palmer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2015</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds	
	Narcotics Grant	Police Grants	Neighborhood		Asset Forfeiture	Equipment		Road Improve- ments
			Development	Parks				
Assets								
Cash and investments	\$ 26,705	\$ 4,797	\$ 24,837	\$ 80,033	\$ 516,537	\$ 100,838	\$ 753,747	
Grants receivable	-	-	-	-	67,191	-	67,191	
Total Assets	\$ 26,705	\$ 4,797	\$ 24,837	\$ 80,033	\$ 583,728	\$ 100,838	\$ 820,938	
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 63,995	\$ -	\$ 63,995	
Fund Balances								
Restricted for public safety	-	-	-	80,033	-	-	80,033	
Committed:								
Capital projects and equipment	-	-	-	-	519,733	100,838	620,571	
Public safety	26,705	4,797	-	-	-	-	31,502	
Assigned for parks	-	-	24,837	-	-	-	24,837	
Total Fund Balances	26,705	4,797	24,837	80,033	519,733	100,838	756,943	
Total Liabilities and Fund Balances	\$ 26,705	\$ 4,797	\$ 24,837	\$ 80,033	\$ 583,728	\$ 100,838	\$ 820,938	

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

<i>Year Ended December 31, 2015</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
Revenues							
Federal government	\$ -	\$ 10,314	\$ -	\$ 31,428	\$ -	\$ -	\$ 41,742
State of Alaska	-	-	-	-	1,263,059	-	1,263,059
Miscellaneous	-	-	1,100	-	-	-	1,100
Total Revenues	-	10,314	1,100	31,428	1,263,059	-	1,305,901
Expenditures							
Public safety	-	10,314	-	75,166	-	-	85,480
Capital outlay	-	-	-	-	1,280,572	431	1,281,003
Total Expenditures	-	10,314	-	75,166	1,280,572	431	1,366,483
Excess of Revenues Over (Under) Expenditures	-	-	1,100	(43,738)	(17,513)	(431)	(60,582)
Other Financing Sources							
Transfers in	-	-	-	-	66,325	-	66,325
Net Change in Fund Balances	-	-	1,100	(43,738)	48,812	(431)	5,743
Fund Balances, beginning	26,705	4,797	23,737	123,771	470,921	101,269	751,200
Fund Balances, ending	\$ 26,705	\$ 4,797	\$ 24,837	\$ 80,033	\$ 519,733	\$ 100,838	\$ 756,943

This page intentionally left blank.

Nonmajor Enterprise Funds

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

<i>December 31, 2015</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 1,037,285	\$ -	\$ 1,037,285
Accounts receivable	107,336	-	107,336
Total Current Assets	1,144,621	-	1,144,621
Land Held for Sale	-	217,414	217,414
Property, Plant and Equipment			
Buildings	52,667	-	52,667
Machinery and equipment	1,030,708	-	1,030,708
Total property, plant and equipment	1,083,375	-	1,083,375
Less accumulated depreciation	(782,476)	-	(782,476)
Net Property, Plant and Equipment	300,899	-	300,899
Total Assets	1,445,520	217,414	1,662,934
Deferred Outflows of Resources - related to pensions	52,162	-	52,162
Total Assets and Deferred Outflows of Resources	\$ 1,497,682	\$ 217,414	\$ 1,715,096
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Accounts payable	\$ 26,815	\$ -	\$ 26,815
Vested unpaid vacation and sick leave	8,363	-	8,363
Due to other funds	-	49,231	49,231
Total Current Liabilities	35,178	49,231	84,409
Long-term Liabilities - net pension liability	291,249	-	291,249
Total Liabilities	326,427	49,231	375,658
Deferred Inflows of Resources - related to pensions	5,156	-	5,156
Net Position			
Net investment in capital assets	300,899	-	300,899
Unrestricted	865,200	168,183	1,033,383
Total Net Position	1,166,099	168,183	1,334,282
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,497,682	\$ 217,414	\$ 1,715,096

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

<i>Year Ended December 31, 2015</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 641,760	\$ -	\$ 641,760
Operating Expenses			
Salaries and employee benefits	184,462	-	184,462
Administrative services	128,882	-	128,882
Other operating expenses	364,647	-	364,647
Depreciation	53,691	-	53,691
Total Operating Expenses	731,682	-	731,682
Operating Loss	(89,922)	-	(89,922)
Nonoperating Revenues			
State PERS relief	46,127	-	46,127
Income Before Transfers	(43,795)	-	(43,795)
Transfers out	(35,994)	-	(35,994)
Change in Net Position	(79,789)	-	(79,789)
Beginning Net Position, as restated (Note 16)	1,245,888	168,183	1,414,071
Ending Net Position	\$ 1,166,099	\$ 168,183	\$ 1,334,282

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

<i>Year Ended December 31, 2015</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Cash receipts from customers and users	\$ 628,731	\$ -	\$ 628,731
Payments to suppliers	(355,942)	-	(355,942)
Payments to employees	(92,309)	-	(92,309)
Payments for interfund services used	(128,882)	-	(128,882)
Net cash flows from operating activities	51,598	-	51,598
Cash Flows for Noncapital Financing Activities			
Transfers out	(35,994)	-	(35,994)
Cash Flows for Capital and Related Financing Activities			
Increase in property, plant and equipment	(12,686)	-	(12,686)
Net Increase in Cash and Investments	2,918	-	2,918
Cash and Investments, beginning	1,034,367	-	1,034,367
Cash and Investments, ending	\$ 1,037,285	\$ -	\$ 1,037,285
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (89,922)	\$ -	\$ (89,922)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	53,691	-	53,691
Noncash expense - PERS relief	46,127	-	46,127
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	(13,029)	-	(13,029)
Deferred outflows of resources related to pensions	(42,549)	-	(42,549)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	8,705	-	8,705
Vested unpaid vacation and sick leave	(583)	-	(583)
Net pension liability	105,466	-	105,466
Deferred inflows of resources related to pensions	(16,308)	-	(16,308)
Net Cash from Operating Activities	\$ 51,598	\$ -	\$ 51,598

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>	2015	2014
Assets		
Cash and investments	\$ 3,388,104	\$ 2,874,377
Receivables, net of allowance for uncollectibles:		
Sales taxes	640,528	614,565
Property taxes	232,056	124,034
Accounts	36,081	39,555
Assessments:		
Current	30,339	35,395
Delinquent	46,271	41,560
Deferred	244,380	284,719
Prepaid insurance	331,283	184,343
Prepaid rent - airport	-	148,464
Inventory	11,313	8,117
Due from other funds	146,905	49,231
Advances to other funds	603,535	887,637
Total Assets	\$ 5,710,795	\$ 5,291,997
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Accounts payable	\$ 190,567	\$ 226,566
Accrued payroll and employee benefits	206,219	184,767
Deposits	9,146	9,006
Unearned revenue	43,490	135,914
Total Liabilities	449,422	556,253
Deferred Inflows of Resources		
Deferred property taxes	52,192	49,486
Deferred assessments	320,991	361,674
Total Deferred Inflows of Resources	373,183	411,160
Total Liabilities and Deferred Inflows of Resources	822,605	967,413
Fund Balance		
Nonspendable:		
Prepaid insurance, prepaid rent, and inventory	342,596	340,924
Advances to other funds	603,535	887,637
Assigned for vested unpaid vacation and sick leave	363,710	410,849
Unassigned	3,578,349	2,685,174
Total Fund Balance	4,888,190	4,324,584
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 5,710,795	\$ 5,291,997

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

<i>Years Ended December 31,</i>	2015		Variance with	2014
	Budget	Actual	Budget	Actual
Revenues				
Taxes:				
Sales taxes	\$ 6,479,400	\$ 6,503,870	\$ 24,470	\$ 6,494,251
Real and personal property taxes	1,182,480	1,316,111	133,631	1,217,736
Total taxes	7,661,880	7,819,981	158,101	7,711,987
Licenses and permits:				
Business licenses	68,015	68,015	-	62,824
Permits	110,500	98,970	(11,530)	123,254
Total licenses and permits	178,515	166,985	(11,530)	186,078
Fines and forfeitures	126,977	127,996	1,019	111,314
Intergovernmental:				
State revenue sharing	365,453	365,453	-	386,258
Liquor licenses	12,000	11,500	(500)	12,900
Electric and telephone co-op tax	145,919	145,919	-	134,297
State PERS relief	945,395	1,086,183	140,788	1,124,544
Library grants	54,500	54,720	220	61,930
Public safety grants	10,000	10,000	-	10,000
Motor vehicle tax	42,529	42,480	(49)	59,529
Total intergovernmental	1,575,796	1,716,255	140,459	1,789,458
Special assessments	61,023	47,533	(13,490)	128,234
Charges for services:				
Administrative service charges - other funds	625,894	614,895	(10,999)	640,820
Grant administration fees	143,450	151,722	8,272	123,517
Fire protection	333,630	334,700	1,070	333,632
Community center fees	35,000	35,020	20	40,741
Library fees	26,100	22,297	(3,803)	25,673

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Dispatch	\$ 965,817	\$ 965,817	\$ -	\$ 925,793
Ice rink revenues	310,714	311,184	470	323,475
Building rental	62,509	62,078	(431)	61,445
Planning and zoning	2,500	3,328	828	2,958
Public safety	50,000	50,000	-	50,000
Public works fees	-	-	-	250
Total charges for services	2,555,614	2,551,041	(4,573)	2,528,304
Miscellaneous:				
Investment income	15,000	10,715	(4,285)	17,460
Property and equipment sales	161,150	161,150	-	38,852
Police services	800	87	(713)	6,137
Insurance and state maintenance reimbursement	16,290	16,552	262	15,458
Land leases	100	-	(100)	100
Other	47,760	47,762	2	39,411
Total miscellaneous	241,100	236,266	(4,834)	117,418
Total Revenues	12,400,905	12,666,057	265,152	12,572,793
Expenditures				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	277,992	281,189	(3,197)	272,444
Audit	31,366	31,366	-	25,173
Advertising	6,755	6,752	3	6,802
Dues and subscriptions	7,500	7,467	33	7,599
Travel	9,784	9,784	-	6,564
Education and training	5,000	4,166	834	4,783
Legal fees	42,904	42,164	740	39,920
Services	2,000	225	1,775	1,076
Telephone	9,500	8,517	983	8,777
Insurance	3,079	2,903	176	3,206
Operating supplies	6,000	5,776	224	4,186
Services - Sister City program	26,782	26,782	-	7,044
Council donations	11,500	11,500	-	13,740

