

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF WASILLA, ALASKA

June 30, 2004

Dianne M. Keller
Mayor

Prepared By
Finance Department

Ted Leonard
Finance Director

CITY OF WASILLA, ALASKA

Comprehensive Annual Financial Report

Year Ended June 30, 2004

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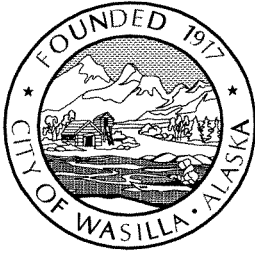
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CITY OF WASILLA

290 East Herning Avenue • Wasilla • Alaska • 99654-7091
• Telephone 907-373-9080 • Fax 907-373-9085

November 22, 2004

To the Citizens of the City of Wasilla:

The comprehensive annual financial report of the City of Wasilla for the fiscal year ended June 30, 2004, is hereby submitted. The City's Finance Department prepared the report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the City. Included in this report are disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes management's discussion and analysis, the basic financial statements, additional information, and related schedules. This section also includes the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City of Wasilla is required to undergo an annual single audit in conformity with the provisions of the Federal and State Single Audit Acts. Information related to assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

This report includes all funds and account groups of the City. The City provides a full range of municipal services authorized by state statute and City code. This includes police, planning and land use control, animal control, sewer, water, road maintenance, parks and recreation, museums, library and other cultural services. In addition to general governmental activities, the City provides financial support to certain community service organizations, which promote education, health care, recreation, arts, and economic stability for the citizens of the community.

The Reporting Entity

The City of Wasilla is a First Class City incorporated under Title 29 of the Alaska State Statutes. City code establishes a June 30 fiscal year end. There are no component units included in our financial statements.

Summary of Local Economy

The City of Wasilla is located in the fastest growing area of Alaska and serves as the retail trade center for the Matanuska-Susitna Borough. As measured by increased population and sales tax receipts, the growth of the service-oriented economy of the City of Wasilla continues to increase steadily. The City of Wasilla remains primarily a bedroom community of Anchorage due to a lack of large-scale primary industry. The City of Wasilla offers an attractive lifestyle in which the cost of housing is much less than in Anchorage due to an abundance of less expensive land. Many residents in our workforce travel the daily commute to Anchorage and find the quality of life quite high in our community.

The Future

The City continues to look toward growth in the service industries to maintain our position as the trade center of the Matanuska-Susitna Valley. Also, resource extraction industries will continue to fuel our economic growth in an indirect way. Other proposed projects that will benefit our economy are the continued port development at Pt. McKenzie and the proposed Trans Alaska Gas Pipeline.

The population growth trend in the City of Wasilla and the Matanuska-Susitna Valley continues to show an upward trend. The continuing increase in Wasilla sales tax receipts and Anchorage-Valley vehicle counts are indicators of the continuing population growth occurring in Wasilla and the Valley.

The City of Wasilla completed the construction of a multi-use sports complex which opened in February 2004. Due to the opening of the sports complex, we anticipate becoming more of a "destination point" in South Central Alaska.

Long-term Financial Planning

The most significant actions that the City took in FY03 and FY04 were the initiation of projects to improve our infrastructure, including resurfacing of roads and major extensions to our water and sewer system. The road improvements and water and sewer extensions will continue to help spur development in the core area of the City. We are continuing to work with other government agencies to improve the traffic flow in and around our community.

Major improvements in parks and recreation facilities built at Iditapark are progressing. Work has been completed on our Honor Garden/Path of Freedom, which has become a fine tribute to citizens who serve our country.

Accounting System and Budgetary Control

The City's financial statement for all funds has been prepared in conformity with generally accepted accounting principles.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition and 2) the reliability of financial records for preparing the financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived and 2) the evaluation of the costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City adopts fiscal year budgets for all governmental funds. Budget amendments over \$10,000 between departments within funds and transfers between funds require approval of the City Council. The City's policy is that estimated purchase order amounts are encumbered prior to the release of the order to the vendor. When an encumbrance exceeds the available appropriation authority, policy is that the order is delayed until the budget is amended. Operating budgets lapse at year-end. Any outstanding operating encumbrances are charged against the new year's budget. Capital budget funds remaining are reappropriated in the new year's budget.

Cash Management

All funds of the City are invested and earn interest every day of the year. Funds not needed for daily outlay are invested in overnight repurchase agreements with the Wells Fargo Bank.

All investments are made according to the City's conservative investment and collateralization policy approved by the City Council in 1986 and revised in 2002, Chapter 5.12 of the Wasilla Municipal Code.

Risk Management

The City of Wasilla is a member in good standing in the Alaska Public Entity Insurance Association (APEI), which is a pooling arrangement of Alaskan cities, boroughs and school districts. The concept of shared risk was originally started to ensure that all municipalities had access to insurance coverage on a long-term basis, although not necessarily the least expensive coverage. Claims are covered on an occurrence basis. The APEI provides risk management services and appraisal services.

Pension and Other Postemployment Benefits

The City provides pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The City has no obligation in connection with employee benefits offered through this plan beyond its annual required payment to the pension plan.

Additional information on pension arrangements and postemployment benefits can be found in Note (6) in the Notes to the Basic Financial Statements.

Independent Audit

The City Code, Section 5.04.060 requires examination of the City's financial records and statements by a Certified Public Accounting Firm, licensed to perform financial audits in the State of Alaska. The completion of this examination with the Accountants' opinion on the financial statements must be completed by November 30 of each year.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wasilla for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

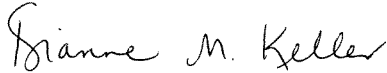
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

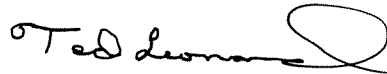
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to Susan Colligan, Sally Schug, Sharon Sinko, Kelly Caldwell, Deborah Davis, April Dwyer, and Alexis Daniels for their capable help. Also, thanks to John Bost, Audit Partner, and the staff of Mikunda, Cottrell & Co. for their very professional manner, patience, and communication skills.

We would also like to thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Dianne M. Keller
Mayor



Ted Leonard, CMA, SPHR
Director of Finance and Admin. Services

CITY OF WASILLA, ALASKA

CITY OFFICIALS

CITY COUNCIL

Council Members:

Verdie A. Bowen
Ron Cox
Noel H. Lowe
Howard O'Neil (Deputy Mayor)
Robert Sande
Diana L. Straub

STAFF

Mayor
Public Works Director
City Clerk
Director of Finance and Admin. Services
Deputy Director of Finance
Culture & Recreation Manager
Police Chief

Dianne M. Keller
Archie Giddings
Kristie Smithers
Ted Leonard
Susan Colligan
Bruce Urban
Don Savage

PLANNING COMMISSION

Jessie Elkins
Dorothy Hamilton
Gregory Koskela
William McCain

Ray McCarthy
Stan Tucker (Chair)
John Vinette

PARKS AND RECREATION COMMISSION

Joan Matthews
Maureen McCombs
Peter Powell

Mary Shampine
Dave Tuttle (Chair)

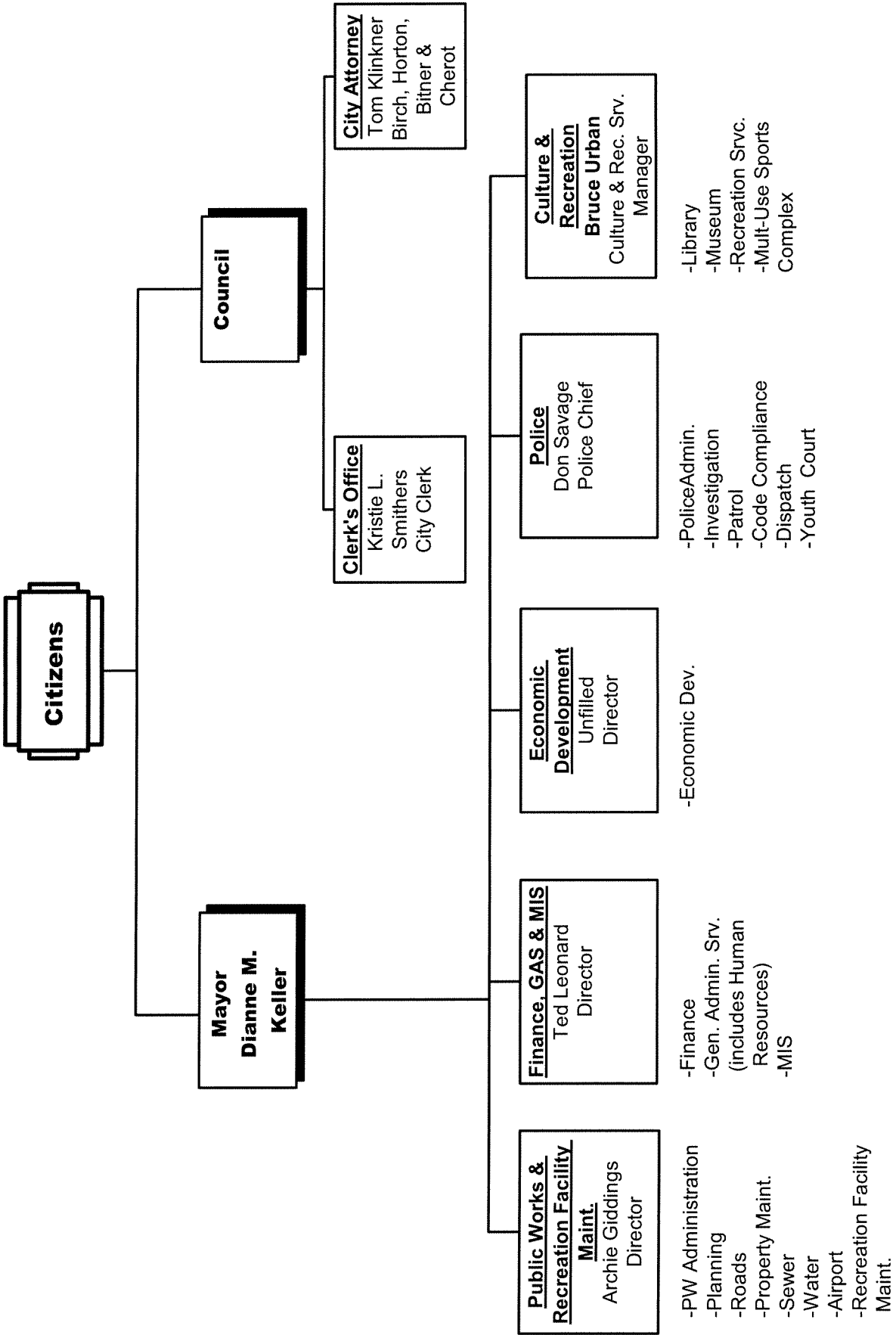
CONSULTANTS

City Attorney
Auditors
Insurance Pool

Insurance Broker

Thomas Klinkner
Mikunda, Cottrell & Co.
Alaska Public Entity Joint Insurance
Association
Brandon Allen, Marsh Inc.

City of Wasilla
Organizational Chart
Fiscal Year 2004



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wasilla,
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

CITY OF WASILLA

Management's Discussion and Analysis

June 30, 2004

As management of the City of Wasilla, we offer readers of these Financial Statements this narrative overview and analysis of the financial activities of the City of Wasilla for the fiscal year ended June 30, 2004. The Management's Discussion and Analysis (MD&A) requires some comparative discussion and analysis. Some of the comparative tables and graphs provided do not show comparative figures in this year's report. This is the City of Wasilla's year of implementation of this new requirement and some comparative figures will not be available until our second year under this requirement.

Financial Highlights

- The assets of the City of Wasilla exceeded its liabilities at the close of the most current fiscal year by \$63,044,944 (total net assets). Of this amount, \$11,628,032 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of business of the current fiscal year, the City of Wasilla's governmental funds reported combined ending fund balances of \$8,085,868. Of this total, \$5,676,648 is undesignated and available for spending at the government's discretion.
- The City's total outstanding debt decreased by \$1,310,892 to a year-end balance of \$23,034,733. The City's long-term debt table can be found beginning on page 26 of the Notes to the Basic Financial Statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Wasilla's basic financial statements. The City of Wasilla's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Wasilla's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Wasilla's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the City of Wasilla is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Wasilla that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Wasilla include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Wasilla include water, sewer, airport and operation of a Multi-Use Sports Complex.

The government-wide financial statements can be found on pages 4-5 of this report.