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website and broadcasting	\$ 5,000	\$ 4,238	\$ 762	\$ 6,607
Computer services	6,575	6,565	10	4,634
Election	10,897	10,896	1	8,609
Office equipment	3,024	3,024	-	7,339
Codification consulting services	21,180	21,176	4	4,898
Repairs and maintenance	1,000	118	882	121
Office supplies	2,504	2,371	133	4,662
Total Mayor/Council/Clerk	490,342	486,979	3,363	438,184
Administration:				
Salaries and employee benefits	841,998	848,899	(6,901)	845,218
Advertising	500	151	349	-
Dues and subscriptions	1,500	600	900	575
Travel	1,300	1,274	26	944
Education and training	2,530	2,529	1	1,123
Legal fees	14,000	8,936	5,064	19,065
Services	10,140	6,525	3,615	6,487
Telephone	10,000	9,792	208	9,827
Equipment leases	-	-	-	873
Insurance	4,495	4,193	302	5,355
Operating supplies	9,160	9,156	4	9,030
Repairs and maintenance	165	84	81	456
Office equipment	8,255	8,254	1	8,575
Computer services	118,088	118,012	76	71,470
Miscellaneous	2,500	1,365	1,135	131
Total administration	1,024,631	1,019,770	4,861	979,129
Buildings:				
Services	4,135	3,741	394	3,032
Power	18,610	18,607	3	14,753
Heat	2,380	2,192	188	2,485
Water and sewer	1,500	1,103	397	1,167

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Buildings, continued:				
Insurance	\$ 4,203	\$ 3,470	\$ 733	\$ 3,880
Telephone	13,500	13,228	272	12,654
Operating supplies	3,200	3,184	16	1,493
Office supplies	5,700	5,486	214	4,103
Repairs and maintenance	10,300	9,207	1,093	19,828
Miscellaneous	10,475	10,466	9	9,957
Total buildings	74,003	70,684	3,319	73,352
City manager:				
Salaries and employee benefits	520,931	527,321	(6,390)	514,213
Advertising	29,585	17,634	11,951	19,208
Dues and subscriptions	2,570	2,567	3	3,063
Travel	9,150	9,138	12	4,158
Education and training	5,000	3,345	1,655	1,620
Legal fees	24,000	23,965	35	13,930
Services	10,100	9,526	574	3,586
Telephone	4,100	3,413	687	3,995
Insurance	3,997	3,889	108	4,326
Operating supplies	250	40	210	-
Small tools and equipment	6,670	6,669	1	6,931
Discretionary	13,750	13,742	8	15,604
Lobbying	3,800	2,778	1,022	3,841
Fuel	2,000	1,177	823	1,903
Repairs and maintenance	119,100	114,770	4,330	109,853
Office supplies	5,875	5,856	19	2,549
Board stipends	6,300	3,800	2,500	3,900
Miscellaneous	1,000	100	900	351
Total city manager	768,178	749,730	18,448	713,031
Community development:				
Salaries and employee benefits	509,180	517,928	(8,748)	500,321
Advertising	2,500	1,874	626	1,924
Dues and subscriptions	2,700	2,647	53	2,315

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Community development, continued:				
Travel	\$ 900	\$ 778	\$ 122	\$ 1,403
Education and training	2,500	2,419	81	964
Legal fees	4,955	3,832	1,123	1,365
Services	6,990	6,915	75	6,309
Telephone	3,200	2,587	613	2,724
Power	7,600	7,474	126	6,562
Heat	3,700	3,318	382	2,891
Water and sewer	2,800	1,832	968	2,208
Insurance	4,265	4,187	78	4,435
Operating supplies	560	212	348	338
Equipment	2,965	2,964	1	4,859
Fuel	1,850	1,141	709	2,233
Repairs and maintenance	3,200	2,358	842	1,475
Annexation and community planning	4,030	994	3,036	5,359
Rental and lease	5,000	3,705	1,295	4,151
Office supplies	4,500	3,702	798	3,730
Board stipends	4,000	2,750	1,250	2,250
Miscellaneous	2,800	2,500	300	2,237
Total community development	580,195	576,117	4,078	560,053
Total general government	2,937,349	2,903,280	34,069	2,763,749
Public safety:				
Police department:				
Salaries and employee benefits	3,815,771	3,836,099	(20,328)	3,741,916
Advertising	1,050	360	690	392
Dues and subscriptions	750	656	94	902
Communications	850	-	850	48
Travel	17,389	16,933	456	7,286
Education and training	19,800	9,255	10,545	3,183
Legal fees	9,445	6,589	2,856	3,330
Services	72,007	55,875	16,132	42,819
Telephone	25,100	23,835	1,265	24,336
Power	38,000	36,657	1,343	32,450

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

Years Ended December 31,	2015		Variance with Budget	2014
	Budget	Actual	Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Police department, continued:				
Heat	\$ 19,850	\$ 16,563	\$ 3,287	\$ 16,667
Water and sewer	11,300	11,068	232	10,012
Fuel	50,000	27,678	22,322	47,371
Insurance	32,171	31,974	197	33,359
Vehicle insurance	18,000	17,992	8	17,814
Office supplies	10,300	8,905	1,395	6,483
Vehicle supplies	1,000	356	644	806
Uniform purchases and allowances	14,780	12,668	2,112	12,238
Operating supplies	20,950	11,977	8,973	15,473
Repairs and maintenance	39,645	15,004	24,641	22,320
Community planning	2,780	2,775	5	2,211
Janitorial supplies	5,250	3,089	2,161	3,196
Equipment	157,650	143,176	14,474	141,493
Rowland Memorial Fund	2,000	2,000	-	2,000
Miscellaneous	2,800	2,721	79	2,920
Total police department	4,388,638	4,294,205	94,433	4,191,025
Fire department:				
Salaries and employee benefits	348,751	349,307	(556)	407,825
Volunteer firemen salaries and benefits	193,842	193,755	87	141,536
Dues and subscriptions	1,650	1,646	4	504
Education and training	21,025	20,459	566	13,344
Services	18,387	17,728	659	19,759
Telephone	8,000	7,980	20	6,381
Power	9,918	9,917	1	8,023
Heat	5,720	5,698	22	5,636
Water and sewer	2,257	2,257	-	734
Fuel	28,196	22,987	5,209	32,750
Legal	-	-	-	1,146
Rental and lease	11,588	11,588	-	11,588
Insurance	5,148	5,007	141	5,488
Vehicle insurance	11,133	11,133	-	11,108
Office supplies	3,000	2,799	201	2,629

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 18,000	\$ 17,776	\$ 224	\$ 16,970
Uniform purchases and allowances	2,500	824	1,676	2,038
Operating supplies	2,585	2,585	-	2,489
Repairs and maintenance	28,800	28,728	72	24,500
Small tools	17,678	14,425	3,253	9,034
Janitorial supplies	2,041	2,041	-	505
Equipment	76,022	66,263	9,759	45,152
Total fire department	816,241	794,903	21,338	769,139
Total public safety	5,204,879	5,089,108	115,771	4,960,164
Public works:				
Administration:				
Salaries and employee benefits	784,586	784,222	364	747,272
Advertising	800	638	162	374
Travel	1,000	726	274	1,168
Education and training	725	343	382	1,098
Legal fees	4,600	4,596	4	1,437
Services	22,440	21,352	1,088	52,743
Telephone	14,000	12,103	1,897	12,533
Power	21,200	16,299	4,901	13,765
Heat	29,400	16,798	12,602	17,079
Water and sewer	10,000	9,356	644	8,396
Insurance	16,087	15,520	567	17,135
Vehicle insurance	12,596	12,561	35	12,625
Repairs and maintenance	10,000	9,414	586	7,090
Small tools	3,000	2,177	823	1,745
Janitorial supplies	1,715	1,714	1	1,121
Equipment	43,000	40,585	2,415	14,568
Office supplies	5,570	5,568	2	2,621
Christmas lighting	1,000	462	538	1,000
Miscellaneous	8,000	2,946	5,054	2,750
Total administration	989,719	957,380	32,339	916,520

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

<i>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 362,883	\$ 335,204	\$ 27,679	\$ 329,456
Services	45,000	10,380	34,620	18,515
Operating supplies	12,550	4,926	7,624	3,396
Repairs and maintenance	15,000	11,496	3,504	13,963
Rental and lease	10,600	5,132	5,468	3,318
Dust control and chemicals	12,000	8,256	3,744	9,000
Road salt and sand	94,000	62,725	31,275	42,142
Crack sealing	30,000	25,692	4,308	28,716
Safety equipment	2,500	527	1,973	1,692
Total roads	584,533	464,338	120,195	450,198
Engineering	8,000	7,350	650	1,044
Street lighting:				
Power	123,600	120,558	3,042	108,543
Operating supplies	3,000	1,307	1,693	2,597
Repairs and maintenance	34,000	33,127	873	9,693
Total street lighting	160,600	154,992	5,608	120,833
Motor vehicle maintenance:				
Salaries and employee benefits	251,990	254,732	(2,742)	229,208
Fuel	60,000	23,951	36,049	44,052
Vehicle supplies	30,000	17,552	12,448	23,909
Repairs and maintenance	46,000	25,306	20,694	40,943
Small tools and equipment	26,500	23,167	3,333	11,860
Total motor vehicle maintenance	414,490	344,708	69,782	349,972
Total public works	2,157,342	1,928,768	228,574	1,838,567

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services:				
Tourist center:				
Services	\$ 155,950	\$ 155,940	\$ 10	\$ 148,520
Telephone	2,900	2,885	15	2,245
Fuel	2,300	1,777	523	1,490
Power	4,830	4,707	123	4,023
Water and sewer	2,000	1,124	876	733
Insurance	1,217	1,163	54	1,319
Repairs and maintenance	2,400	1,271	1,129	439
Total tourist center	171,597	168,867	2,730	158,769
Community center building:				
Power	6,500	6,300	200	4,792
Heat	5,200	5,189	11	4,503
Water and sewer	2,010	2,009	1	1,689
Insurance	318	241	77	341
Operating supplies	9,090	9,048	42	1,574
Rental and lease	500	500	-	-
Repairs and maintenance	4,800	4,749	51	7,419
Total community center building	28,418	28,036	382	20,318
Parks and recreation:				
Salaries and employee benefits	88,438	73,420	15,018	66,747
Fuel	3,000	2,922	78	3,676
Operating supplies	9,279	4,807	4,472	3,782
Repairs and maintenance	6,000	5,391	609	4,174
Total parks and recreation	106,717	86,540	20,177	78,379
Arena:				
Salaries and employee benefits	245,272	248,036	(2,764)	232,994
Advertising	2,000	-	2,000	-
Services	2,500	700	1,800	2,344