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 Wasilla, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wasilla can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Wasilla maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Miscellaneous Capital Projects Fund, which are considered to be major funds. The other 19 governmental funds are combined and shown as nonmajor governmental funds on the governmental funds balance sheet and governmental statement of revenues, expenditures, and changes in fund balances. Individual fund information for the 19 nonmajor funds is presented in combining balance sheets for nonmajor governmental funds and combining statement of revenues, expenditures, and changes in fund balances for nonmajor funds, by fund type.

The City of Wasilla adopts annual appropriated budgets for its General Fund, special revenue funds, and debt service funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 6-10 of this report.

Proprietary funds. The City of Wasilla 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 Wasilla uses enterprise funds to account for its water, sewer, multi-use sports complex, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and sports complex, all of which are considered to be major funds of the City of Wasilla. Information on the airport operations is included under the nonmajor fund column.

The basic proprietary fund financial statements can be found on pages 11-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-35 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Wasilla's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on pages 31-33 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented on pages 46 and 47. Combining and individual fund statements and schedules for all funds can be found on pages 49 through 90.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wasilla, assets exceeded liabilities by \$63,044,944 at the close of the most recent fiscal year.

By far the largest portion of the City of Wasilla's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Wasilla uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Wasilla's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Wasilla's Net Assets
June 30, 2004

| | <u>Governmental</u> | | <u>Business-type</u> | | <u>Total</u> | |
|---|----------------------|-------------|----------------------|-------------|-------------------|-------------|
| | Activities | | Activities | | Activities | |
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Current and other assets | \$ 9,822,788 | - | 5,048,888 | - | 14,871,676 | - |
| Capital assets, net of depreciation | <u>22,408,693</u> | <u>-</u> | <u>50,582,835</u> | <u>-</u> | <u>72,991,528</u> | <u>-</u> |
| Total assets | 32,231,481 | - | 55,631,723 | - | 87,863,204 | - |
| Long-term liabilities outstanding | 5,588,897 | - | 17,531,096 | - | 23,119,993 | - |
| Other liabilities | <u>1,183,351</u> | <u>-</u> | <u>514,916</u> | <u>-</u> | <u>1,698,267</u> | <u>-</u> |
| Total liabilities | 6,772,248 | - | 18,046,012 | - | 24,818,260 | - |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 17,095,906 | - | 33,769,762 | - | 50,865,668 | - |
| Restricted for debt service | - | - | 551,244 | - | 551,244 | - |
| Unrestricted | <u>8,363,327</u> | <u>-</u> | <u>3,264,405</u> | <u>-</u> | <u>11,628,032</u> | <u>-</u> |
| Total net assets | \$ <u>25,459,233</u> | <u>-</u> | <u>37,585,711</u> | <u>-</u> | <u>63,044,944</u> | <u>-</u> |

Note: Because 2004 was the first year of the management's discussion and analysis, comparative figures are not available for the 2003 fiscal year.

Because of the implementation during this year, analysis of increases and decreases of net assets is difficult and is not provided during this fiscal year. In year two of the implementation (2005 fiscal year) we will be able to better evaluate comparisons from one year to the next.

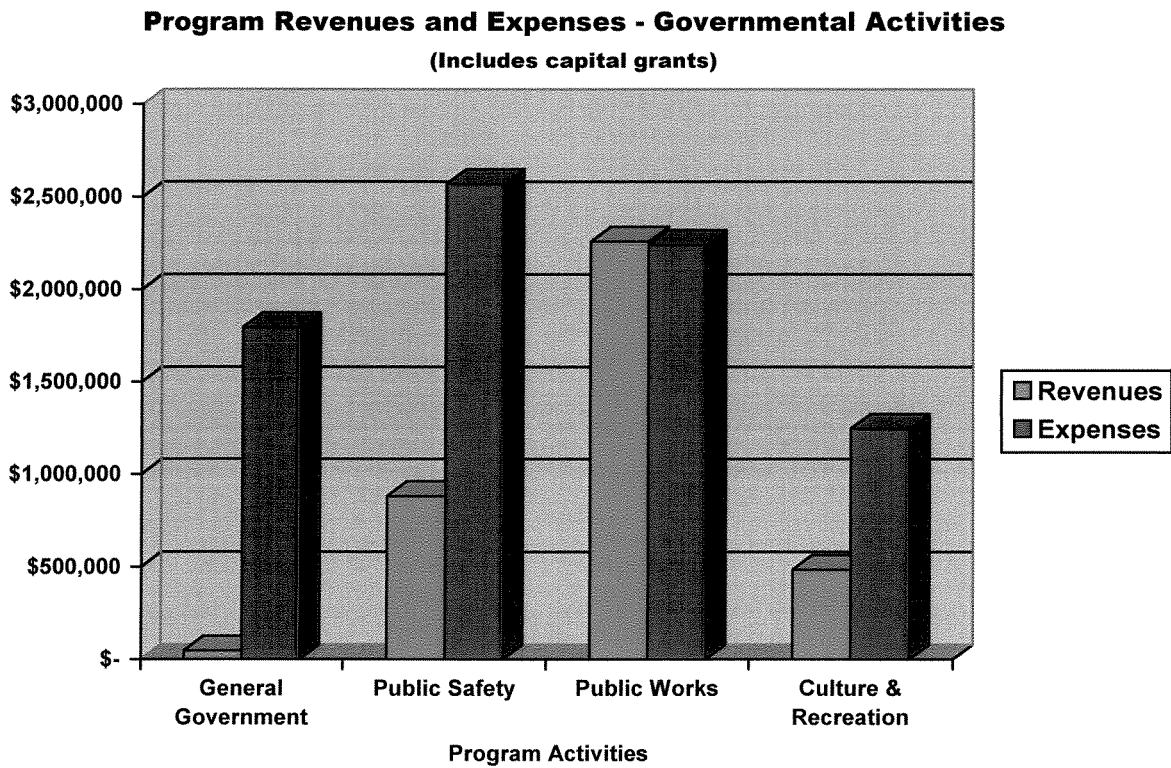
Governmental Activities. Governmental activities increased overall by 14.3%. Although the following table does not have comparative years, it does give a summary of what makes up changes in net assets for both governmental and business-type activities.

City of Wasilla's Changes in Net Assets
For Year Ended June 30, 2004

| | <u>Governmental</u> <u>Activities</u> | | <u>Business-type</u> <u>Activities</u> | | <u>Total</u> <u>Activities</u> | |
|--|--|-------------|---|-------------|-----------------------------------|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 174,764 | - | 1,438,017 | - | 1,612,781 | - |
| Operating grants and contributions | 787,076 | - | - | - | 787,076 | - |
| Capital grants and contributions | 2,704,812 | - | 1,726,849 | - | 4,431,661 | - |
| General revenues: | | | | | | |
| Property and vehicle taxes | 330,766 | - | - | - | 330,766 | - |
| Sales taxes | 7,659,612 | - | 1,880,477 | - | 9,540,089 | - |
| Payment in lieu of assessments | - | - | 92,367 | - | 92,367 | - |
| Grants and contributions not restricted to specific programs | 333,124 | - | - | - | 333,124 | - |
| Investment earnings | 76,293 | - | 10,773 | - | 87,066 | - |
| Other | <u>123,614</u> | <u>-</u> | <u>35,930</u> | <u>-</u> | <u>159,544</u> | <u>-</u> |
| Total revenues | <u>12,190,061</u> | <u>-</u> | <u>5,184,413</u> | <u>-</u> | <u>17,374,474</u> | <u>-</u> |
| Expenses: | | | | | | |
| General government | 1,794,203 | - | - | - | 1,794,203 | - |
| Public safety | 2,592,610 | - | - | - | 2,592,610 | - |
| Public works | 2,258,555 | - | - | - | 2,258,555 | - |
| Culture and recreation | 1,245,813 | - | - | - | 1,245,813 | - |
| Water utility | - | - | 746,930 | - | 746,930 | - |
| Sewer utility | - | - | 890,619 | - | 890,619 | - |
| Multi-Use Sports Complex | - | - | 382,024 | - | 382,024 | - |
| Municipal Airport | <u>-</u> | <u>-</u> | <u>404,940</u> | <u>-</u> | <u>404,940</u> | <u>-</u> |
| Total expenses | <u>7,891,181</u> | <u>-</u> | <u>2,424,513</u> | <u>-</u> | <u>10,315,694</u> | <u>-</u> |
| Increase in net assets before transfers | 4,298,880 | - | 2,759,900 | - | 7,058,780 | - |
| Transfers | <u>(1,108,823)</u> | <u>-</u> | <u>1,108,823</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Increase in net assets | 3,190,057 | - | 3,868,723 | - | 7,058,780 | - |
| Net assets 7/01/2003 | <u>22,269,176</u> | <u>-</u> | <u>33,716,988</u> | <u>-</u> | <u>55,986,164</u> | <u>-</u> |
| Net assets 6/30/2004 | <u>\$ 25,459,233</u> | <u>-</u> | <u>37,585,711</u> | <u>-</u> | <u>63,044,944</u> | <u>-</u> |

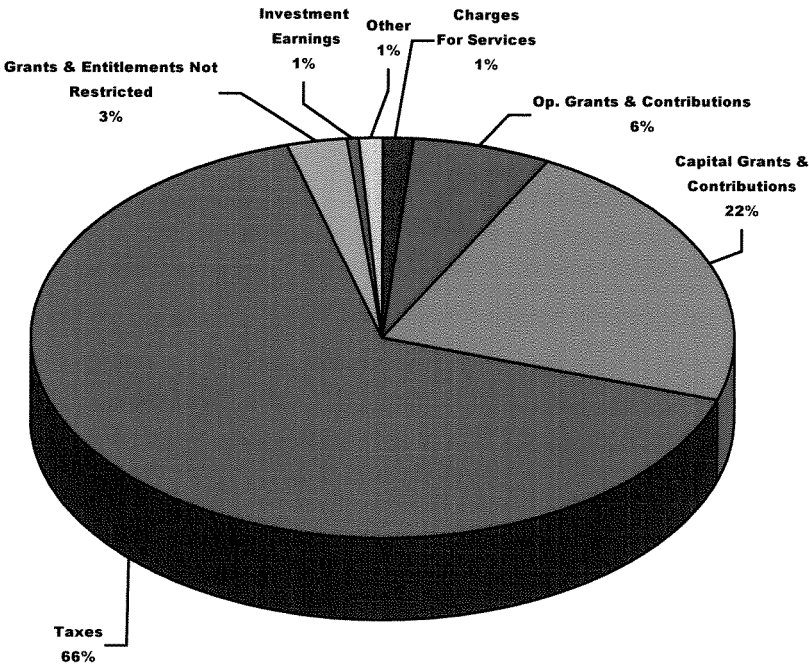
Note: Because 2004 was the first year of the management's discussion and analysis and also the first year of implementation of the GASB 34 requirements, comparative figures are not available until the 2005 fiscal year audit.

The following graph shows the governmental activities expenses and the related revenues dedicated to each activity. This shows the amount of dedicated revenues associated with the various kinds of activities. Other revenues also support governmental activities, but are general in nature and apply to all categories. They include property and sales taxes, grants and entitlements not restricted for a specific purpose, investment income, and other general revenues.



The following graph shows the percentages of all revenue sources for governmental activities. Taxes are the largest revenue source the City of Wasilla has, followed in order by capital grants and contributions, operating grants and contributions, nonrestricted grants and entitlements, charges for services, investment earnings and then other revenue. Taxes increased from 2003 to 2004 by \$581,176 and exceeded the budget estimate by \$547,780. This increase is the result of the continued trend in growth of sales tax revenue. Sales tax revenue increased by over 7% from last fiscal year. This growth trend in sales tax is projected to continue in the near future. Investment income has dropped due to declining rates and declining overall reserves due to capital projects being completed. Most of our expenses have had normal increases. Several areas that have increased all governmental activities are general insurance and group health insurance.

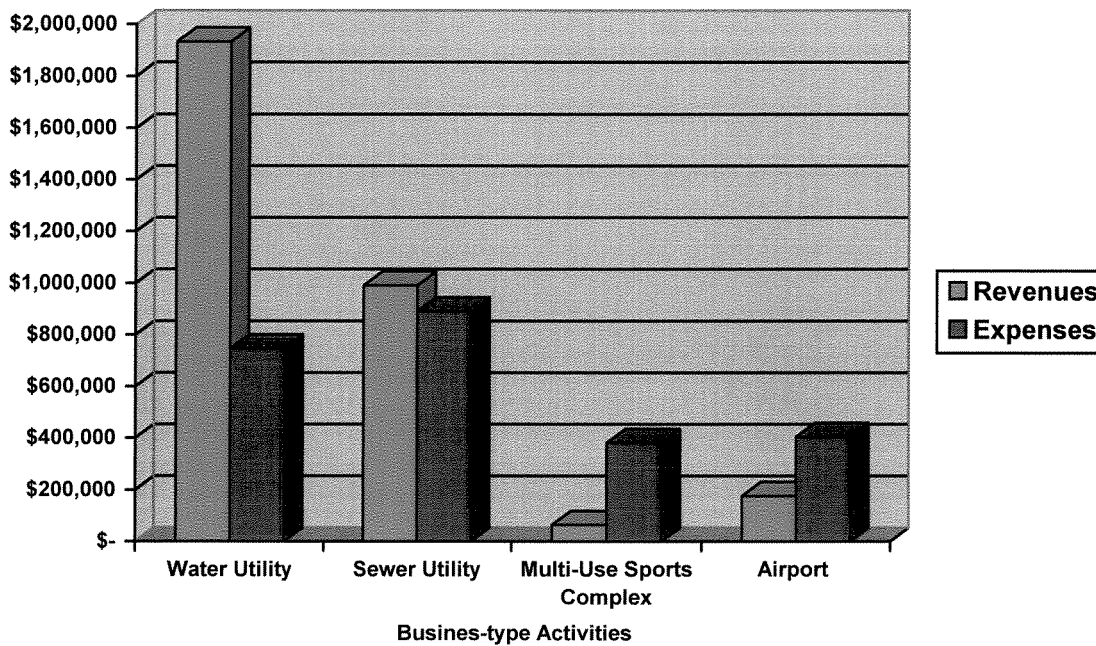
Revenues By Source - Governmental Activities



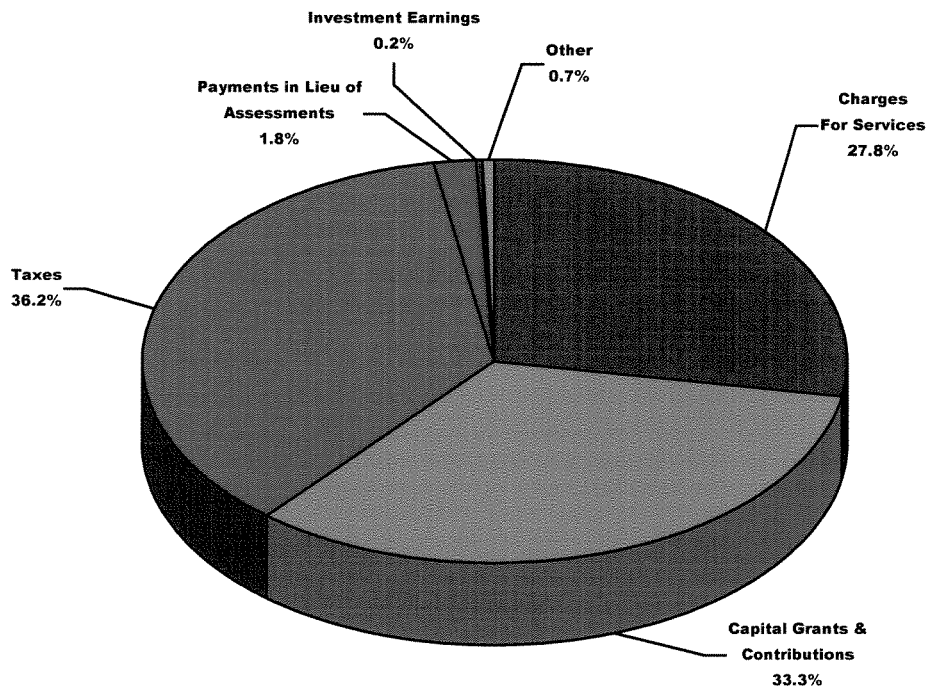
Business-type activities. Business-type activities increased the City of Wasilla’s net assets by \$3,868,723. The largest portion of this increase resulted from sales tax (\$1,880,477) dedicated for payment of the debt service on the multi-use sports complex. Also capital grants and contributions made the second largest contribution at \$1,726,849.

The following graph shows expenses and program revenues for all of the business-type activities. Not included in the revenues are taxes, investment earnings, transfers, and some other miscellaneous revenues. As reflected in the graph, water and sewer funds had program revenues in excess of expenses. The Multi-Use sports complex and airport operations had revenues that were below expenses.

Program Revenues and Expenses - Business-type Activities
(Includes capital grants)



Revenues By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Wasilla's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Wasilla's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Wasilla's governmental funds reported combined ending fund balances of \$8,085,868, an increase of \$103,004 (including the cumulative effect adjustment of \$232,481) in comparison with the prior year. The City of Wasilla's total fund balance is made up of 3 components.

The first component is reserved to indicate that it is not available for spending at the government's discretion. The reserved portion is 17% (\$1,346,362) of the total fund balance. The next component is designated fund balance. Designated fund balance is 13.1% (\$1,062,858) of the total. Designated fund balance is held for specific expenditures such as capital projects, and subsequent year's expenditures. The undesignated fund balance reflects the balance of \$5,676,648. These are funds that the City can use for any purpose.

The General Fund is the chief operating fund of the City of Wasilla. At the end of the current fiscal year, undesignated fund balance of the General Fund was \$5,319,647, while total fund balance was \$5,503,645. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 92% of total General Fund expenditures, while total fund balance represents 95% of that same amount.

The fund balance of the City of Wasilla's General Fund increased by \$713,098 (including the cumulative effect adjustment) during the current fiscal year. The revised budget for fiscal year 2004 budgeted for a reduction in the General Fund's fund balance of \$653,099. Key factors in the fund balance increase include:

- Actual sales tax collections were \$519,014 over projections based on an upswing in the local economy.
- A decrease of \$151,826 of investment income from the budgeted amount.
- All expenditure functions of the General Fund were under the revised budget by \$851,348.
- The cumulative effect of change in accounting principle increased the fund balance by \$208,816.

The other major fund, the Miscellaneous Projects Capital Project Fund, has a total fund balance of \$1,189,431. This total amount is reserved or designated for future capital project construction expenditures. The fund balance in this fund has decreased by \$361,950 over the prior year. The key factor in the reduction is that \$361,950 of fund balance was used for fiscal year 2004 capital project construction.

Proprietary funds. The City of Wasilla's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water Utility's unrestricted net assets were \$1,683,426. Unrestricted net assets will decline as the City starts to invest a portion of the unrestricted net assets in capital construction.

The Sewer Utility's unrestricted net assets were \$958,723. Unrestricted net assets are projected to remain steady in fiscal year 2005.

The Airport Fund's unrestricted net assets were \$274,042. Unrestricted net assets will decline due to the fact that the City of Wasilla will use a portion of net assets (\$64,117) for fiscal year 2005 projects. The airport operations continue to generate operating losses before depreciation. The City will continue to offset these losses with transfers from the General Fund and is seeking ways to lower the operating loss in the Airport Fund.

The Multi-Use Sports Complex Fund has unrestricted net assets of \$348,514. \$551,244 of the net assets has been set aside for retirement of the sports complex general obligation debt.

General Fund Budgetary Highlights

The overall difference in the original and final amended budget was a decrease of \$681,019. The major components of the difference are as follows:

- Sales tax of \$1,785,150 dedicated to payment of Multi-Use Sports Complex general obligation bonds were originally budgeted as revenue in the General Fund. It was decided that the amount should be recognized in the Multi-Use Sports Complex Fund.
- Transfers to debt service were reduced by \$1,785,150 for the Multi-Use Sports Complex bond retirement.
- Increase appropriation of grants revenue of \$207,361 and expenditures were increased in the public safety and culture and recreation functions for the same amount.
- An appropriation of \$134,000 to transfer funds to the Miscellaneous Projects Capital Project Fund to fund railroad crossing at South Mack Road.
- An appropriation of \$52,000 to transfer funds to the Miscellaneous Projects Capital Project Fund to fund construction of the Lake Lucille boat launch project.
- An appropriation of \$25,000 to transfer funds to the Miscellaneous Projects Capital Project Fund to fund replacement of the Police Building roof.
- An appropriation of \$215,650 to transfer funds to the Multi-Use Sports Complex Fund to supplement operations while the complex completes startup of operations.
- An appropriation of \$161,195 to transfer funds to the Multi-Use Sports Complex Fund to fund legal fees and expenses incurred in relation to a legal lawsuit.

The increases to the amended budget were funded with General Fund reserves.

Capital Asset and Debt Administration

Capital assets. The City of Wasilla's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$72,991,528 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, equipment and construction in progress.

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

- Multi-Use Sports Complex construction
- South Mack Road construction
- South Mack Road & Church Road intersection construction
- Bumpus Water Reservoir construction
- South Mack Road Utility construction
- Water and Sewer Line Extensions

City of Wasilla's Capital Assets
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|-----------------------------------|----------------------------|-------------------|-----------------------------|-------------------|---------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Land and land improvements | \$ 4,533,005 | 4,533,005 | 5,573,137 | 5,347,337 | 10,106,142 | 9,880,342 |
| Buildings | 2,612,394 | 2,346,509 | 14,620,654 | - | 17,233,048 | 2,346,509 |
| Improvements other than buildings | - | - | 26,534,629 | 22,140,165 | 26,534,629 | 22,140,165 |
| Infrastructure | 10,234,051 | 10,693,544 | - | - | 10,234,051 | 10,693,544 |
| Furniture and equipment | 575,033 | 419,943 | - | - | 575,033 | 419,943 |
| Vehicles and equipment | 816,953 | 724,148 | 2,813,543 | 2,786,586 | 3,630,496 | 3,510,734 |
| Construction in progress | <u>3,637,257</u> | <u>624,566</u> | <u>1,040,872</u> | <u>4,606,829</u> | <u>4,678,129</u> | <u>5,231,395</u> |
| Total capital assets | <u>\$ 22,408,693</u> | <u>19,341,715</u> | <u>50,582,835</u> | <u>34,880,917</u> | <u>72,991,528</u> | <u>54,222,632</u> |

Additional information on the City of Wasilla's capital assets can be found in note 3 on page 24 of this report.

Long-term debt. At the end of the current fiscal year, the City of Wasilla had total long-term debt outstanding of \$23,034,733. Of this amount, \$17,410,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Wasilla's debt represents bonds and loans secured solely by specified revenue sources (i.e., Long-term Loans) in the amount of \$5,311,098 and compensated absences of \$313,635.

City of Wasilla's Outstanding Long-term Debt

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|----------------------|----------------------------|------------------|-----------------------------|-------------------|---------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| General Obligation | \$ 4,570,000 | 4,775,000 | 12,840,000 | 13,860,000 | 17,410,000 | 18,635,000 |
| Other Debt | 1,018,897 | 1,355,919 | 87,423 | 94,431 | 1,106,320 | 1,450,350 |
| Loans, Long-Term | - | - | <u>4,518,413</u> | <u>4,260,275</u> | <u>4,518,413</u> | <u>4,260,275</u> |
| Total Long-Term Debt | <u>\$ 5,588,897</u> | <u>6,130,919</u> | <u>17,445,836</u> | <u>18,214,706</u> | <u>23,034,733</u> | <u>24,345,625</u> |

Additional information on the City's long-term debt can be found on pages 26 –30 of this report.

Economic Factors and Next Year's Budgets and Rates

In setting the budgets for fiscal year 2005, the City considered a number of issues with citywide impact, among them.

- Sales taxes growth rate will increase from the current projected growth trend rate of 6 to 7% to 10% based on the opening of new retail establishments and economic development investments by the City of Wasilla.
- User fees and charges in the business-type activities will increase substantially due to the fact the Sports Complex will have a full year of operation.

- The City of Wasilla will continue to launch programs to keep local government small, efficient, and accountable to the citizens of Wasilla while absorbing projected increases in personnel services due to PERS retirement contribution increases (projected increase of 5%) and property and liability insurance increases (projected average increase of 15%).
- The City of Wasilla will continue to aggressively invest in needed infrastructure and will transfer at least \$1,000,000 from the General Fund to the Capital Projects Funds for capital projects.
- The City of Wasilla will continue to make progress in making the enterprise funds (Water, Sewer, Airport, and Multi-Use Sports Complex) self-sufficient while ensuring the systems meet environment and development needs of the citizens and the businesses in the City of Wasilla.