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

Years Ended December 31,	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Arena, continued:				
Telephone	\$ 4,300	\$ 3,217	\$ 1,083	\$ 3,156
Power	130,145	61,131	69,014	99,240
Heat	54,280	42,785	11,495	37,582
Water and sewer	10,940	9,222	1,718	10,263
Rental and lease	1,200	1,198	2	3,131
Fuel	3,915	3,911	4	3,681
Insurance	4,078	3,968	110	4,263
Operating supplies	6,015	5,952	63	6,097
Janitorial supplies	5,000	3,494	1,506	5,000
Learn to skate	2,850	2,850	-	1,800
Legal fees	-	-	-	39
Education and training	1,200	631	569	595
Small tools and equipment	2,000	225	1,775	-
Repairs and maintenance	45,631	31,985	13,646	47,876
Total arena	521,326	419,305	102,021	458,061
Library:				
Salaries and employee benefits	501,328	490,024	11,304	466,258
Subscriptions and dues	743	596	147	666
Travel	4,735	4,419	316	4,331
Education and training	1,500	1,113	387	1,738
Services	33,283	30,242	3,041	27,769
Telephone	11,446	8,517	2,929	8,391
Power	35,000	33,057	1,943	29,714
Heat	16,702	11,301	5,401	14,500
Water and sewer	3,500	3,359	141	3,516
Rental and lease	324	-	324	189
Advertising	107	107	-	-
Insurance	4,491	4,490	1	4,766
Books and subscriptions	42,675	42,591	84	29,059

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

<i>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Operating supplies	\$ 27,320	\$ 26,983	\$ 337	\$ 19,697
Repairs and maintenance	11,090	11,089	1	11,715
Equipment	8,500	8,391	109	6,199
Miscellaneous	4,000	3,853	147	2,656
Total library	706,744	680,132	26,612	631,164
Total community services	1,534,802	1,382,880	151,922	1,346,691
Debt service on bonds:				
Principal	225,000	225,000	-	215,000
Interest	41,300	41,299	1	51,475
Total debt service on bonds	266,300	266,299	1	266,475
Total Expenditures	12,100,672	11,570,335	530,337	11,175,646
Excess of Revenues Over Expenditures	300,233	1,095,722	795,489	1,397,147
Other Financing Sources (Uses)				
Transfers in	374,120	371,209	(2,911)	371,137
Transfers out	(1,066,572)	(903,325)	163,247	(373,152)
Net Other Financing Sources (Uses)	(692,452)	(532,116)	160,336	(2,015)
Net Change in Fund Balance	\$ (392,219)	563,606	\$ 955,825	1,395,132
Fund Balance, beginning		4,324,584		2,929,452
Fund Balance, ending		\$ 4,888,190		\$ 4,324,584

This page intentionally left blank.

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>	2015	2014
Assets		
Cash and Investments	\$ 26,705	\$ 26,705
Fund Balance		
Committed for Public Safety	\$ 26,705	\$ 26,705

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

<i>Years Ended December 31,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Net Change in Fund Balance	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
Fund Balance, beginning		<u>26,705</u>		<u>26,705</u>
Fund Balance, ending		<u>\$ 26,705</u>		<u>\$ 26,705</u>

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

<i>December 31,</i>	2015	2014
Assets		
Cash and investments	\$ 4,797	\$ 1,368
Grants receivable	-	3,429
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>Years Ended December 31,</i>	2015			2014	
	Budget	Actual	Variance with Budget	Actual	
Revenues - federal government	\$ 16,334	\$ 10,314	\$ (6,020)	\$ 17,724	
Expenditures - public safety:					
Salaries and employee benefits	15,284	9,498	5,786	16,254	
Fuel	1,050	816	234	1,470	
Total Expenditures	16,334	10,314	6,020	17,724	
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>	-	
Fund Balance, beginning		<u>4,797</u>		<u>4,797</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>	2015	2014
Assets		
Cash and investments	\$ 24,837	\$ 23,737
Fund Balance		
Assigned for parks	\$ 24,837	\$ 23,737

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

<i>Years Ended December 31,</i>	2015	2014
Revenues - development fees	\$ 1,100	\$ 900
Expenditures	-	-
Net Change in Fund Balance	1,100	900
Fund Balance, beginning	23,737	22,837
Fund Balance, ending	\$ 24,837	\$ 23,737

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

<i>December 31,</i>	2015	2014
Assets		
Cash and investments	\$ 80,033	\$ 123,771
Fund Balance		
Restricted for public safety	\$ 80,033	\$ 123,771

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

<i>Years Ended December 31,</i>	2015	2014
Revenues		
Federal government	\$ 31,428	\$ -
State forfeiture funds	-	1,081
Total Revenues	31,428	1,081
Expenditures - public safety:		
Training	4,934	-
Equipment	70,232	6,343
Total Expenditures	75,166	6,343
Net Change in Fund Balance	(43,738)	(5,262)
Fund Balance, beginning	123,771	129,033
Fund Balance, ending	\$ 80,033	\$ 123,771

This page intentionally left blank.

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>	2015	2014
Assets		
Cash and investments	\$ 514,294	\$ 580,168
Grants receivable	73,809	32,334
Total Assets	\$ 588,103	\$ 612,502
Liabilities		
Accounts payable	\$ 69,345	\$ 17,608
Unearned revenue	45,000	45,000
Total Liabilities	114,345	62,608
Fund Balance		
Committed for capital projects	473,758	549,894
Total Liabilities and Fund Balance	\$ 588,103	\$ 612,502

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

<i>Years Ended December 31,</i>	2015			2014	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Revenues					
Intergovernmental:					
State of Alaska	\$ 1,041,946	\$ 387,332	\$ (654,614)	\$ 1,052,227	
Federal government	139,019	67,089	(71,930)	44,643	
Total Revenues	1,180,965	454,421	(726,544)	1,096,870	
Expenditures:					
General government:					
Deferred maintenance	18,727	15,791	2,936	27,144	
City Manager - benefits	-	4,148	(4,148)	-	
Total general government	18,727	19,939	(1,212)	27,144	
Public safety - SAFER	112,779	40,857	71,922	30,865	
Capital outlay:					
Wilson Park pump truck	7,665	2,022	5,643	28,859	
Wayfinding and streetscapes	45,000	-	45,000	-	
Park improvements	64,379	-	64,379	-	
South Valley Way improvements	-	-	-	3,050	
Safe routes to school	26,242	26,233	9	3,388	
Sidewalk ADA upgrades	79,384	79,384	-	6,694	
Storm water master plan	2,597	-	2,597	110,203	
Storm water - Sherrod Phase 3	200,000	122,529	77,471	-	
MTA Center	50,720	46,571	4,149	657,898	
Ice arena equipment	50,000	11,154	38,846	-	
Downtown master plan	50,000	-	50,000	-	
City facilities improvement	-	-	-	163,637	
Depot expansion	90,000	392	89,608	-	
Mat Maid property	-	-	-	1,406	
Mayor projects	500	-	500	-	
Fire station	4,978	92,748	(87,770)	31,805	
Tanker truck	100,475	-	100,475	53,133	

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

<i>Years Ended December 31,</i>	2015			2014	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Capital outlay, continued:					
Property acquisition	\$ 626	\$ 529	\$ 97	\$	55,374
Homeland Security	-	-	-		10,390
Eagle Avenue trailhead parking	-	-	-		31,912
Palmer/Wasilla highway corridor	5,000	-	5,000		-
Public safety building repair	513,126	176,217	336,909		-
Public works storage building	150,000	-	150,000		-
Depot safety improvements	265,848	90,963	174,885		28,692
Cobb Street survey and design	501	-	501		64,652
Tourist center doors	3,750	-	3,750		9,747
Public works boiler replacement	28,157	-	28,157		15,303
Total capital outlay	1,738,948	648,742	1,090,206		1,276,143
Total Expenditures	1,870,454	709,538	1,160,916		1,334,152
Excess of Revenues Over (Under)					
Expenditures	(689,489)	(255,117)	434,372		(237,282)
Other Financing Sources (Uses)					
Transfers in	337,000	337,000	-		373,152
Transfers out	(158,019)	(158,019)	-		(174,716)
Net Other Financing Sources (Uses)	178,981	178,981	-		198,436
Net Change in Fund Balance	\$ (510,508)	(76,136)	\$ 434,372		(38,846)
Fund Balance, beginning		549,894			588,740
Fund Balance, ending		\$ 473,758			\$ 549,894

City of Palmer, Alaska
Equipment Capital Project Fund
Balance Sheet

<i>December 31,</i>	2015	2014
Assets		
Cash and investments	\$ 516,537	\$ 461,367
Grants receivable	67,191	18,845
Total Assets	\$ 583,728	\$ 480,212
Liabilities		
Accounts payable	\$ 63,995	\$ 9,291
Fund Balance		
Committed for equipment replacement	519,733	470,921
Total Liabilities and Fund Balance	\$ 583,728	\$ 480,212

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

<i>Years Ended December 31,</i>	2015		Variance with Budget	2014
	Budget	Actual	Budget	Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ 1,774,704	\$1,263,059	\$ (511,645)	\$ 25,296
Federal government	-	-	-	1,443
Total Revenues	1,774,704	1,263,059	(511,645)	26,739
Expenditures - capital outlay:				
Administrative services	84,509	60,147	24,362	1,204
Dispatch equipment	30,687	-	30,687	-
Clerk/Council equipment	19,959	-	19,959	-
Public works equipment	95,617	17,512	78,105	55,753
Police equipment	3,565	-	3,565	1,443
Fire equipment	1,690,195	1,202,913	487,282	24,092
Total Expenditures	1,924,532	1,280,572	643,960	82,492
Excess of Revenues Over (Under)				
Expenditures	(149,828)	(17,513)	132,315	(55,753)
Other Financing Sources - transfers in	66,325	66,325	-	-
Net Change in Fund Balance	<u>\$ (83,503)</u>	48,812	<u>\$ 132,315</u>	(55,753)
Fund Balance, beginning		<u>470,921</u>		<u>526,674</u>
Fund Balance, ending		<u>\$ 519,733</u>		<u>\$ 470,921</u>

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

<i>December 31,</i>	2015	2014
Assets		
Cash and investments	\$ 100,838	\$ 102,084
Liabilities		
Accounts payable	\$ -	\$ 815
Fund Balance		
Committed for roads and streets	100,838	101,269
Total Liabilities and Fund Balance	\$ 100,838	\$ 102,084