All of these factors were considered in preparing the City's budget for fiscal year 2005. As a result the fiscal year 2005 budget includes a decrease in the City of Wasilla's property tax rate of .10 mills from the current rate of .50 mills to an approved rate of .40 mills.

Requests for Information

This financial report is designed to provide a general overview of the City of Wasilla's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Wasilla, Attn: Director of Finance and Administrative Services, 290 E. Herning Ave, Wasilla, Alaska 99654.

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Independent Auditor's Report

Honorable Mayor and City Council
City of Wasilla, Alaska

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 the City of Wasilla, Alaska as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Notes 1 and 11 to the financial statements, the City adopted Governmental Accounting Standards Board Statements 34, 36, 37, 38, and 39 as of and for the year ended June 30, 2004.

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 the City of Wasilla, Alaska, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 on our consideration of City of Wasilla's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council
City of Wasilla, Alaska

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wasilla's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the State of Alaska Office of Management and Budget, *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have not been audited by us and accordingly, we express no opinion on them.

Mikunda, Cottrell & Co.

September 17, 2004

BASIC FINANCIAL STATEMENTS

CITY OF WASILLA, ALASKA

Statement of Net Assets

June 30, 2004

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| <u>Assets</u> | | | |
| Cash and investments | \$ 6,593,440 | 3,307,941 | 9,901,381 |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Accounts | - | 151,124 | 151,124 |
| Sales and property taxes | 754,994 | 188,748 | 943,742 |
| Grants and shared revenues | 1,730,711 | 872,126 | 2,602,837 |
| Special assessments | 631,595 | 42,195 | 673,790 |
| Loans | - | 10,419 | 10,419 |
| Other | 98,537 | - | 98,537 |
| Prepaid items | 13,511 | - | 13,511 |
| Inventories | - | 114,386 | 114,386 |
| Restricted cash and investments | - | 348,542 | 348,542 |
| Deferred charges, net of accumulated amortization | - | 13,407 | 13,407 |
| Capital assets not being depreciated - land and construction in progress | 8,170,262 | 3,736,786 | 11,907,048 |
| Other capital assets, net of accumulated depreciation | <u>14,238,431</u> | <u>46,846,049</u> | <u>61,084,480</u> |
| Total assets | \$ <u>32,231,481</u> | <u>55,631,723</u> | <u>87,863,204</u> |
| <u>Liabilities</u> | | | |
| Accounts payable | 886,949 | 209,762 | 1,096,711 |
| Accrued payroll and related liabilities | 193,290 | 36,968 | 230,258 |
| Customer utility deposits | - | 58,055 | 58,055 |
| Accrued interest payable | 78,026 | 167,157 | 245,183 |
| Deferred revenue | 25,086 | 42,974 | 68,060 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Accrued leave | 276,110 | 37,525 | 313,635 |
| Bonds and loans | 348,411 | 1,364,197 | 1,712,608 |
| Due in more than one year: | | | |
| ADEC loans | - | 4,287,687 | 4,287,687 |
| Bonds | 4,964,376 | 11,756,427 | 16,720,803 |
| Unamortized bond premium | - | 85,260 | 85,260 |
| Total liabilities | <u>6,772,248</u> | <u>18,046,012</u> | <u>24,818,260</u> |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 17,095,906 | 33,769,762 | 50,865,668 |
| Restricted for debt service | - | 551,244 | 551,244 |
| Unrestricted | <u>8,363,327</u> | <u>3,264,705</u> | <u>11,628,032</u> |
| Total net assets | <u>25,459,233</u> | <u>37,585,711</u> | <u>63,044,944</u> |
| Total liabilities and net assets | \$ <u>32,231,481</u> | <u>55,631,723</u> | <u>87,863,204</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA

Statement of Activities
Year Ended June 30, 2004

| Activities | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|----------------------|--|--|--------------------------------------|--|---------------------------------|--------------------|
| | | Fees, Fines & Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business- type Activities | Total |
| Primary government: | | | | | | | |
| Governmental: | | | | | | | |
| General government | \$ 1,794,203 | 46,632 | - | - | (1,747,571) | - | (1,747,571) |
| Public safety | 2,592,610 | 66,492 | 381,291 | 431,984 | (1,712,843) | - | (1,712,843) |
| Public works | 2,258,555 | 35,400 | 4,500 | 2,216,717 | (1,938) | - | (1,938) |
| Culture and recreation | 1,245,813 | 26,240 | 401,285 | 56,111 | (762,177) | - | (762,177) |
| Total governmental activities | <u>7,891,181</u> | <u>174,764</u> | <u>787,076</u> | <u>2,704,812</u> | <u>(4,224,529)</u> | <u>-</u> | <u>(4,224,529)</u> |
| Business-type: | | | | | | | |
| Water Utility | 746,930 | 688,170 | - | 1,245,111 | - | 1,186,351 | 1,186,351 |
| Sewer Utility | 890,619 | 642,068 | - | 349,191 | - | 100,640 | 100,640 |
| Multi-Use Sports Complex | 382,024 | 63,599 | - | - | - | (318,425) | (318,425) |
| Municipal Airport | 404,940 | 44,180 | - | 132,547 | - | (228,213) | (228,213) |
| Total business-type activities | <u>2,424,513</u> | <u>1,438,017</u> | <u>-</u> | <u>1,726,849</u> | <u>-</u> | <u>740,353</u> | <u>740,353</u> |
| Total primary government | \$ <u>10,315,694</u> | <u>1,612,781</u> | <u>787,076</u> | <u>4,431,661</u> | <u>(4,224,529)</u> | <u>740,353</u> | <u>(3,484,176)</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | \$ 7,990,378 | 1,880,477 | 9,870,855 |
| Payments in lieu of assessments | | | | | - | 92,367 | 92,367 |
| Grants and entitlements not restricted to a specific purpose | | | | | 333,124 | - | 333,124 |
| Investment earnings | | | | | 76,293 | 10,773 | 87,066 |
| Other | | | | | 123,614 | 35,930 | 159,544 |
| Transfers | | | | | (1,108,823) | 1,108,823 | - |
| Total general revenues and transfers | | | | | <u>7,414,586</u> | <u>3,128,370</u> | <u>10,542,956</u> |
| Changes in net assets | | | | | 3,190,057 | 3,868,723 | 7,058,780 |
| Net assets at beginning of year, restated | | | | | <u>22,269,176</u> | <u>33,716,988</u> | <u>55,986,164</u> |
| Net assets at end of year | | | | | \$ <u>25,459,233</u> | <u>37,585,711</u> | <u>63,044,944</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2004

| <u>Assets</u> | <u>General</u> | Miscellaneous <u>Projects</u> Capital <u>Projects</u> | <u>Nonmajor</u> <u>Governmental</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|--|---------------------|--|--|---|
| Cash and investments | \$ 4,499,973 | 603,291 | 1,451,159 | 6,554,423 |
| Receivables, net of allowance for uncollectible accounts: | | | | |
| Sales taxes | 754,994 | - | - | 754,994 |
| Grants and shared revenues | 414,833 | 1,094,815 | 260,080 | 1,769,728 |
| Special assessments | - | - | 631,595 | 631,595 |
| Other | - | 98,537 | - | 98,537 |
| Prepaid items | 13,511 | - | - | 13,511 |
| Due from other funds | 39,017 | - | - | 39,017 |
| Advances to other funds | 15,221 | - | - | 15,221 |
| | <u>5,737,549</u> | <u>1,796,643</u> | <u>2,342,834</u> | <u>9,877,026</u> |
| Total assets | \$ <u>5,737,549</u> | <u>1,796,643</u> | <u>2,342,834</u> | <u>9,877,026</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Due to other funds | - | - | 39,017 | 39,017 |
| Accounts payable | 59,568 | 600,303 | 227,078 | 886,949 |
| Accrued payroll and employee benefits | 161,859 | 5,035 | 26,396 | 193,290 |
| Advances from other funds | - | - | 15,221 | 15,221 |
| Deferred revenue | 12,477 | 1,874 | 642,330 | 656,681 |
| Total liabilities | <u>233,904</u> | <u>607,212</u> | <u>950,042</u> | <u>1,791,158</u> |
| Fund balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 100,930 | 571,989 | 25,993 | 698,912 |
| Advances to other funds | 15,221 | - | - | 15,221 |
| Insurance premium increases | 54,336 | - | - | 54,336 |
| Prepaid items | 13,511 | - | - | 13,511 |
| Debt service | - | - | 418,677 | 418,677 |
| Investments | - | - | 145,705 | 145,705 |
| Unreserved: | | | | |
| General Fund | 5,319,647 | - | - | 5,319,647 |
| Special revenue funds | - | - | 122,898 | 122,898 |
| Debt service funds | - | - | 357,001 | 357,001 |
| Capital project funds | - | 617,442 | 322,518 | 939,960 |
| Total fund balances | <u>5,503,645</u> | <u>1,189,431</u> | <u>1,392,792</u> | <u>8,085,868</u> |
| Total liabilities and fund balances | \$ <u>5,737,549</u> | <u>1,796,643</u> | <u>2,342,834</u> | <u>9,877,026</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2004

| | | |
|---|--------------------|----------------------|
| Total fund balances for governmental funds | | \$ 8,085,868 |
| Total net assets reported for governmental activities in the Statement of Net Assets is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of: | | |
| Land and land improvements | \$ 4,533,005 | |
| Buildings | 3,532,563 | |
| Office furniture and equipment | 1,079,118 | |
| Vehicles and equipment | 1,639,339 | |
| Infrastructure | 15,458,281 | |
| Construction in progress | 3,637,257 | |
| Accumulated depreciation | <u>(7,470,870)</u> | |
| Total capital assets | | 22,408,693 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of deferred assessments. | | |
| | | 631,595 |
| Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of: | | |
| General obligation bonds payable | (4,570,000) | |
| Special assessment bonds payable | (742,787) | |
| Accrued interest on bonds | (78,026) | |
| Accrued leave | <u>(276,110)</u> | |
| Total long term liabilities | | <u>(5,666,923)</u> |
| Total net assets of governmental activities | | \$ <u>25,459,233</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2004

| | <u>General</u> | Miscellaneous Projects Capital <u>Project</u> | Nonmajor <u>Governmental</u> | Total Governmental <u>Funds</u> |
|---|---------------------|--|---------------------------------|---------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 7,990,378 | - | - | 7,990,378 |
| Licenses and permits | 41,112 | - | - | 41,112 |
| Fines, forfeitures and penalties | 33,727 | - | 25,415 | 59,142 |
| Intergovernmental | 605,014 | 2,272,828 | 949,465 | 3,827,307 |
| Special assessments | - | - | 353,403 | 353,403 |
| Investment income | 73,174 | 1,292 | 1,828 | 76,294 |
| Free main allowances | - | - | 5,665 | 5,665 |
| Lot sales | - | - | 16,800 | 16,800 |
| Other | 91,313 | 6,495 | 19,663 | 117,471 |
| Total revenues | <u>8,834,718</u> | <u>2,280,615</u> | <u>1,372,239</u> | <u>12,487,572</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,669,133 | - | 36,890 | 1,706,023 |
| Public safety | 2,212,835 | - | 153,312 | 2,366,147 |
| Public works | 1,328,883 | - | - | 1,328,883 |
| Culture and recreation | 497,858 | - | 663,472 | 1,161,330 |
| Nondepartmental | 66,154 | - | - | 66,154 |
| Debt service: | | | | |
| Principal | - | - | 585,650 | 585,650 |
| Interest | - | - | 295,772 | 295,772 |
| Capital outlay | - | 3,256,348 | 741,919 | 3,998,267 |
| Total expenditures | <u>5,774,863</u> | <u>3,256,348</u> | <u>2,477,015</u> | <u>11,508,226</u> |
| Excess of revenues over (under) expenditures | 3,059,855 | (975,733) | (1,104,776) | 979,346 |
| Other financing sources (uses): | | | | |
| Transfers in | 7,171 | 620,783 | 1,000,914 | 1,628,868 |
| Transfers out | (2,562,744) | (7,000) | (167,947) | (2,737,691) |
| Net other financing sources (uses) | <u>(2,555,573)</u> | <u>613,783</u> | <u>832,967</u> | <u>(1,108,823)</u> |
| Net change in fund balances | 504,282 | (361,950) | (271,809) | (129,477) |
| Beginning fund balances | 4,790,547 | 1,551,381 | 1,640,936 | 7,982,864 |
| Cumulative effect of a change in accounting principle | 208,816 | - | 23,665 | 232,481 |
| Ending fund balances | \$ <u>5,503,645</u> | <u>1,189,431</u> | <u>1,392,792</u> | <u>8,085,868</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
 Reconciliation of the Change in Fund Balances of Governmental Funds
 to Statement of Activities
 Year Ended June 30, 2004