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

<i>Years Ended December 31,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay:				
Gulkana LID	\$ 9,622	\$ 431	\$ 9,191	\$ -
South Bonanza LID	12,124	-	12,124	-
West Dolphin/Caribou Area	23,930	-	23,930	-
East Auklet Avenue	55,594	-	55,594	7,999
Total Expenditures	101,270	431	100,839	7,999
Net Change in Fund Balance	<u>\$ (101,270)</u>	(431)	<u>\$ 100,839</u>	(7,999)
Fund Balance, beginning		<u>101,269</u>		<u>109,268</u>
Fund Balance, ending		<u>\$ 100,838</u>		<u>\$ 101,269</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>	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 475,059	\$ 497,539
Receivables:		
Grants and loans	359,116	1,183,268
Accounts	253,681	267,125
Inventories - materials and supplies	140,707	127,937
Total Current Assets	1,228,563	2,075,869
Noncurrent Assets		
Assessments receivable	198,749	206,472
Property, plant and equipment:		
Land	45,164	4,255
Buildings	60,067	60,067
Machinery and equipment	1,153,052	1,119,196
Improvements other than buildings	72,781,549	66,304,665
Total property, plant and equipment	74,039,832	67,488,183
Less accumulated depreciation	(19,744,218)	(18,003,139)
Net property, plant and equipment	54,295,614	49,485,044
Construction work in progress	5,425,826	7,267,251
Total Noncurrent Assets	59,920,189	56,958,767
Total Assets	61,148,752	59,034,636
Deferred Outflows of Resources - related to pensions	47,857	-
Total Assets and Deferred Outflows of Resources	\$ 61,196,609	\$ 59,034,636

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

<i>December 31,</i>	2015	2014
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 66,967	\$ 330,883
Capital related accounts payable	55,183	972,760
Accrued payroll and employee benefits	223	223
Vested unpaid vacation and sick leave	53,177	50,417
Current portion of loans payable - State of Alaska	177,146	175,106
Accrued interest payable	21,693	23,199
Unearned revenue	-	9,187
Customer deposits	195,544	176,344
Civil penalty payable	192,000	-
Total Current Liabilities	761,933	1,738,119
Long-term Liabilities, net of current portion		
Loans payable - State of Alaska	2,915,634	2,700,552
Net pension liability	267,213	-
Total Liabilities	3,944,780	4,438,671
Deferred Inflows of Resources - related to pensions	4,731	-
Net Position		
Net investment in capital assets	56,628,660	53,876,637
Unrestricted	618,438	719,328
Total Net Position	57,247,098	54,595,965
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 61,196,609	\$ 59,034,636

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

<i>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Water sales	\$ 1,217,167	\$ 1,261,246	\$ 44,079	\$ 1,183,184
Sewer services	979,910	918,125	(61,785)	885,608
Connection fees	45,000	44,645	(355)	55,884
Miscellaneous	25,590	25,586	(4)	25,450
Total Operating Revenues	2,267,667	2,249,602	(18,065)	2,150,126
Operating Expenses Excluding Depreciation				
Water:				
Salaries and employee benefits	308,731	343,413	(34,682)	302,752
Administrative services	193,391	187,892	5,499	201,748
Audit	7,053	7,052	1	5,661
Advertising	1,700	1,689	11	1,500
Education and training	2,000	1,716	284	1,795
Legal fees	39,082	39,081	1	77,788
Engineering	8,945	4,093	4,852	3,176
Services	34,000	26,531	7,469	34,936
Telephone	8,080	8,079	1	7,852
Power	115,690	115,689	1	90,992
Heat	9,680	9,679	1	5,375
Fuel	10,000	7,327	2,673	13,088
Equipment rental	2,023	2,021	2	1,848
Insurance	10,281	9,636	645	10,589
Office supplies	1,715	1,713	2	1,995
Operating supplies	6,772	3,156	3,616	6,028
Repairs and maintenance	53,000	35,431	17,569	59,471
Small tools	4,000	299	3,701	2,468
Chemicals	9,000	8,172	828	5,120
Permits	8,200	8,200	-	7,950
Equipment	25,500	17,909	7,591	10,378
Miscellaneous	6,762	6,760	2	4,791
Total water	865,605	845,538	20,067	857,301

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

<i>Years Ended December 31,</i>	2015		Variance with	2014
	Budget	Actual	Budget	Actual
Operating Expenses Excluding				
Depreciation, continued:				
Sewer:				
Salaries and employee benefits	\$ 288,888	\$ 329,236	\$ (40,348)	\$ 284,514
Administrative services	187,396	181,897	5,499	200,006
Audit	6,587	6,586	1	5,287
Education and training	1,500	1,225	275	810
Legal	2,000	912	1,088	-
Engineering	5,265	1,640	3,625	176
Services	53,640	42,897	10,743	33,031
Telephone	7,918	7,916	2	7,886
Power	176,125	176,123	2	174,732
Heat	12,100	11,402	698	15,572
Fuel	7,000	6,281	719	8,378
Equipment rental	-	-	-	165
Insurance	10,379	9,785	594	10,588
Office supplies	5,120	2,894	2,226	4,752
Operating supplies	13,000	12,433	567	11,178
Repairs and maintenance	28,678	25,102	3,576	31,490
Small tools	3,500	3,048	452	1,311
Equipment	48,896	4,535	44,361	-
Permits	10,000	10,000	-	6,436
Miscellaneous	4,358	4,355	3	4,445
Total sewer	872,350	838,267	34,083	800,757
Total Operating Expenses Excluding Depreciation	1,737,955	1,683,805	54,150	1,658,058
Operating Income Before Depreciation	529,712	565,797	36,085	492,068
Depreciation	-	1,741,079	(1,741,079)	1,727,275
Operating Income (Loss)	529,712	(1,175,282)	(1,704,994)	(1,235,207)

City of Palmer, Alaska

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

<i>Years Ended December 31,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Nonoperating Revenues (Expenses)				
State PERS relief	\$ 67,602	\$ 107,525	\$ 39,923	\$ 80,154
Insurance reimbursement	29,139	29,138	(1)	53,776
Miscellaneous income	31,893	31,908	15	12,358
Gain on disposal of capital assets	5,000	5,000	-	-
Interest expense	(32,589)	(31,082)	1,507	(35,185)
Civil penalty expense	-	(192,000)	(192,000)	-
Net Nonoperating Revenues (Expenses)	101,045	(49,511)	(150,556)	111,103
Income (Loss) Before Contributions and Transfers	630,757	(1,224,793)	(1,855,550)	(1,124,104)
Capital contributions	8,908,763	4,236,375	(4,672,388)	5,899,053
Transfers in	40,909	40,909	-	575
Transfers out	(228,288)	(220,035)	8,253	(120,546)
Change in Net Position	<u>\$ 9,352,141</u>	2,832,456	<u>\$ (6,519,685)</u>	4,654,978
Beginning Net Position, as restated (Note 16)		<u>54,414,642</u>		<u>49,940,987</u>
Ending Net Position		<u>\$ 57,247,098</u>		<u>\$ 54,595,965</u>

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

<i>Years Ended December 31,</i>	2015	2014
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 2,334,105	\$ 2,198,993
Payments to suppliers	(918,053)	579,571
Payments to employees	(519,600)	(500,149)
Payments for interfund services used	(369,789)	(401,754)
Net cash flows from operating activities	526,663	1,876,661
Cash Flows for Noncapital Financing Activities		
Transfers in	40,909	575
Transfers out	(220,035)	(120,546)
Net cash flows for noncapital financing activities	(179,126)	(119,971)
Cash Flows for Capital and Related Financing Activities		
Capital contributions received	5,068,250	5,277,815
Increase in property, plant and equipment and construction work in progress	(5,627,801)	(7,544,702)
Proceeds from loans	392,230	703,144
Proceeds from disposal of capital assets	5,000	-
Principal payments on loans payable - State of Alaska	(175,108)	(173,095)
Interest paid	(32,588)	(35,185)
Net cash flows for capital and related financing activities	(370,017)	(1,772,023)
Net Decrease in Cash and Investments	(22,480)	(15,333)
Cash and Investments, beginning	497,539	512,872
Cash and Investments, ending	\$ 475,059	\$ 497,539
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,175,282)	\$ (1,235,207)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,741,079	1,727,275
Noncash expense - PERS relief	107,525	80,154
Other revenues	61,046	66,134
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	13,444	(16,836)
Inventories	(12,770)	12,982
Prepays	-	503
Deferred outflows of resources related to pensions	(39,037)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(263,916)	1,235,124
Accrued payroll and employee benefits	-	-
Vested unpaid vacation and sick leave	2,760	6,963
Unearned revenue	(9,187)	(15,861)
Customer deposits	19,200	15,430
Net pension liability	96,763	-
Deferred inflows of resources related to pensions	(14,962)	-
Net Cash from Operating Activities	\$ 526,663	\$ 1,876,661
Noncash Capital and Related Financing Activities		
Purchase of capital assets on account	\$ 55,183	\$ 972,760

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

December 31,	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 4,625	\$ -
Grants	119,127	53,673
Prepaid expenses	49,360	-
Total Current Assets	173,112	53,673
Property, Plant and Equipment		
Land	1,412,289	1,680,471
Buildings	509,758	509,758
Machinery and equipment	794,541	794,541
Improvements other than buildings	18,028,130	18,028,130
Total property, plant and equipment	20,744,718	21,012,900
Less accumulated depreciation	(14,123,030)	(13,585,140)
Net Property, Plant and Equipment	6,621,688	7,427,760
Construction work in progress	511,609	159,617
Total Assets	7,306,409	7,641,050
Deferred Outflows of Resources - related to pensions	17,901	-
Total Assets and Deferred Outflows of Resources	\$ 7,324,310	\$ 7,641,050
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 9,016	\$ 15,145
Capital related accounts payable	52,802	53,673
Due to other funds	97,674	-
Vested unpaid vacation and sick leave	2,220	2,457
Unearned revenue	62,723	48,673
Prepaid rent from General Fund	-	148,539
Total Current Liabilities	224,435	268,487
Long-term Liabilities		
Advance from other fund	112,589	359,132
Net pension liability	99,953	-
Total Long-term Liabilities	212,542	359,132
Total Liabilities	436,977	627,619
Deferred Inflows of Resources - related to pensions	1,769	-
Net Position		
Net investment in capital assets	7,133,297	7,587,377
Unrestricted (deficit)	(247,733)	(573,946)
Total Net Position	6,885,564	7,013,431
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 7,324,310	\$ 7,641,050

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

<i>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Aviation fuel - revenue sharing	\$ 2,931	\$ 2,626	\$ (305)	\$ 2,931
Tiedown fees	27,669	27,743	74	21,036
Land leases	198,406	168,588	(29,818)	163,801
Agricultural land leases	5,250	4,790	(460)	5,035
Miscellaneous	7,000	8,135	1,135	15,128
Total Operating Revenues	241,256	211,882	(29,374)	207,931
Operating Expenses Excluding Depreciation				
Administrative services	116,234	116,224	10	115,455
Salaries and employee benefits	123,587	151,501	(27,914)	44,706
Audit	4,370	4,359	11	2,684
Advertising	2,500	1,508	992	1,960
Education and training	2,100	1,136	964	2,175
Legal fees	78,763	78,753	10	17,835
Services	16,255	14,166	2,089	31,361
Telephone	3,850	3,828	22	3,866
Power	18,300	18,288	12	15,433
Heat	4,500	3,693	807	3,352
Water/sewer/garbage	400	362	38	434
Fuel	4,000	1,350	2,650	4,977
Insurance	9,818	9,789	29	9,333
Operating supplies	1,465	1,454	11	2,903
Repairs and maintenance	47,725	22,710	25,015	12,136
Small tools and equipment	500	395	105	1,553
Engineering	15,688	-	15,688	-
Board stipends	2,400	2,400	-	2,850
Total Operating Expenses Excluding Depreciation	452,455	431,916	20,539	273,013
Operating Loss Before Depreciation	(211,199)	(220,034)	(8,835)	(65,082)
Depreciation	-	537,890	(537,890)	529,821
Operating Loss	(211,199)	(757,924)	(546,725)	(594,903)

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

<i>Years Ended December 31,</i>	2015			2014	
	Budget	Actual	Variance with Budget	Actual	
Nonoperating Revenue - State PERS relief	\$ 14,072	\$ 27,333	\$ 13,261	\$ -	
Loss Before Contributions and Transfers	(197,127)	(730,591)	(533,464)	(594,903)	
Capital contributions	-	348,732	348,732	364,208	
Transfers in	733,990	590,000	(143,990)	770	
Transfers out	(268,182)	(268,182)	-	-	
Change in Net Position	<u>\$ 268,681</u>	(60,041)	<u>\$ (328,722)</u>	(229,925)	
Beginning Net Position		<u>6,945,605</u>		<u>7,243,356</u>	
Ending Net Position		<u>\$ 6,885,564</u>		<u>\$ 7,013,431</u>	

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

<i>Years Ended December 31,</i>	2015	2014
Cash Flows for Operating Activities		
Cash receipts from customers and users	\$ 221,307	\$ 202,774
Payments to employees	(108,410)	(42,249)
Payments to suppliers	(219,680)	(57,203)
Payments for interfund services used	(116,224)	(115,455)
Net cash flows for operating activities	(223,007)	(12,133)
Cash Flows from Noncapital Financing Activities		
Increase in due to other funds	97,674	-
Transfers in	-	770
Net cash flows from noncapital financing activities	97,674	770
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	283,278	310,535
Transfers in	590,000	-
Increase in property, plant and equipment and construction work in progress	(352,863)	(391,760)
Decrease in prepaid rent	(148,539)	(25,693)
Increase (decrease) in advance from other fund	(246,543)	118,281
Net cash flows from capital and related financing activities	125,333	11,363
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (757,924)	\$ (594,903)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	537,890	529,821
Non-cash expense - PERS relief	27,333	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(4,625)	3,942
Prepaid expenses	(49,360)	-
Deferred outflows of resources related to pensions	(14,602)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(6,129)	55,649
Vested unpaid vacation and sick leave	(237)	2,457
Unearned revenue	14,050	(9,099)
Net pension liability	36,194	-
Deferred inflows of resources related to pensions	(5,597)	-
Net Cash for Operating Activities	\$ (223,007)	\$ (12,133)
Noncash Capital and Related Operation Activities		
Purchase of capital assets included in accounts payable	\$ 52,802	\$ 53,673
Transfer of capital asset to another fund	\$ (268,182)	\$ -

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

<i>December 31,</i>	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,037,285	\$ 1,034,367
Accounts receivable	107,336	94,307
Total Current Assets	1,144,621	1,128,674
Property, Plant and Equipment		
Buildings	52,667	52,667
Machinery and equipment	1,030,708	1,018,022
Total property, plant and equipment	1,083,375	1,070,689
Less accumulated depreciation	(782,476)	(728,785)
Net Property, Plant and Equipment	300,899	341,904
Total Assets	1,445,520	1,470,578
Deferred Outflows of Resources - related to pensions	52,162	-
Total Assets and Deferred Outflows of Resources	\$ 1,497,682	\$ 1,470,578
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 26,815	\$ 18,110
Vested unpaid vacation and sick leave	8,363	8,946
Total Current Liabilities	35,178	27,056
Long-term Liabilities - net pension liability	291,249	-
Total Liabilities	326,427	27,056
Deferred Inflows of Resources - related to pensions	5,156	-
Net Position		
Net investment in capital assets	300,899	341,904
Unrestricted	865,200	1,101,618
Total Net Position	1,166,099	1,443,522
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,497,682	\$ 1,470,578

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

<i>Years Ended December 31,</i>	2015			2014
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - solid waste collection fees	\$ 646,442	\$ 641,760	\$ (4,682)	\$ 551,047
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	108,036	184,462	(76,426)	102,614
Administrative services	128,884	128,882	2	123,610
Audit	3,770	3,768	2	3,024
Services	324,520	324,519	1	229,892
Fuel	20,000	16,114	3,886	22,631
Insurance	3,860	3,771	89	4,078
Vehicle insurance	3,925	3,750	175	3,424
Operating supplies	4,000	1,482	2,518	3,357
Repairs and maintenance	6,926	4,019	2,907	3,323
Equipment	18,500	5,206	13,294	189
Legal	1,000	-	1,000	-
Advertising	1,000	-	1,000	-
Miscellaneous	2,800	2,018	782	3,985
Total Operating Expenses Excluding Depreciation	627,221	677,991	(50,770)	500,127
Operating Income Before Depreciation	19,221	(36,231)	(55,452)	50,920
Depreciation	-	53,691	(53,691)	52,740
Operating Income (Loss)	19,221	(89,922)	(109,143)	(1,820)
Nonoperating Revenues				
Miscellaneous income	-	-	-	12,427
State PERS relief	11,812	46,127	34,315	13,390
Total Nonoperating Revenues	11,812	46,127	34,315	25,817
Income Before Transfers	31,033	(43,795)	(74,828)	23,997
Transfers in	-	-	-	1,860
Transfers out	(38,643)	(35,994)	2,649	(33,630)
Change in Net Position	<u>\$ (7,610)</u>	(79,789)	<u>\$ (72,179)</u>	(7,773)
Beginning Net Position, as restated (Note 16)		<u>1,245,888</u>		<u>1,451,295</u>
Ending Net Position		<u>\$ 1,166,099</u>		<u>\$ 1,443,522</u>

City of Palmer, Alaska

Refuse Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 628,731	\$ 558,978
Payments to suppliers	(355,942)	(282,705)
Payments to employees	(92,309)	(87,661)
Payments for interfund services used	(128,882)	(123,610)
Net cash flows from operating activities	51,598	65,002
Cash Flows for Noncapital Financing Activities		
Transfers in	-	1,860
Transfers out	(35,994)	(33,630)
Net cash flows for noncapital financing activities	(35,994)	(31,770)
Cash Flows for Capital and Related Financing Activities		
Increase in property, plant and equipment	(12,686)	(12,199)
Net Increase in Cash and Investments	2,918	21,033
Cash and Investments, beginning	1,034,367	1,013,334
Cash and Investments, ending	\$ 1,037,285	\$ 1,034,367
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (89,922)	\$ (1,820)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	53,691	52,740
Noncash expense - PERS relief	46,127	13,390
Other revenue	-	12,427
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(13,029)	(4,496)
Prepaid expenses	-	176
Deferred outflows of resources related to pensions	(42,549)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	8,705	(8,978)
Vested unpaid vacation and sick leave	(583)	1,563
Net pension liability	105,466	-
Deferred inflows of resources related to pensions	(16,308)	-
Net Cash from Operating Activities	\$ 51,598	\$ 65,002

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

<i>December 31,</i>	2015	2014
Assets		
Current Assets		
Prepaid expenses	\$ -	\$ 3,269
Inventories - materials and supplies	59,982	126,670
Total Current Assets	59,982	129,939
Property, Plant and Equipment		
Land and land improvements	1,544,620	1,544,620
Buildings	254,559	254,559
Machinery and equipment	369,631	359,822
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,836,044	2,826,235
Less accumulated depreciation	(892,244)	(842,490)
Net Property, Plant and Equipment	1,943,800	1,983,745
Total Assets	\$ 2,003,782	\$ 2,113,684
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 664	\$ 657
Unearned revenue	18,387	10,895
Total Current Liabilities	19,051	11,552
Long-term Liabilities		
Advance from other fund	490,946	528,505
Total Liabilities	509,997	540,057
Net Position		
Net investment in capital assets	1,943,800	1,983,745
Unrestricted (deficit)	(450,015)	(410,118)
Total Net Position	1,493,785	1,573,627
Total Liabilities and Net Position	\$ 2,003,782	\$ 2,113,684

City of Palmer, Alaska

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

<i>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Golf course fees:				
Green fees	\$ 389,222	\$ 389,222	\$ -	\$ 361,513
Driving range fees	33,212	33,211	(1)	27,545
Golf cart rentals and trail fees	121,079	121,079	-	106,941
Golf club rentals	7,767	6,187	(1,580)	7,306
Clubhouse revenues:				
Beer and wine sales	48,903	48,902	(1)	41,457
Snack bar	74,096	74,095	(1)	72,970
Merchandise sales	162,226	162,225	(1)	143,027
Miscellaneous	500	61	(439)	244
Total Operating Revenues	837,005	834,982	(2,023)	761,003
Operating Expenses Excluding Depreciation				
Golf management contract	658,850	658,850	-	628,850
Audit	8,365	8,365	-	6,713
Services	16,423	16,421	2	12,537
Power	14,200	14,147	53	12,928
Heat	1,625	1,611	14	1,416
Water and sewer	1,500	1,955	(455)	660
Rental and lease	7,800	7,785	15	6,949
Insurance	7,668	7,668	-	6,708
Vehicle insurance	300	300	-	300
Operating supplies	21,965	21,964	1	18,079
Repairs and maintenance	11,150	11,134	16	-
Merchandise	-	66,689	(66,689)	8,860
Equipment	10,625	800	9,825	1,663
Legal fees	500	220	280	117
Other	1,452	-	1,452	-
Total Operating Expenses Excluding Depreciation	762,423	817,909	(55,486)	705,780
Operating Income Before Depreciation	74,582	17,073	(57,509)	55,223