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds | \$ (129,477) |
| The change in net assets reported for governmental activities in the Statement of Activities is different because: | |
| Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$4,070,913) exceeded depreciation (\$934,529). | 3,136,384 |
| Loss on disposal of assets is not recorded in the fund financial statements. | (69,406) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in other long-term assets. | (292,890) |
| The repayment of principal of long-term debt (\$585,651) consumes current financial resources in governmental funds, but does not have any effect on net assets. | 585,651 |
| Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This is the amount of the decrease in accrued interest payable. | 3,424 |
| 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. This is the amount of the increase in accrued leave. | <u>(43,629)</u> |
| Change in net assets of governmental activities | \$ <u><u>3,190,057</u></u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|---------------------------|------------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 9,227,748 | 7,442,598 | 7,990,378 | 547,780 |
| Licenses and permits | 40,300 | 40,300 | 41,112 | 812 |
| Fines, forfeitures and penalties | 68,000 | 68,000 | 33,727 | (34,273) |
| Intergovernmental | 511,585 | 718,946 | 605,014 | (113,932) |
| Investment income | 225,000 | 225,000 | 73,174 | (151,826) |
| Other | 56,681 | 60,080 | 91,313 | 31,233 |
| Total revenues | <u>10,129,314</u> | <u>8,554,924</u> | <u>8,834,718</u> | <u>279,794</u> |
| Expenditures: | | | | |
| General government | 1,817,735 | 1,898,817 | 1,669,133 | 229,684 |
| Public safety | 2,278,259 | 2,442,511 | 2,212,835 | 229,676 |
| Public works | 1,593,718 | 1,554,517 | 1,328,883 | 225,634 |
| Culture and recreation | 514,995 | 531,738 | 497,858 | 33,880 |
| Nondepartmental | 283,026 | 198,628 | 66,154 | 132,474 |
| Total expenditures | <u>6,487,733</u> | <u>6,626,211</u> | <u>5,774,863</u> | <u>851,348</u> |
| Excess of revenues over expenditures | 3,641,581 | 1,928,713 | 3,059,855 | 1,131,142 |
| Other financing sources (uses): | | | | |
| Transfers in | 1,000 | 7,171 | 7,171 | - |
| Transfers out | (3,614,661) | (2,588,983) | (2,562,744) | 26,239 |
| Net other financing sources (uses) | <u>(3,613,661)</u> | <u>(2,581,812)</u> | <u>(2,555,573)</u> | <u>26,239</u> |
| Net change in fund balance | \$ <u>27,920</u> | <u>(653,099)</u> | 504,282 | <u>1,157,381</u> |
| Beginning fund balance | | | 4,790,547 | |
| Cumulative effect of a change in accounting principle | | | <u>208,816</u> | |
| Ending fund balance | | | \$ <u>5,503,645</u> | |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
Enterprise Funds
Statement of Net Assets
June 30, 2004

| <u>Assets</u> | <u>Major Funds</u> | | | <u>Nonmajor</u> | <u>Total</u> |
|--|----------------------|--------------------|-------------------|--------------------|---------------------|
| | <u>Water</u> | <u>Sewer</u> | <u>Sports</u> | <u>Fund</u> | <u>Enterprise</u> |
| | <u>Utility</u> | <u>Utility</u> | <u>Complex</u> | <u>Airport</u> | <u>Funds</u> |
| Current assets: | | | | | |
| Cash and investments | \$ 989,885 | 674,033 | 1,402,610 | 241,413 | 3,307,941 |
| Receivables | | | | | |
| Accounts | 84,728 | 76,555 | - | 111 | 161,394 |
| Allowance for doubtful accounts | (5,443) | (4,827) | - | - | (10,270) |
| Grants | 676,566 | 154,166 | - | 41,394 | 872,126 |
| Special assessments | - | 8,500 | - | - | 8,500 |
| Notes | - | 4,800 | - | - | 4,800 |
| Sales tax | - | - | 188,748 | - | 188,748 |
| Inventories | 43,453 | 70,933 | - | - | 114,386 |
| Total current assets | <u>1,789,189</u> | <u>984,160</u> | <u>1,591,358</u> | <u>282,918</u> | <u>4,647,625</u> |
| Restricted assets - bond redemption cash | - | - | 348,542 | - | 348,542 |
| Special assessments receivable, net of current portion | - | 33,695 | - | - | 33,695 |
| Notes receivable, net of current portion | - | 5,619 | - | - | 5,619 |
| Property, plant and equipment | 18,182,428 | 22,809,099 | 15,217,350 | 7,841,889 | 64,050,766 |
| Less accumulated depreciation | <u>(3,259,531)</u> | <u>(7,193,783)</u> | <u>-</u> | <u>(3,014,617)</u> | <u>(13,467,931)</u> |
| Net property, plant and equipment | <u>14,922,897</u> | <u>15,615,316</u> | <u>15,217,350</u> | <u>4,827,272</u> | <u>50,582,835</u> |
| Deferred charges, net of accumulated amortization | <u>13,407</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,407</u> |
| Total assets | <u>\$ 16,725,493</u> | <u>16,638,790</u> | <u>17,157,250</u> | <u>5,110,190</u> | <u>55,631,723</u> |
| <u>Liabilities and Net Assets</u> | | | | | |
| Liabilities: | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 25,867 | 3,275 | 180,620 | - | 209,762 |
| Accrued payroll and related liabilities | 10,583 | 10,195 | 14,872 | 1,318 | 36,968 |
| Accrued annual and sick leave | 12,541 | 21,071 | 2,507 | 1,406 | 37,525 |
| Customer deposits | 32,799 | 25,256 | - | - | 58,055 |
| Accrued interest | 31,574 | 4,954 | 130,629 | - | 167,157 |
| Deferred revenue | 5,806 | - | 31,016 | 6,152 | 42,974 |
| Current portion of bonds and loans | <u>213,455</u> | <u>25,742</u> | <u>1,125,000</u> | <u>-</u> | <u>1,364,197</u> |
| Total current liabilities | 332,625 | 90,493 | 1,484,644 | 8,876 | 1,916,638 |
| Long-term debt, net of current portion: | | | | | |
| General obligation bonds | - | - | 11,715,000 | - | 11,715,000 |
| Special assessment bonds | - | 41,427 | - | - | 41,427 |
| ADEC loans | 3,974,592 | 313,095 | - | - | 4,287,687 |
| Unamortized bond premium | - | - | 85,260 | - | 85,260 |
| Total liabilities | <u>4,307,217</u> | <u>445,015</u> | <u>13,284,904</u> | <u>8,876</u> | <u>18,046,012</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 10,734,850 | 15,235,052 | 2,972,588 | 4,827,272 | 33,769,762 |
| Restricted for debt service | - | - | 551,244 | - | 551,244 |
| Unrestricted | <u>1,683,426</u> | <u>958,723</u> | <u>348,514</u> | <u>274,042</u> | <u>3,264,705</u> |
| Total net assets | <u>12,418,276</u> | <u>16,193,775</u> | <u>3,872,346</u> | <u>5,101,314</u> | <u>37,585,711</u> |
| Total liabilities and net assets | <u>\$ 16,725,493</u> | <u>16,638,790</u> | <u>17,157,250</u> | <u>5,110,190</u> | <u>55,631,723</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA
 Enterprise Funds
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Year Ended June 30, 2004

| | Major Funds | | | Nonmajor Fund Airport | Total Enterprise Funds |
|--|----------------------|-------------------|-------------------|-----------------------------|------------------------------|
| | Water Utility | Sewer Utility | Sports Complex | | |
| Operating revenues - charges for services | \$ 688,170 | 642,068 | 63,599 | 44,180 | 1,438,017 |
| Operating expense: | | | | | |
| Salaries and benefits | 279,219 | 310,668 | 130,905 | 32,492 | 753,284 |
| Other operating expenses | 162,503 | 176,940 | 78,770 | 49,783 | 467,996 |
| Depreciation | 265,699 | 390,551 | - | 322,665 | 978,915 |
| Total operating expenses | <u>707,421</u> | <u>878,159</u> | <u>209,675</u> | <u>404,940</u> | <u>2,200,195</u> |
| Operating loss | (19,251) | (236,091) | (146,076) | (360,760) | (762,178) |
| Nonoperating revenues (expenses): | | | | | |
| Sales tax revenue | - | - | 1,880,477 | - | 1,880,477 |
| Payments in lieu of assessments | 47,833 | 44,534 | - | - | 92,367 |
| Interest expense | (39,509) | (12,460) | (172,349) | - | (224,318) |
| Investment income | 6,241 | 866 | 3,479 | 187 | 10,773 |
| Other revenue | - | - | 2,896 | 33,034 | 35,930 |
| Net nonoperating revenues (expenses) | <u>14,565</u> | <u>32,940</u> | <u>1,714,503</u> | <u>33,221</u> | <u>1,795,229</u> |
| Income (loss) before transfers and contributions | (4,686) | (203,151) | 1,568,427 | (327,539) | 1,033,051 |
| Transfers in | 592,888 | 30,000 | 376,845 | 136,590 | 1,136,323 |
| Transfers out | (11,000) | (16,500) | - | - | (27,500) |
| Capital contributions | <u>1,245,111</u> | <u>349,191</u> | <u>-</u> | <u>132,547</u> | <u>1,726,849</u> |
| Change in net assets | 1,822,313 | 159,540 | 1,945,272 | (58,402) | 3,868,723 |
| Beginning net assets | <u>10,595,963</u> | <u>16,034,235</u> | <u>1,927,074</u> | <u>5,159,716</u> | <u>33,716,988</u> |
| Ending net assets | \$ <u>12,418,276</u> | <u>16,193,775</u> | <u>3,872,346</u> | <u>5,101,314</u> | <u>37,585,711</u> |

See accompanying notes to basic financial statements.

CITY OF WASILLA, ALASKA

Enterprise Funds
Statement of Cash Flows
Year Ended June 30, 2004

| | Major Funds | | | Nonmajor Fund <u>Airport</u> | Total Enterprise Funds |
|---|--------------------------|--------------------------|---------------------------|------------------------------------|------------------------------|
| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Sports Complex</u> | | |
| Cash flows from operating activities: | | | | | |
| Receipts from customers and users | \$ 670,222 | 630,503 | 97,511 | 47,062 | 1,445,298 |
| Payments to suppliers | (183,204) | (183,952) | (722,868) | (49,790) | (1,139,814) |
| Payments to employees | <u>(271,327)</u> | <u>(306,733)</u> | <u>(113,526)</u> | <u>(32,521)</u> | <u>(724,107)</u> |
| Net cash flows from operating activities | <u>215,691</u> | <u>139,818</u> | <u>(738,883)</u> | <u>(35,249)</u> | <u>(418,623)</u> |
| Cash flows from noncapital financing activities - transfers in | <u>-</u> | <u>-</u> | <u>215,650</u> | <u>54,590</u> | <u>270,240</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Proceeds from long-term debt | 3,325,239 | 11,682 | - | - | 3,336,921 |
| Principal and interest paid on long-term debt | (3,081,308) | (42,399) | (1,209,474) | - | (4,333,181) |
| Special assessments received | - | 13,834 | - | 33,034 | 46,868 |
| Receipt of payments in lieu of assessments | 47,833 | 44,534 | - | - | 92,367 |
| Acquisition and construction of capital assets | (3,865,939) | (471,213) | (12,205,713) | (137,968) | (16,680,833) |
| Capital contributions received | 684,031 | 196,174 | - | 119,673 | 999,878 |
| Capital grant transferred to other funds | - | - | (135,894) | - | (135,894) |
| Sales tax received | - | - | 1,863,853 | - | 1,863,853 |
| Transfers in | 592,888 | 30,000 | 161,195 | 82,000 | 866,083 |
| Transfers out | <u>(11,000)</u> | <u>(16,500)</u> | <u>-</u> | <u>-</u> | <u>(27,500)</u> |
| Net cash flows from capital and related financing activities | <u>(2,308,256)</u> | <u>(233,888)</u> | <u>(11,526,033)</u> | <u>96,739</u> | <u>(13,971,438)</u> |
| Cash flows from investing activities: | | | | | |
| Investment income received | 6,241 | 866 | 3,479 | 187 | 10,773 |
| Principal payments received on notes receivable | <u>-</u> | <u>4,491</u> | <u>-</u> | <u>-</u> | <u>4,491</u> |
| Net cash flows from investing activities | <u>6,241</u> | <u>5,357</u> | <u>3,479</u> | <u>187</u> | <u>15,264</u> |
| Net increase (decrease) in cash and investments | (2,086,324) | (88,713) | (12,045,787) | 116,267 | (14,104,557) |
| Beginning cash and investments | <u>3,076,209</u> | <u>762,746</u> | <u>13,796,939</u> | <u>125,146</u> | <u>17,761,040</u> |
| Ending cash and investments | \$ <u>989,885</u> | <u>674,033</u> | <u>1,751,152</u> | <u>241,413</u> | <u>3,656,483</u> |
| Reconciliation of cash and investments to balance sheet: | | | | | |
| Cash and investments: | | | | | |
| Current assets | 989,885 | 674,033 | 1,402,610 | 241,413 | 3,307,941 |
| Restricted assets | <u>-</u> | <u>-</u> | <u>348,542</u> | <u>-</u> | <u>348,542</u> |
| | \$ <u>989,885</u> | <u>674,033</u> | <u>1,751,152</u> | <u>241,413</u> | <u>3,656,483</u> |