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

<i>Years Ended December 31,</i>	2015			2014	
	Budget	Actual	Variance with Budget	Actual	
Depreciation	\$ -	\$ 49,754	\$ (49,754)	\$ 54,665	
Income (Loss) Before Transfers	74,582	(32,681)	(107,263)	558	
Transfers in	19,257	-	(19,257)	-	
Transfers out	(47,162)	(47,161)	1	(45,450)	
Change in Net Position	<u>\$ 46,677</u>	<u>\$ (79,842)</u>	<u>\$ (126,519)</u>	<u>\$ (44,892)</u>	
Beginning Net Position		<u>1,573,627</u>		<u>1,618,519</u>	
Ending Net Position		<u>\$ 1,493,785</u>		<u>\$ 1,573,627</u>	

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

<i>Years Ended December 31,</i>	2015	2014
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 842,474	\$ 763,327
Payments to suppliers	(747,945)	(700,315)
Net cash flows from operating activities	94,529	63,012
Cash Flows for Noncapital Financing Activities		
Transfers out	(47,161)	(45,450)
Cash Flows for Capital and Related Financing Activities		
Increase in property, plant and equipment	(9,809)	(8,337)
Increase (decrease) in advance from General Fund	(37,559)	9,428
Principal payments on capital lease	-	(18,653)
Net cash flows for capital and related financing activities	(47,368)	(17,562)
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income (loss)	\$ (32,681)	\$ 558
Adjustments to reconcile operating income (loss) to net cash from (for) operating activities:		
Depreciation	49,754	54,665
(Increase) decrease in assets:		
Prepaid expenses	3,269	(3,269)
Inventories	66,688	8,860
Increase (decrease) in liabilities:		
Accounts payable	7	(126)
Unearned revenue	7,492	2,324
Net Cash from Operating Activities	\$ 94,529	\$ 63,012

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

<i>December 31,</i>	2015	2014
Assets		
Land held for sale	\$ 217,414	\$ 217,414
Liabilities and Net Position		
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>Years Ended December 31,</i>	2015		2014	
	Budget	Actual	Variance with Budget	Actual
Change in Net Position	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
Beginning Net Position		<u>168,183</u>		<u>168,183</u>
Ending Net Position		<u>\$ 168,183</u>		<u>\$ 168,183</u>

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

<i>Years Ended December 31,</i>	2015	2014
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -

This page intentionally left blank.

Schedule of State Financial Assistance

City of Palmer, Alaska
Schedule of State Financial Assistance
Year Ended December 31, 2016

	Grant Number	Total Grant Award	December 31, 2014 Receivable (Unearned)	State Share of Expenditures	State Receipts	December 31, 2015 Receivable (Unearned)
Department of Commerce, Community and Economic Development						
	Airport Nav Aids- Legislative Grant	12-DM-134 \$ 8,300	\$ (2,713)	\$ -	\$ -	\$ (2,713)
	Waste Water Treatment Plant Master Plan	13-DC-043 70,000	231	68,894	69,125	-
	Sidewalk Improvements	13-DC-135 100,000	347	40,511	40,858	-
	Storm Water Improvement Master Plan	13-DC-175 115,000	4,158	-	4,158	-
	Wayfind and Streetscapes Planning Phase 1	13-DM-206 45,000	(45,000)	-	-	(45,000)
	City Facility Improvement	13-DC-233 167,000	15,644	-	15,644	-
	Water Main Tie-Ins	13-DC-318 252,000	6,943	19,419	26,362	-
	MTA Events Center Expansion, Phase 2	13-DC-411 725,000	1,946	50,719	52,665	-
	Public Safety Projects	13-DC-421 780,000	3,516	92,748	41,550	54,714
*	Aerial Firefighting Apparatus and Equipment	14-DC-124 1,800,000	18,845	1,263,059	1,214,709	67,195
*	Bogard Waterline Extension	14-DC-125 3,500,000	722,442	1,828,094	2,493,054	57,482
*	Steel Water Main Replacement	14-DC-126 1,000,000	197,550	360,314	557,864	-
*	Public Safety Building Repair	15-DC-130 435,000	-	176,219	158,907	17,312
	Railroad Depot Safety Upgrades and Improvements	15-DC-132 200,000	-	25,115	25,115	-
	Total Department of Commerce, Community and Economic Development		923,909	3,925,092	4,700,011	148,990
Department of Environmental Conservation						
	Wastewater Treatment Plant Expansion Phase III	67107 612,300	59,797	-	59,797	-
	Southwest Utility Extension Phase II	67116 2,401,210	120,061	-	120,061	-
	Steel Water Main Replacement Phase VII	67117 4,424,000	51,720	89,197	140,917	-
*	Palmer - Steel Water Replacement	67118 3,000,000	-	1,301,523	1,202,806	98,717
*	Southwest Utility Extension Phase II	67119 4,250,000	18,020	150,587	24,147	144,460
*	Drinking Water Revolving Loan - State subsidy	671251 variable	-	384,355	-	384,355
	Total Department of Environmental Conservation		249,598	1,925,662	1,547,728	627,532
Department of Revenue						
*	Community Revenue Sharing	N/A 365,453	-	365,453	365,453	-
*	Electric & Telephone Cooperative	N/A 145,919	-	145,919	145,919	-
	Liquor Licenses	N/A 11,500	-	11,500	11,500	-
	Aviation Fuel Tax	N/A 2,626	-	2,626	2,626	-
	Total Department of Revenue		-	525,498	525,498	-
Department of Administration						
*	PERS Relief	N/A 1,193,574	-	1,193,574	1,193,574	-
Department of Education and Early Development						
	Public Library Assistance Grant	PLA 15-759-57 6,650	(2,720)	2,720	-	-
	Public Library Assistance Grant	PLA 16-759-01 6,650	-	6,500	6,650	(150)
	Total Department of Education and Early Development		(2,720)	9,220	6,650	(150)
	Total State Financial Assistance		\$ 1,170,787	\$ 7,579,046	\$ 7,973,461	\$ 776,372

* Major programs

City of Palmer, Alaska

Notes to Schedule of State Financial Assistance Year Ended December 31, 2015

1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of City of Palmer under programs of the state government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Palmer, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Palmer.

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

2. PERS On-behalf

The City has recorded \$1,193,574 in PERS On-behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payments appropriated and transferred into the plan during calendar year 2015 and related to both pension and OPEB contributions.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in their proportional share of on-behalf payments within the calendar year under audit.

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf *pension* contributions in a special funding situation may only be recognized during the *measurement period* in which the plan recognizes the contributions. For the City of Palmer, the PERS plan measurement period is July 1, 2014 through June 30, 2105, creating a six-month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those funds.

As a result of these perspective and timing differences, amounts reported on the financial statements do not agree to the amount reported on the Schedule of State Financial Assistance.

3. Drinking Water Revolving Loan

The Drinking Water Revolving Loan is a program that is funded through a mix of federal and state funding. This loan was offered with a subsidized portion not to exceed \$964,286. The City is reporting the grant amount as "variable" as it is unable to determine the state share of the maximum subsidy until the drawdowns are processed.

This page intentionally left blank.

Single Audit Section



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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
Members of the 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, 2015, 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 November 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
November 4, 2016



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and
Members of the 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, 2015. 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, 2015.

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
November 4, 2016

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Financial Assistance

Internal control over major state programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major state programs:	Unmodified	
Dollar threshold used to distinguish a state major program	\$ 100,000	

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

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

Section III - State Award Findings and Questioned Costs

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

AUDIT WRAP-UP

Year Ended December 31, 2015



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., the City Council) and, if appropriate, management of the City and is not intended and should not be used by anyone other than these specified parties.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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





Tel: 907-278-8827
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

November 4, 2016

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

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. Our audit planning document outlined our plan for the audit of the financial statements of the City of Palmer, Alaska (the City) as of and for the year ended December 31, 2015. That document included a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the City's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the City. Feel free to contact us to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

Discussion Outline

	Page
Status of Our Audit	3
Results of Our Audit	4
Internal Control Over Financial Reporting	7
Other Required Communications	8
Independence Communication.....	9
Other Information	9
Get to Know BDO	10
Exhibit A	12
• Representation Letter	

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended December 31, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We have issued an unmodified opinion on the financial statements and have released our report on November 4, 2016.
- All records and information requested by BDO were freely available for our inspection.
- We received full access to all information that we requested while performing our audit. We wish to thank the City and its employees for their cooperation throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning the City's accounting practices, policies, estimates, and significant unusual transactions:

The City's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- A summary of recently issued accounting pronouncements is included in Note 16 to the City's financial statements.
- In 2015 the City adopted the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. This statement requires the City to recognize its proportional share of the net pension liability related to PERS participation in each of its full accrual financial statements (government-wide statements and enterprise funds). Additionally, the statement requires that opening net position be restated to reflect the adoption of this new statement.
- There were no other changes in significant accounting policies and practices during 2015.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Overall, the City has few significant accounting estimates. The most significant estimates are disclosed below:

Significant accounting estimates include:

Collectability of Outstanding Accounts Receivables - Many of the City's accounts receivables are from granting agencies; these are generally considered by management to be 100% collectible. Customer accounts receivables (water, sewer, airport, golf course, etc.) are reviewed by management periodically to determine a reasonable amount of allowance, based on known factors, past history, and age of the outstanding amount.

Net Pension Liabilities - The Net Pension Liability is estimated based on actuarial information and actual contribution data provided to the City by the PERS Plan Administrator.

Contingencies - The City evaluates the likelihood and reasonable estimates of negative outcomes related to claims made against the City in order to properly disclose and recognize the effect on financial reporting. Estimates includes outcomes occurring subsequent to year end and are based on an evaluation of likelihood and reasonable ranges of negative outcomes by legal counsel.