CITY OF WASILLA, ALASKA

Enterprise Funds

Statement of Cash Flows, continued

| | Major Funds | | | Nonmajor | Total |
|--|-------------------|------------------|-------------------|-----------------|---------------------|
| | Water Utility | Sewer Utility | Sports Complex | Fund Airport | Enterprise Funds |
| Reconciliation of operating loss to net cash flows from operating activities: | | | | | |
| Operating loss | \$ (19,251) | (236,091) | (146,076) | (360,760) | (762,178) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | | | | | |
| Depreciation | 266,080 | 390,551 | - | 322,665 | 979,296 |
| Increase (decrease) in allowance for doubtful accounts | (1,062) | 433 | - | - | (629) |
| Other nonoperating revenues | - | - | 2,896 | - | 2,896 |
| (Increase) decrease in assets: | | | | | |
| Accounts receivable | (28,365) | (8,690) | - | 4,001 | (33,054) |
| Inventory | (15,771) | (13,768) | - | - | (29,539) |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable | (9,132) | 2,908 | (644,098) | (7) | (650,329) |
| Revenue billed in advance | 3,236 | - | - | (1,119) | 2,117 |
| Accrued payroll and employee benefits | 1,766 | (1,052) | 14,872 | 173 | 15,759 |
| Accrued annual and sick leave | 3,571 | 4,987 | 2,507 | (202) | 10,863 |
| Customer deposits | 14,619 | 540 | - | - | 15,159 |
| Deferred revenue | - | - | 31,016 | - | 31,016 |
| Net cash flows from operating activities | \$ <u>215,691</u> | <u>139,818</u> | <u>(738,883)</u> | <u>(35,249)</u> | <u>(418,623)</u> |

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

The Notes to the Basic Financial Statements are a summary of significant accounting policies and other notes to the financial statements necessary for adequate disclosure.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

General

The accompanying financial statements include all activities of the City of Wasilla, a municipal corporation operating as a first class city under the provisions of Alaska statutes. The City operates under a Mayor-Council form of government.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units by using criteria provided by the Governmental Accounting Standards Board. Based upon the application of these criteria, there are no component units for which the City of Wasilla is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City conform to generally accepted accounting principles 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 assets 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 are 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.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. 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, licenses, 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. All other revenue items are considered to be measurable and available only when cash is 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 *Miscellaneous Projects Capital Project Fund* accounts for various capital activities of the City.

Major proprietary funds:

The *Water Utility Enterprise Fund* is used to account for the operations of the City water system.

The *Sewer Utility Enterprise Fund* is used to account for the operations of the wastewater utility.

The *Multi-Use Sport Complex Enterprise Fund* is used to account for the operations of the new recreational sports complex facility.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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 (including the City's dedicated sales taxes), investment income, and State of Alaska entitlement revenues.

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.

Budgets

The annual City operating budget is prepared by management in the spring preceding the fiscal year to which it relates. All funds are budgeted on an annual basis encompassing a fiscal year. The Capital Project Funds have project-length budgets. The budget is submitted to the City Council for review and approval. Legal enactment of the budget is obtained through passage of a City ordinance. Amendments to the budget can occur any time during the fiscal year through City Council action. The legal level of budgetary control for all funds is at the function or activity level. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered, except for capital projects.

Annual budgets for the General, Special Revenue and Debt Service Funds are legally adopted on the same modified accrual basis used to reflect actual revenues and expenditures.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Budgets, continued

Annual budgets are also adopted for the Enterprise Funds. However, generally accepted accounting principles do not require the adoption of budgets for Enterprise Funds, and budgetary comparisons are not included for these funds since the measurement focus is upon determination of net income and financial position.

Central Treasury

The cash transactions of the City's funds are handled primarily in an overnight repurchase agreement account. Investment earnings are allocated among the funds based on their respective equity in the central treasury.

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

Inventory is valued at the lower of average cost or market in the Enterprise Funds.

Short-Term Interfund Receivables/Payables

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

Advances to Other Funds

Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Accrued Leave

All full-time employees are eligible for paid leave (vacation and sick leave). Employees may accrue a maximum of 480 hours of vacation which may be cashed out upon termination at 100% of value. Sick leave has no limit on the amount that can be accrued and may be cashed out at 25% of the value upon termination. Accrued leave is recorded as an expense in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets

Capital assets, which include property, plant, and equipment, 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.

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.

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.

Capital assets of the City is depreciated using the straight line method over the following estimated useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 20-40 years |
| Infrastructure | 50 years |
| System infrastructure | 20-50 years |
| Machinery and equipment | 3-8 years |

Deferred Grant Revenue

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

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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Encumbrances

Encumbrances outstanding at year end, including purchase orders, contracts and other commitments for the expenditure of monies, are reported as reservations of fund balances in the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds since they do not constitute expenditures or liabilities.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Property Taxes

Property taxes are levied on the assessed value of taxable property as of January 1 and are payable in two installments in August and February. An enforceable lien is attached on all taxable property as of January 1. The Matanuska-Susitna Borough bills and collects all property taxes for the City.

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.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Administrative Fees

Grants are charged an administrative fee if allowable under the terms of the grants. The fee is recorded as revenue in the General Fund.

Pension Plans

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

Reclassifications

Certain reclassifications have been made to the 2003 financial statements to make them comparable with the 2004 presentation.

Comparative Data

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

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

(2) Cash and Investments

Deposits

At June 30, 2004, the carrying amount of the City's deposits which includes checking accounts, certificates of deposit, money market funds, and petty cash, was (\$348,389) and the bank balances were \$925,946. The bank balances are categorized as follows:

| | |
|--|-------------------|
| Amount insured by the FDIC | \$ 100,000 |
| Amount collateralized with securities held by the financial institution's trust department or agent in the City's name | <u>825,946</u> |
| Total bank balances | \$ <u>925,946</u> |

In consideration of the banking services agreement, the City is required to keep a \$106,000 noninterest bearing account with the bank.

Investments

The City is authorized to invest in the following:

- Government obligations: shares of SEC 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 and rated in the highest category by S&P and Moody's.
- Commercial paper: having original maturities of not more than two hundred seventy (270) days and rated at all times "A-1" or better by S&P and "P-1" or better by Moody's, and bearing interest at a rate at least twenty-five basis points (.25%) above the rate of interest on United States Treasury obligations of the same maturity at the time of purchase.
- Interest bearing obligations of a corporation, or of any state of the United States of America or any political subdivision thereof, which obligations at all times are rated at least "AA" by S&P or Moody's; provided, that any such obligation of a corporation shall bear interest at a rate of at least twenty-five basis points (.25%) above the rate of interest on United States Treasury obligations of the same maturity at the time of purchase.
- Certificates of deposit of any rated bank, provided that such certificates of deposit are:
 - Fully insured by an appropriate insuring agency of the United States; and
 - To the extent not so insured, collateralized with government obligations held by a third party custodian, in an amount equal to one hundred-two percent (102%) of the principal and unpaid accrued interest.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Investments, continued

- Repurchase agreements with primary dealers or rated banks, collateralized with government obligations held by a third party custodian, in an amount equal to one hundred-two percent (102%) of the principal and unpaid accrued interest.

- The Alaska Municipal League Investment Pool, Inc. (AMLIP).

The AMLIP is an external investment pool which is not SEC registered. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. At June 30, 2004, the share value of investments in the AML pool is approximately equal to fair value.

The City's investments, which are carried at fair value, are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department or agent, but not in the City's name.

| | Category | | | Fair Value |
|---|--------------|---------|---|---------------|
| | 1 | 2 | 3 | |
| Repurchase agreements | \$ - | 929,198 | - | 929,198 |
| U.S. government securities | 4,928,435 | - | - | 4,928,435 |
| | \$ 4,928,435 | 929,198 | - | 5,857,633 |
| Alaska Municipal League Investment Pool | | | | 4,004,884 |
| Total investments | | | | \$ 9,862,517 |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

(3) **Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

| | Balance July 1, <u>2003</u> | Additions and <u>Reclassifications</u> | Deletions and <u>Reclassifications</u> | Balance June 30, <u>2004</u> |
|--|-----------------------------------|--|--|------------------------------------|
| <u>Governmental activities</u> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 4,533,005 | - | - | 4,533,005 |
| Construction in progress | <u>624,566</u> | <u>3,012,691</u> | - | <u>3,637,257</u> |
| Total assets not being depreciated | <u>5,157,571</u> | <u>3,012,691</u> | - | <u>8,170,262</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings | 3,175,773 | 356,790 | - | 3,532,563 |
| Office furniture and equipment | 765,402 | 313,716 | - | 1,079,118 |
| Vehicles and equipment | 1,471,477 | 321,173 | 153,311 | 1,639,339 |
| Infrastructure | <u>15,391,738</u> | <u>66,543</u> | - | <u>15,458,281</u> |
| Total assets being depreciated | <u>20,804,390</u> | <u>1,058,222</u> | <u>153,311</u> | <u>21,709,301</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 829,264 | 90,905 | - | 920,169 |
| Office furniture and equipment | 345,459 | 158,626 | - | 504,085 |
| Vehicles and equipment | 747,329 | 158,962 | 83,905 | 822,386 |
| Infrastructure | <u>4,698,194</u> | <u>526,036</u> | - | <u>5,224,230</u> |
| Total accumulated depreciation | <u>6,620,246</u> | <u>934,529</u> | <u>83,905</u> | <u>7,470,870</u> |
| Total capital assets being depreciated, net | <u>14,184,144</u> | <u>123,693</u> | <u>69,406</u> | <u>14,238,431</u> |
| Governmental activity capital assets, net | \$ <u>19,341,715</u> | <u>3,136,384</u> | <u>69,406</u> | <u>22,408,693</u> |
| <u>Business-type activities</u> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 2,496,090 | 199,824 | - | 2,695,914 |
| Construction in progress | <u>4,606,829</u> | <u>972,562</u> | <u>4,538,519</u> | <u>1,040,872</u> |
| Total assets not being depreciated | <u>7,102,919</u> | <u>1,172,386</u> | <u>4,538,519</u> | <u>3,736,786</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements | 5,330,984 | 289,191 | - | 5,620,175 |
| Buildings | - | 14,620,654 | - | 14,620,654 |
| Treatment system | 7,913,975 | 165,145 | - | 8,079,120 |
| Collection/distribution system | 18,182,050 | 857,236 | - | 19,039,286 |
| Water tank and fence | 2,591,612 | 3,904,618 | - | 6,496,230 |
| Wells/well house | 367,793 | - | - | 367,793 |
| Equipment | <u>5,880,600</u> | <u>210,122</u> | - | <u>6,090,722</u> |
| Total assets being depreciated | <u>40,267,014</u> | <u>20,046,966</u> | - | <u>60,313,980</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 2,479,737 | 263,215 | - | 2,742,952 |
| Buildings | - | - | - | - |
| Treatment system | 1,587,005 | 141,102 | - | 1,728,107 |
| Collection/distribution system | 4,363,388 | 343,469 | - | 4,706,857 |
| Water tank and fence | 801,994 | 47,964 | - | 849,958 |
| Wells/well house | 162,878 | - | - | 162,878 |
| Equipment | <u>3,094,014</u> | <u>183,165</u> | - | <u>3,277,179</u> |
| Total accumulated depreciation | <u>12,489,016</u> | <u>978,915</u> | - | <u>13,467,931</u> |
| Total capital assets being depreciated, net | <u>27,777,998</u> | <u>19,068,051</u> | - | <u>46,846,049</u> |
| Business-type activity capital assets, net | \$ <u>34,880,917</u> | <u>20,240,437</u> | <u>4,538,519</u> | <u>50,582,835</u> |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to the functions as follows:

Governmental activities:

| | |
|--|----------------|
| General government | \$ 86,022 |
| Public safety | 182,123 |
| Public works | 616,496 |
| Culture and recreation | <u>49,888</u> |
| Total depreciation expense – governmental activities | <u>934,529</u> |

Business-type activities:

| | |
|---|----------------|
| Water utility | \$ 265,699 |
| Sewer utility | 390,551 |
| Municipal airport | <u>322,665</u> |
| Total depreciation expense – business-type activities | <u>978,915</u> |

| | |
|----------------------------|---------------------|
| Total depreciation expense | \$ <u>1,913,444</u> |
|----------------------------|---------------------|

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

A schedule of interfund balances and transfers for the year ended June 30, 2004, follows:

Due from other funds:

| | |
|--|------------------|
| Due from nonmajor fund to the General Fund for advance to cover the costs of debt payments | \$ 15,221 |
| Due from nonmajor fund to the General Fund for short-term operating subsidy | <u>39,017</u> |
| Total advances and due from other funds | \$ <u>54,238</u> |

Transfers:

| | |
|--|----------|
| From Miscellaneous Capital Projects Fund to General Fund for operating subsidy | \$ 7,000 |
|--|----------|

From General Fund to:

| | |
|--|---------|
| Sewer Utility Fund for capital expenditures | 30,000 |
| Water Utility Fund for capital expenditures | 584,000 |
| Multi-Use Sports Complex Fund for capital expenditures | 161,195 |
| Multi-Use Sports Complex Fund for operating subsidy | 215,650 |
| Miscellaneous Capital Projects Fund for capital expenditures | 461,895 |
| Nonmajor enterprise fund for capital expenditures | 82,000 |
| Nonmajor enterprise fund for operating subsidy | 54,590 |
| Nonmajor governmental funds for debt service | 438,026 |
| Nonmajor governmental funds for operating subsidy | 372,388 |
| Nonmajor governmental funds for capital expenditures | 163,000 |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

Transfers, continued:

| | |
|---|---------------------|
| From Sewer Utility Fund to nonmajor governmental funds for capital expenditures | \$ 16,500 |
| From Water Utility Fund to nonmajor governmental funds for capital expenditures | 11,000 |
| From nonmajor governmental funds to: | |
| General Fund for operating costs | 171 |
| Miscellaneous Capital Projects Fund for capital expenditures | 158,888 |
| Water Utility Fund for capital expenditures | <u>8,888</u> |
| Total transfers to other funds | \$ <u>2,765,191</u> |

(5) **Long-Term Debt**

On March 16, 2004, the City entered into a loan agreement with the Alaska Department of Environmental Conservation (ADEC) to borrow \$3,309,000 at 2.5% interest. The proceeds were used to fully retire the \$3,000,000 interim loan that was used to fund the water improvement projects. Repayment of the ADEC loan begins on March 4, 2005.

On August 7 and November 6, 2002, the City entered into two loan agreements with ADEC to help fund the costs of additional sewer and water main improvements. The maximum amount of each loan is \$50,000. During 2004, the City drew an additional \$4,952 and \$5,247, respectively bringing the final balances to \$44,353 for the sewer loan and \$39,049 for the water loan. Repayment of these loans will start on September 30, 2004.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Long-term debt consists of the following at June 30, 2004:

| <u>Governmental Activities:</u> | <u>Balance</u> <u>July 1, 2003</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2004</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|--|---------------------------------------|------------------|----------------|--|--|
| Special Assessment Bonds: | | | | | |
| \$329,300 1986 Southside Water District Bond, due in annual installments of \$3,954 to \$6,454 through June 30, 2026; plus interest at 6.125% | \$ 127,702 | - | 75,000 | 52,702 | 3,954 |
| \$626,000 1987 Sewer Improvement District Bond, due in annual installments of \$3,775 to \$4,900 through August 17, 2027; plus interest at 6.5% | 107,125 | - | 3,775 | 103,350 | 3,775 |
| \$159,560 1994 Mountain Village/ Crestwood Paving Improvement Districts Bond, due in annual installments of \$15,956 through November 29, 2003; plus interest at 6.05% | 19,247 | - | 19,247 | - | - |
| \$261,942 1995 Whispering Woods/ Nelson Avenue/Lake View Avenue Paving Improvement Districts Bond, final installment of \$1,588 due July 26, 2004; plus interest at 6.825%; | 19,782 | - | 18,194 | 1,588 | 1,588 |
| \$251,298 1997 Westpoint/Hallea Lane/ Wild Adventure/Southview Paving Improvement Districts Bond, due in annual installments of \$25,130 through March 17, 2004 with a final installment of \$20,189 due March 17, 2005; plus interest at 6.435% | 45,319 | - | 25,130 | 20,189 | 20,189 |
| \$287,200 2001 Wood Crest/Patricia/ Century Park Paving Improvement Districts Bond, due in annual installments of \$28,720 through November 24, 2008; plus interest at 5.9% | 172,320 | - | 91,720 | 80,600 | 28,720 |
| \$189,320 2002 North Country Paving Improvement District Bond, due in annual installments of \$18,932 through April 6, 2009; plus interest at 6.545% | 112,724 | - | 18,932 | 93,792 | 18,932 |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

| | <u>Balance</u> <u>July 1, 2003</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2004</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|---|---------------------------------------|------------------|------------------|--|--|
| <u>Governmental Activities, continued:</u> | | | | | |
| Special Assessment Bonds, continued: | | | | | |
| \$17,400 2001 Susitna Area Paving Improvement District Bond, due in annual installments of \$1,740 through June 28, 2006; plus interest at 4.55% | \$ 13,920 | - | 10,340 | 3,580 | 1,740 |
| \$199,088 2001 Talerico Paving Improvement District Bond, due in annual installments of \$19,910 through June 28, 2011; plus interest at 4.55% | 159,271 | - | 83,709 | 75,562 | 19,910 |
| \$117,690 2003 Prospector Hills and WVCSA Paving Bond, due in annual installments of \$11,769 through March 1, 2013; plus interest at 5.25% | 117,690 | - | 11,770 | 105,920 | 11,769 |
| \$228,338 2003 GVC/GGL Subdivision Paving Bond, due in annual installments of \$22,834 through March 1, 2013; plus interest at 5.25% | <u>228,338</u> | <u>-</u> | <u>22,834</u> | <u>205,504</u> | <u>22,834</u> |
| Total special assessment bonds | <u>1,123,438</u> | <u>-</u> | <u>380,651</u> | <u>742,787</u> | <u>133,411</u> |
| General Obligation Bonds - | | | | | |
| \$5,500,000 1998 Street Paving/Street Improvements General Obligation Bonds, due in annual installments of \$215,000 to \$420,000 through October 1, 2018; plus variable interest from 4.625% to 5.0% | <u>4,775,000</u> | <u>-</u> | <u>205,000</u> | <u>4,570,000</u> | <u>215,000</u> |
| Accrued leave | <u>232,481</u> | <u>299,733</u> | <u>256,104</u> | <u>276,110</u> | <u>276,110</u> |
| Total governmental activities | \$ <u>6,130,919</u> | <u>299,733</u> | <u>841,755</u> | <u>5,588,897</u> | <u>624,521</u> |
| <u>Business-type Activities:</u> | | | | | |
| Special Assessment Bonds - | | | | | |
| \$84,711 2001 Broadview Sewer Improvement District Bond, due in annual installments of \$8,471 through June 28, 2011; plus interest at 4.55% | <u>67,769</u> | <u>-</u> | <u>17,871</u> | <u>49,898</u> | <u>8,471</u> |
| General Obligation Bonds - | | | | | |
| \$14,700,000 2002 Multi-Use Sports Complex General Obligation Bonds, due in annual installments of \$1,125,000 to \$2,180,000 through April 1, 2012; plus variable interest from 3.0% to 4.5% | <u>13,860,000</u> | <u>-</u> | <u>1,020,000</u> | <u>12,840,000</u> | <u>1,125,000</u> |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

| | <u>Balance</u> <u>July 1, 2003</u> | <u>Additions</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2004</u> | <u>Due</u> <u>Within</u> <u>One Year</u> |
|---|---------------------------------------|------------------|------------------|--|--|
| <u>Business-type Activities, continued:</u> | | | | | |
| Loans Payable: | | | | | |
| \$177,100 Water loan payable, due in annual installments of \$8,754 through August 3, 2018, plus interest at 2.5% | \$ 140,067 | - | 8,754 | 131,313 | 8,754 |
| \$745,939 Water loan payable, due in annual installments of \$37,299 through 2022; plus interest at 2.5% | 745,939 | - | 37,254 | 708,685 | 37,299 |
| \$3,000,000 Water loan payable, due in one installment on May 9, 2004; plus interest at 4.6% | 3,000,000 | - | 3,000,000 | - | - |
| \$301,066 Sewer loan payable, due in annual installments of \$15,053 through November 2022; plus interest at 2.5% | 301,066 | - | 15,053 | 286,013 | 15,053 |
| \$39,049 Water loan payable, due in annual installments of \$1,952 through September 2023; plus interest at 2.5% | 33,802 | 5,247 | - | 39,049 | 1,952 |
| \$39,401 Sewer loan payable, due in annual installments of \$2,218 through September 2023; plus interest at 2.5% | 39,401 | 4,952 | - | 44,353 | 2,218 |
| \$3,309,000 Water loan payable, due in annual installments of \$165,450 through March 2024; plus interest at 2.5% | <u>-</u> | <u>3,309,000</u> | <u>-</u> | <u>3,309,000</u> | <u>165,450</u> |
| Total loans payable | <u>4,260,275</u> | <u>3,319,199</u> | <u>3,061,061</u> | <u>4,518,413</u> | <u>230,726</u> |
| Accrued leave | <u>26,662</u> | <u>43,067</u> | <u>32,204</u> | <u>37,525</u> | <u>37,525</u> |
| Total business type activities | \$ <u>18,214,706</u> | <u>3,362,266</u> | <u>4,131,136</u> | <u>17,445,836</u> | <u>1,401,722</u> |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Annual debt service requirements to maturity for all of the above obligations, except the compensated absences, follow:

Governmental activities:

| Year Ending June 30, | <u>Special Assessment Bonds</u> | | | <u>General Obligation Bonds</u> | | |
|-------------------------|---------------------------------|-----------------|----------------|---------------------------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 133,411 | 53,561 | 186,972 | 215,000 | 221,348 | 436,348 |
| 2006 | 111,632 | 34,568 | 146,200 | 225,000 | 209,810 | 434,810 |
| 2007 | 104,558 | 28,345 | 132,903 | 235,000 | 198,310 | 433,310 |
| 2008 | 77,224 | 22,517 | 99,741 | 245,000 | 186,310 | 431,310 |
| 2009 | 60,521 | 18,244 | 78,765 | 260,000 | 173,685 | 433,685 |
| 2010-2014 | 185,180 | 50,168 | 235,348 | 1,485,000 | 665,575 | 2,150,575 |
| 2015-2019 | 26,161 | 18,807 | 44,968 | 1,905,000 | 247,625 | 2,152,625 |
| 2020-2024 | 24,500 | 11,147 | 35,647 | - | - | - |
| 2025-2029 | <u>19,600</u> | <u>3,185</u> | <u>22,785</u> | - | - | - |
| | <u>\$ 742,787</u> | <u>240,542</u> | <u>983,329</u> | <u>4,570,000</u> | <u>1,902,663</u> | <u>6,472,663</u> |