- Except for the adoption of GASB 68, management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2015.
- As reported in Note 5 to the financial statements, in 2015, the City recorded two land asset transfers (internal asset sales) from the Airport Fund to two other funds. Pursuant to FAA regulation, the sales were required to be consummated at fair market value, based on current appraisal. Generally accepted accounting rules require that internal capital asset sales must be recorded at the original cost basis, and any payment over the original basis must be reflected as an operating transfer. In order to satisfy both requirements, the City recorded cash transfers in the

Results of Our Audit

amount of the appraised value to the Airport Fund to demonstrate the full market value cash movement; then, in turn, recorded the capital asset transfers out of the Airport Fund, at historical cost. The assets sold were as follows:

	Historical Cost (Transfer OUT of Airport)	Appraised Value (Transfer IN to Airport)	Airport "gain on sale (Net transfers IN to Airport)
Land sale from Airport to Water/Sewer Fund	: 40,909	\$ 90,000	\$ 49,091
Land sale from Airport to General Capital Assets	227,273	500,000	272,727
Total Transfers	: 268,182	\$ 590,000	\$ 321,818

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were fourteen audit adjusting entries and six client journal entry recorded to the trial balance given to us to perform the audit. Of these, four were capital asset and depreciation related. In addition, adjustments were made for certain grant revenues, to increase the PERS on-behalf contribution, adjustment to the long-term cash deficit position in the airport and golf course, write-down golf course inventory, to accrue the EPA Civil Penalty, and to accrue the GASB 68 Net Pension Liability. We note the last 3 entries could not be recorded by managers prior to audit completed and the amounts were not known.

To our knowledge, there are no other uncorrected misstatements.

All journal entries recorded were provided to management in the representation letter.

QUALITY OF THE CITY'S FINANCIAL REPORTING

- Qualitative aspects of significant accounting policies and practices
 - We concur with the City's interpretation and application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).
- Our conclusions regarding critical accounting estimates
 - The nature of the City's operations reduces the need for numerous significant estimates within the accounting records. See comment about estimates above. We believe the City's estimates are reasonable in the circumstances.
- Significant unusual transactions
 - Although the entry for the two land sales was reported in an unusual manner, we believe the entry satisfied the FAA requirement and it does not violate the GAAP accounting rules.
- Financial statement presentation
 - To our knowledge all necessary disclosures have been included in the footnotes to the financial statements.

Results of Our Audit

- New accounting pronouncements
 - As noted on the previous page, in 2015 the City adopted GASB Statement 68. We concur with the City's decision to adopt this statement.
- Alternative accounting treatments
 - We did not identify any accounting treatments that did not comply with generally accepted accounting principles and standards set by GASB.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the City’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in 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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit, we reported no material weaknesses.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the City:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified as part of our Audit Planning Process.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the City’s financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City’s financial statements or to our auditor’s report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit. However, audit completion was significantly delayed due to the late release information from the State of Alaska regarding the net pension obligation. We note this delay was completely outside the control of the City and it was completely outside of BDO’s control as well.
Representations requested from management	Please refer to the attached management representation letter.

Independence Communication

Our engagement letter to you dated February 12, 2016 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the City with respect to independence as agreed to by the City. Please refer to that letter for further information.

Other Information

UPCOMING CHANGES

New GASB Statements

There are several new accounting pronouncements with effective dates over the next two to three years. These include Fair Value Measurement rules as well as new accounting rules related to Other Post-Employment Benefits, among others, which will have an effect on financial reporting over the next few years. We strongly encourage management to familiarize themselves with these upcoming changes in order to properly adopt the new provisions on their effective dates.

Get to Know BDO

BDO COMMITS SIGNIFICANT RESOURCES TO KEEP OUR PROFESSIONALS AND OUR CLIENTS UP TO DATE ON CURRENT AND EVOLVING TECHNICAL, GOVERNANCE, INDUSTRY AND REPORTING DEVELOPMENTS. VISIT [HTTP://WWW.BDO.COM](http://www.bdo.com) FOR ALL OF OUR OFFERINGS:

Our clients' time is valuable, as management must meet all compliance requirements while maintaining lean and efficient teams. This is why our culture guides us to view ourselves as trusted advisors, not merely accountants serving compliance needs. By leveraging the shared knowledge of our top professionals across the country and globe, we develop succinct thought leadership and training programs to help clients stay abreast of emerging trends and requirements.

Our thought leadership consists of quarterly email updates, publications, surveys, practice aids, and tools that span a broad spectrum of topics that impact financial reporting, as well as corporate governance. Our focus is not to simply announce changes in technical guidance, regulations or emerging business trends, but rather expound on how such changes may impact our clients' businesses. Some examples of our thought leadership offerings include the following:

- ▶ **Board Reflections** – Resources that include BDO's proprietary studies, publications, practice aids, and educational programs to keep board members of both public and private companies up to date on emerging issues and trends to assist in fulfilling their corporate oversight responsibilities. Such resources contain customized information for the various committees of the board. For example, refer to our Effective Audit Committees in the Ever Changing Marketplace practical guide and related tools. Visit our Insights page on <http://www.bdo.com>.
- ▶ **Significant Accounting and Reporting Matters Guide** – Quarterly digest of final and proposed financial accounting standards designed to help audit committees, boards and financial executives keep up to date on the latest corporate governance and financial reporting developments.
- ▶ **Client Advisories** – Concise documents that provide timely commentary, analysis and insights on events and trends of interest to management and boards of directors.
- ▶ **Tax Newsletters and Alerts** – Updates with respect to federal, state, local, expatriate, and international developments, along with other specific tax planning and strategy considerations including specific practice areas such as compensation and benefits, private client and individual filer services, transfer pricing, Foreign Account Tax Compliance Act, etc.
- ▶ **Technical Research Tools** – BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools, provides each professional the technical research capability to respond immediately to client-specific technical issues.

Get to Know BDO

- ▶ **BDO Knows Flash Reports** – Provide briefs about select technical and regulatory developments and emerging issues are made immediately available to BDO professionals and to clients.
- ▶ **BDO Knows Financial Reporting Letters** – Provide more in-depth discussions and practical guidance on technical guidance affecting both public and private entities.
- ▶ **Industry Newsletters, Alerts, Reports, Proprietary Studies and Surveys** – A variety of publications depicting specific industry issues, emerging trends and developments.
- ▶ **BDO Knowledge Webinar Series** – An educational series designed to assist those charged with governance (e.g., Audit Committees) and financial executives in keeping up to date on the latest corporate governance, risk management and financial reporting developments. The program is multi-faceted and consists of complimentary CPE webinars and archived self-study courses, covering both broad and specific topics of interest, publications and links to various BDO and external resources.

Additionally, consider our monthly tax series that provide insights and perspectives on the tax issues most important to our clients and their businesses. Visit our Event/Webinar page for a current listing of programming on <http://www.bdo.com>

Exhibit A

- Representation Letter is attached



Nathan E. Wallace
City Manager

City of Palmer
231 W. Evergreen Ave.
Palmer, Alaska 99645-6952
(907) 761-1317
E-mail: nwallace@palmerak.org
www.cityofpalmer.org

November 4, 2016

BDO USA, LLP
3601 C Street, Suite 600
Anchorage, AK 99503

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of the **City of Palmer, Alaska (the City)**, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows for the **Period** then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audit:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 12, 2016, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for 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.
- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.

City of Palmer

- (4) We have made available to you:
- (a) All financial records, and related data and federal awards (including amendments, if any, and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities), as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of **The City Council** that were held from January 1, 2015 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - (e) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
 - (f) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or schedule of expenditures of federal awards (SEFA). All financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit (as listed in an attachment A - "Schedule of Audit Adjustments") have been corrected. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
 - (g) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
 - (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
 - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
 - (c) Allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.

- (h) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- (i) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
 - (a) The identity of related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - (c) Guarantees, whether written or oral, under which the Government is contingently liable.
 - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.
 - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
 - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
 - Written or oral guarantees, endorsements, or unused letters of credit;
 - Unusual guarantees; or
 - Labor claims or negotiations.

Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.

- (f) Commitments, such as:
 - Major capital asset purchase agreements;

- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
 - Deferred compensation, bonuses, pensions plans, or severance pay; or
 - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
- (j) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America, other than those already disclosed to you.
 - (c) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
 - (k) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
 - (l) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 - (m) We have appropriately disclosed the Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
 - (n) No discussions have taken place with your firm's personnel regarding employment with the Government.
 - (o) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.

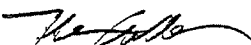
- (p) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- (q) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- (r) In regards to the preparation of financial statements, services performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
- (s) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.
- (t) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (u) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
 - We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
 - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
 - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
 - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.
 - Our web site, which contains the electronic financial statements, will advise the reader that such financial statements are presented for convenience and information purposes

BDO USA, LLP
November 4, 2016

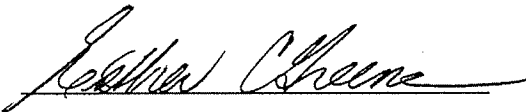
only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Respectfully,



(Nathan E. Wallace, City Manager)



(Esther C. Greene, Financial Director)

Number	Date	Name	Account No	Debit	Credit
AJE 1	12/31/2015	NPO Write Off/PERS Relief	01-00-00-3691 01		-140,788.00
AJE 1	12/31/2015	Regular Benefits	01-01-05-6012 01	9,352.00	
AJE 1	12/31/2015	Regular Benefits	01-01-10-6012 01	13,463.00	
AJE 1	12/31/2015	Regular Benefits	01-01-12-6012 01	9,132.00	
AJE 1	12/31/2015	Regular Benefits	01-02-10-6012 01	477.00	
AJE 1	12/31/2015	Regular Benefits	01-02-10-6012 01	3,380.00	
AJE 1	12/31/2015	Regular Benefits	01-12-10-6012 01	40,215.00	
AJE 1	12/31/2015	Regular Benefits	01-12-70-6012 01	25,317.00	
AJE 1	12/31/2015	Regular Benefits	01-13-10-6012 01	6,200.00	
AJE 1	12/31/2015	Regular Benefits	01-17-10-6012 01	12,476.00	
AJE 1	12/31/2015	Regular Benefits	01-17-40-6012 01	5,835.00	
AJE 1	12/31/2015	Regular Benefits	01-17-80-6012 01	4,543.00	
AJE 1	12/31/2015	Regular Benefits	01-17-90-6012 01	476.00	
AJE 1	12/31/2015	Regular Benefits	01-19-10-6012 01	6,574.00	
AJE 1	12/31/2015	Regular Benefits	01-19-40-6012 01	3,348.00	
AJE 1	12/31/2015	NPO Write Off/PERS on behalf	02-00-00-3691 02		-10,057.00
AJE 1	12/31/2015	Regular Benefits	02-01-10-6012 02	5,616.00	
AJE 1	12/31/2015	Regular Benefits	02-01-50-6012 02	4,441.00	
AJE 1	12/31/2015	NPO Write Off/PERS Relief	03-00-00-3691 03		-2,087.00
AJE 1	12/31/2015	Regular Benefits	03-01-10-6012 03	2,087.00	
AJE 1	12/31/2015	NPO Write Off/PERS on behalf	05-00-00-3691 05		-1,761.00
AJE 1	12/31/2015	Regular Benefits	05-01-10-6012 05	1,761.00	

To record additional PERS on behalf contribution for June 2015

AJE 2	12/31/2015	Buildings	15-00-00-1620 15		-0.08
AJE 2	12/31/2015	Bldgs-Allow For Depreciation	15-00-00-1621 15		-8,498.42
AJE 2	12/31/2015	Other-Allow For Depreciation	15-00-00-1631 15		-23,894.39
AJE 2	12/31/2015	Equipment	15-00-00-1640 15	9,809.08	
AJE 2	12/31/2015	Equip-Allow For Depreciation	15-00-00-1641 15		-17,360.80
AJE 2	12/31/2015	Equipment	15-01-10-6053 15		-9,808.99
AJE 2	12/31/2015	Depreciation	15-01-20-6076 15	49,753.60	

To adjust enterprise funds capital assets additions, deletions, and depreciation expense to schedule - Golf Course Fund.

AJE 3	12/31/2015	Bldgs-Allow For Depreciation	05-00-00-1621 05		-2,633.33
AJE 3	12/31/2015	Equipment	05-00-00-1640 05	12,686.83	
AJE 3	12/31/2015	Equip-Allow For Depreciation	05-00-00-1641 05		-51,057.94
AJE 3	12/31/2015	Equipment	05-01-10-6053 05		-12,686.83
AJE 3	12/31/2015	Depreciation	05-01-20-6076 05	53,691.27	

To adjust enterprise funds capital assets additions, deletions, and depreciation expense to schedule - Refuse Fund.

Number	Date	Name	Account No	Debit	Credit
AJE 4	12/31/2015	Bldgs-Allow For Depreciation	03-00-00-1621 03	0.09	
AJE 4	12/31/2015	Other-Allow For Depreciation	03-00-00-1631 03		-504,015.18
AJE 4	12/31/2015	Equip-Allow For Depreciation	03-00-00-1641 03		-33,874.10
AJE 4	12/31/2015	WIP-Master Plan	03-00-00-1675 03	351,991.96	
AJE 4	12/31/2015	Fund Balance	03-00-00-2710 03		-329,992.46
AJE 4	12/31/2015	Airport Master Plan-CIP	03-01-10-7124 03		-15,365.16
AJE 4	12/31/2015	Aeronautical Study Ph 2 MP	03-01-10-7126 03		-6,634.34
AJE 4	12/31/2015	Depreciation	03-01-20-6076 03	537,889.19	

To adjust enterprise funds capital
 assets additions, deletions, and depreciation expense to schedule -
 Airport Fund.

AJE 5	12/31/2015	Bldgs-Allow For Depreciation	02-00-00-1621 02		-2,633.33
AJE 5	12/31/2015	Improvements Other Than Bldgs	02-00-00-1630 02	6,476,884.11	
AJE 5	12/31/2015	Other-Allow For Depreciation	02-00-00-1631 02		-1,674,934.99
AJE 5	12/31/2015	Equipment	02-00-00-1640 02	33,856.00	
AJE 5	12/31/2015	Equip-Allow For Depreciation	02-00-00-1641 02		-57,932.23
AJE 5	12/31/2015	Meters-Allow For Depreciation	02-00-00-1643 02		-5,578.45
AJE 5	12/31/2015	Construction in Progress	02-00-00-1675 02		-1,841,424.15
AJE 5	12/31/2015	Fund Balance	02-00-00-2710 02		-4,615,020.94
AJE 5	12/31/2015	Engineering	02-01-10-6028 02		-4,850.00
AJE 5	12/31/2015	Contractual Services	02-01-10-6030 02		-685.00
AJE 5	12/31/2015	Contractual Services	02-01-10-6030 02		-3,853.26
AJE 5	12/31/2015	Depreciation	02-01-20-6076 02	1,741,079.00	
AJE 5	12/31/2015	Engineering	02-01-50-6028 02		-3,622.50
AJE 5	12/31/2015	Contractual Services	02-01-50-6030 02		-3,853.26
AJE 5	12/31/2015	Repair & Maintenance	02-01-50-6045 02		-3,575.00
AJE 5	12/31/2015	Equipment	02-01-50-6053 02		-33,856.00

To adjust enterprise funds capital
 assets additions, deletions, and depreciation expense to schedule - Water
 and Sewer Fund.

AJE 6	12/31/2015	Inventory	15-00-00-1411 15		-15,354.00
AJE 6	12/31/2015	Merchandise Expenses	15-01-10-6565 15	15,354.00	

Write down Golf Inventory to
 estimated market value

AJE 7	12/31/2015	General Fund - Claim on Cash	01-00-00-1001 01	37,558.71	
AJE 7	12/31/2015	Advance to Enterprise Funds	01-00-00-1998 01		-37,558.71
AJE 7	12/31/2015	Golf Course - Claim on Cash	15-00-00-1001 15		-37,558.71
AJE 7	12/31/2015	Advance from Other Fund	15-00-00-2699 15	37,558.71	

Adjust Golf Course fund Advance
 from GF

Number	Date	Name	Account No	Debit	Credit
AJE 8	12/31/2015	General Fund - Claim on Cash	01-00-00-1001 01		-112,589.07
AJE 8	12/31/2015	Advance to Enterprise Funds	01-00-00-1998 01	112,589.07	
AJE 8	12/31/2015	Airport - Claim on Cash	03-00-00-1001 03	112,589.07	
AJE 8	12/31/2015	Advance From General Fund	03-00-99-1998 03		-112,589.07
Record Airport Fund deficit cash as a long term advance					
AJE 9	12/31/2015	Water/Sewer - Claim on Cash	02-00-00-1001 02		-418,346.64
AJE 9	12/31/2015	L/T ADEC Loan #671251	02-00-00-2105 02	418,346.64	
AJE 9	12/31/2015	Water/Sewer Capital Projects	24-00-00-1001 24	418,346.64	
AJE 9	12/31/2015	State Subsidy - Loan #671251 Forgiveness	24-00-00-3175 24		-384,355.49
AJE 9	12/31/2015	Federal Subsidy - Loan#671251 Forgiveness	24-00-00-3378 24		-33,991.15
To adjust Loan 671251 balance, to account for State and Federal forgiveness					
AJE10	12/31/2015	Accrued Interest Payable	02-00-00-2176 02	1,506.00	
AJE10	12/31/2015	Interest	02-01-50-6062 02		-1,506.00
True up accrued interest on DEC loans in the water fund					
AJE11	12/31/2015	Water/Sewer Capital Projects	24-00-00-1001 24	2,713.00	
AJE11	12/31/2015	Transfers Out	24-24-10-6078 24		-2,713.00
AJE11	12/31/2015	Airport Capital Projects	30-00-00-1001 30		-2,713.00
AJE11	12/31/2015	Transfers from Other Funds	30-00-00-3673 30	2,713.00	
Reverse extra transfer to airport fund in error, when separating fund 24 to fund 30					
AJE12	12/31/2015	Civil Penalty Liability	02-00-00-2150 02		-192,000.00
AJE12	12/31/2015	Civil Penalty Expense	02-01-50-6080 02	192,000.00	
Record CIVIL Penalty Payable for EPA settlement					
AJE13	12/31/2015	Deferred Outflow - Pension	02-00-00-1840 02	8,820.00	
AJE13	12/31/2015	Pers Net Pension Liability	02-00-00-2178 02		-170,450.00
AJE13	12/31/2015	Deferred inflow - pension	02-00-00-2240 02		-19,693.00
AJE13	12/31/2015	Fund Balance	02-00-00-2710 02	181,323.00	
AJE13	12/31/2015	Deferred Outflow Pension	03-00-00-1840 03	3,299.00	
AJE13	12/31/2015	Pers Net Pension Liability	03-00-00-2178 03		-63,759.00
AJE13	12/31/2015	Deferred Inflow Pension	03-00-00-2240 03		-7,366.00
AJE13	12/31/2015	Fund Balance	03-00-00-2710 03	67,826.00	
AJE13	12/31/2015	Deferred Outflow - Pensions	05-00-00-1840 05	9,613.00	
AJE13	12/31/2015	Pers Net Pension Liability	05-00-00-2178 05		-185,783.00
AJE13	12/31/2015	Deferred Inflow - Pensions	05-00-00-2240 05		-21,464.00
AJE13	12/31/2015	Fund Balance	05-00-00-2710 05	197,634.00	
To record restatement related to adoption of GASB 68					

Number	Date	Name	Account No	Debit	Credit
AJE14	12/31/2015	Deferred Outflow - Pension	02-00-00-1840 02	39,037.00	
AJE14	12/31/2015	Pers Net Pension Liability	02-00-00-2178 02		-96,763.00
AJE14	12/31/2015	Deferred inflow - pension	02-00-00-2240 02	14,962.00	
AJE14	12/31/2015	NPO Write Off/PERS on behalf	02-00-00-3691 02		-29,866.00
AJE14	12/31/2015	Regular Benefits	02-01-10-6012 02	36,315.00	
AJE14	12/31/2015	Regular Benefits	02-01-50-6012 02	36,315.00	
AJE14	12/31/2015	Deferred Outflow Pension	03-00-00-1840 03	14,602.00	
AJE14	12/31/2015	Pers Net Pension Liability	03-00-00-2178 03		-36,194.00
AJE14	12/31/2015	Deferred Inflow Pension	03-00-00-2240 03	5,597.00	
AJE14	12/31/2015	NPO Write Off/PERS Relief	03-00-00-3691 03		-11,174.00
AJE14	12/31/2015	Regular Benefits	03-01-10-6012 03	27,169.00	
AJE14	12/31/2015	Deferred Outflow - Pensions	05-00-00-1840 05	42,549.00	
AJE14	12/31/2015	Pers Net Pension Liability	05-00-00-2178 05		-105,466.00
AJE14	12/31/2015	Deferred Inflow - Pensions	05-00-00-2240 05	16,308.00	
AJE14	12/31/2015	NPO Write Off/PERS on behalf	05-00-00-3691 05		-32,554.00
AJE14	12/31/2015	Regular Benefits	05-01-10-6012 05	79,163.00	
To record GASB 68 changes for 2015					
				11,554,140.97	-11,554,140.97
				Net Income (Loss)	(1,839,011.45)