Business-type activities:

| Year Ending June 30, | <u>Special Assessment Bonds</u> | | | <u>General Obligation Bonds</u> | | |
|-------------------------|---------------------------------|-----------------|---------------|---------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 8,471 | 2,698 | 11,169 | 1,125,000 | 522,519 | 1,647,519 |
| 2006 | 8,471 | 1,885 | 10,356 | 1,240,000 | 485,956 | 1,725,956 |
| 2007 | 8,471 | 1,499 | 9,970 | 1,365,000 | 442,556 | 1,807,556 |
| 2008 | 8,471 | 1,114 | 9,585 | 1,495,000 | 391,369 | 1,886,369 |
| 2009 | 8,471 | 729 | 9,200 | 1,645,000 | 331,569 | 1,976,569 |
| 2010-2014 | <u>7,543</u> | <u>343</u> | <u>7,886</u> | <u>5,970,000</u> | <u>544,700</u> | <u>6,514,700</u> |
| | <u>\$ 49,898</u> | <u>8,268</u> | <u>58,166</u> | <u>12,840,000</u> | <u>2,718,669</u> | <u>15,558,669</u> |

| Year Ending June 30, | Principal | <u>Loans</u> | |
|-------------------------|---------------------|------------------|------------------|
| | | <u>Interest</u> | <u>Total</u> |
| 2005 | \$ 230,726 | 29,569 | 260,295 |
| 2006 | 230,726 | 107,192 | 337,918 |
| 2007 | 230,726 | 101,424 | 332,150 |
| 2008 | 230,726 | 95,656 | 326,382 |
| 2009 | 230,726 | 89,887 | 320,613 |
| 2010-2014 | 1,153,633 | 362,917 | 1,516,550 |
| 2015-2019 | 1,153,633 | 218,711 | 1,372,344 |
| 2020-2024 | <u>1,057,517</u> | <u>76,695</u> | <u>1,134,212</u> |
| | <u>\$ 4,518,413</u> | <u>1,082,051</u> | <u>5,600,464</u> |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Long-Term Debt, continued

Special Assessment Bond Covenants

By City Ordinance 82-14 and as amended by subsequent ordinances, the City created a bond guarantee fund. The purpose of the fund is to guarantee the payment of the principal of all special assessment bonds, warrants, and notes issued on any special assessment district funds and interest pertaining thereto. The City covenants that:

- The Bond Guarantee Fund shall be kept separate from all other money and funds of the City and shall be held in trust for the uses and purposes provided for in the ordinances.
- From the date of delivery of the bonds, the City will make certain minimum payments into the bond guarantee fund. The payments vary with each special assessment bond issue.

All special assessment bonds are secured by special assessments levied against properties specifically benefited by the improvement within each district

(6) **Defined Benefit Pension Plan**

Description of Plan

The City participates in the Alaska Public Employees Retirement System (PERS), an agent multiple employer plan which covers eligible State and local government employees. The plan was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

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

Funding Policy

Under PERS, employees are required to contribute 6.75% (7.5% for peace officers and firefighters) of their annual covered salary. Under the plan, the funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay both pension and postemployment healthcare benefits when due. The City's current contribution rate for PERS follows:

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

| | |
|---------------------------|--------------|
| Pension | 5.33% |
| Postemployment healthcare | <u>1.39%</u> |
| Total contribution rate | <u>6.72%</u> |

Under the plan, employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The plan uses the level dollar method to amortize the unfunded liability over an open, rolling twenty-five year period. Funding surpluses are amortized over twenty-five years.

Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$213,202 for PERS was equal to its required and actual contributions.

The required contribution was determined as part of the June 30, 2001 actuarial valuation. The significant actuarial assumptions used in the valuation of the plan follow:

1. Investment return of 8.25% per annum, compounded annually, net of expenses;
2. Projected salary increases of 5.5% for the first ten years of employment (first five years for peace officers and fire fighters) and 4% per year thereafter;
3. Health cost inflation of 7.5% in 2001, trending downward 1% per year through 2003; 5% from 2004 through 2008; 4.5% from 2009 through 2013; and 4% thereafter;
4. Total inflation, as measured by the Consumer Price Index for urban and clerical workers for Anchorage, is assumed to increase 3.5% annually; and
5. Asset valuation – assumes investment return of 8.25% compared to a 5% corridor around the market value of assets. Any differences are amortized and applied to the employer contribution rate. Valuation assets cannot be outside the range of 80% to 120% of market value of assets.

Three-year trend information for PERS follows:

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension Obligation <u>Obligation</u> |
|---------------------------------|--|--|---|
| June 30, 2002 | \$ 234,922 | 100% | - |
| 2003 | 239,376 | 100% | - |
| 2004 | 213,202 | 100% | - |

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension Cost, continued

A schedule of funding progress for PERS for the three most recent actuarial valuations follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>Unfunded Liability</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded Liability as Percentage of Covered Payroll</u> |
|---|--|--|-------------------------------|-------------------------|----------------------------|--|
| June 30, 2001: | | | | | | |
| Pension | \$ 5,190,000 | \$ 5,239,000 | \$ 49,000 | 99% | \$ 2,676,000 | 2% |
| Postemployment healthcare | 2,198,000 | 2,219,000 | 21,000 | 99% | 2,676,000 | 1% |
| June 30, 2002: | | | | | | |
| Pension | 4,385,000 | 5,967,000 | 1,582,000 | 73% | 3,071,000 | 52% |
| Postemployment healthcare | 2,664,000 | 3,625,000 | 961,000 | 73% | 3,071,000 | 31% |
| June 30, 2003: | | | | | | |
| Pension | 4,734,000 | 6,358,000 | 1,624,000 | 74% | 2,873,000 | 57% |
| Postemployment healthcare | 3,164,000 | 4,250,000 | 1,086,000 | 74% | 2,873,000 | 38% |

(7) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

In accordance with the current Internal Revenue Code, all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The City does not report these assets and income in the financial statements.

(8) **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.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Risk Management, continued

The City is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City also has boiler and machinery, and airport liability coverage. 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 Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. APEI made no supplemental assessments during the year ended June 30, 2004. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

(9) **Conduit Debt**

On April 22, 1996, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to loan to the Cook Inlet Housing Development Corporation to purchase a facility. The bonds were issued in the amount of \$2,327,532. The outstanding balance at June 30, 2004 was \$1,976,457.

On November 27, 2000, the City Council authorized the issuance of nonrecourse revenue bonds for the purpose of providing funds to loan to the Southcentral Foundation to finance the construction of a facility. The bonds were issued in the amount of \$9,800,000. The outstanding balance at June 30, 2004 was \$8,969,327.

Neither of these bonds constitutes a general obligation debt or pledge of the full faith and credit of the City and, accordingly, the bonds and related assets are not reflected in the accompanying financial statements.

(10) **Contingencies**

The City, in the normal course of its activities, is involved in various claims and pending litigation and has accrued amounts it considers sufficient to cover settlements that may be payable as a result of unfavorable outcomes. The City intends to vigorously defend actions against it and pursue claims in its favor, and in the opinion of management and legal counsel, the disposition of these matters is not expected to have a material effect on the City's financial statements.

CITY OF WASILLA, ALASKA

Notes to Basic Financial Statements, continued

Contingencies, continued

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the applicable funds.

(11) Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the City has implemented GASB Statement 34, (*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*); GASB Interpretation 6 (*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*); GASB Statement 36, (*Recipient Reporting for Certain Shared Nonexchange Revenues*); GASB Statement 37, (*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*); GASB Statement 38, (*Certain Financial Statement Note Disclosure*); GASB Statement 39, (*Determining Whether Certain Organizations are Component Units*); and GASB Statement 41, (*Budgetary Comparison Schedule—Perspective Differences*).

These statements create new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds as of June 30, 2003, caused by the conversion to the accrual basis of accounting.

Beginning fund balance and net assets have been adjusted as follows to reflect these changes:

| | |
|---|----------------------|
| <i>Governmental activities:</i> | |
| General Fund fund balance, June 30, 2003 | \$ 4,790,547 |
| Cumulative effect adjustment | <u>208,816</u> |
| General Fund fund balance, June 30, 2003, as restated | <u>4,999,363</u> |
| Other governmental fund balances, June 30, 2003 | 3,063,412 |
| Cumulative effect adjustment | <u>23,665</u> |
| Other governmental fund balances, June 30, 2003 as restated | <u>3,087,077</u> |
| Conversion of nonexpendable trust fund to permanent fund | <u>128,905</u> |
| New standards adjustments: | |
| Capital assets | 19,341,715 |
| Long term liabilities | (6,130,919) |
| Accrued interest | (81,450) |
| Long term receivables | <u>924,485</u> |
| Governmental activities net assets, June 30, 2003 | <u>\$ 22,269,176</u> |

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund accounts for all transactions not recorded in other funds and receives financial support from such sources as property taxes, sales taxes, licenses and permits, intergovernmental revenues and charges for services. Expenditures are authorized in the budget for such functions as general administration, public safety, property and road maintenance, and museum and other recreational services.

CITY OF WASILLA, ALASKA

General Fund

Balance Sheet

June 30, 2004

(With Comparative Amounts for 2003)

| <u>Assets</u> | <u>2004</u> | <u>2003</u> |
|--|---------------------|------------------|
| Cash and investments | \$ 4,499,973 | 3,926,831 |
| Receivables: | | |
| Sales taxes | 754,994 | 688,496 |
| Grants and shared revenues | 414,833 | 265,539 |
| Special assessments | - | 209 |
| Other | - | 128,610 |
| Total receivables | <u>1,169,827</u> | <u>1,082,854</u> |
| Prepaid items | 13,511 | 8,101 |
| Due from other funds | 39,017 | 108,481 |
| Advances to Bond Guarantee Debt Service Fund | <u>15,221</u> | <u>52,658</u> |
| Total assets | \$ <u>5,737,549</u> | <u>5,178,925</u> |
| <u>Liabilities and Fund Balance</u> | | |
| Liabilities: | | |
| Accounts payable | 59,568 | 32,560 |
| Accrued payroll and employee benefits | 161,859 | 144,658 |
| Accrued annual and sick leave | - | 208,816 |
| Deferred revenue | <u>12,477</u> | <u>2,344</u> |
| Total liabilities | <u>233,904</u> | <u>388,378</u> |
| Fund balance: | | |
| Reserved: | | |
| Encumbrances | 100,930 | 112,458 |
| Advances to other funds | 15,221 | 52,658 |
| Insurance premium increases | 54,336 | 54,336 |
| Prepaid items | 13,511 | 8,101 |
| Unreserved and undesignated | <u>5,319,647</u> | <u>4,562,994</u> |
| Total fund balance | <u>5,503,645</u> | <u>4,790,547</u> |
| Total liabilities and fund balance | \$ <u>5,737,549</u> | <u>5,178,925</u> |

CITY OF WASILLA, ALASKA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2004

(With Comparative Amounts for 2003)

| | <u>2004</u> | <u>2003</u> |
|---|---------------------|--------------------|
| Revenues: | | |
| Taxes | \$ 7,990,378 | 7,409,202 |
| Licenses and permits | 41,112 | 38,996 |
| Fines, forfeitures and penalties | 33,727 | 37,166 |
| Intergovernmental | 605,014 | 577,793 |
| Investment income | 73,174 | 234,542 |
| Other | 91,313 | 185,743 |
| Total revenues | <u>8,834,718</u> | <u>8,483,442</u> |
| Expenditures: | | |
| General government: | | |
| City Council | 347,581 | 375,648 |
| Administration | 198,958 | 303,288 |
| General administration services | 377,761 | 238,431 |
| Finance | 492,731 | 473,014 |
| Management information systems | 186,315 | 152,074 |
| Economic development | 65,787 | 218,645 |
| Total general government | <u>1,669,133</u> | <u>1,761,100</u> |
| Public safety | <u>2,212,835</u> | <u>1,989,408</u> |
| Public works: | | |
| Administration | 280,808 | 299,476 |
| Road maintenance | 577,481 | 651,622 |
| Property maintenance | 290,773 | 338,262 |
| Planning | 179,821 | - |
| Total public works | <u>1,328,883</u> | <u>1,289,360</u> |
| Culture and recreation: | | |
| Museum | 85,666 | 60,001 |
| Parks maintenance | 412,192 | 400,435 |
| Total culture and recreation | <u>497,858</u> | <u>460,436</u> |
| Nondepartmental | <u>66,154</u> | <u>54,204</u> |
| Total expenditures | <u>5,774,863</u> | <u>5,554,508</u> |
| Excess of revenues over expenditures | 3,059,855 | 2,928,934 |
| Other financing sources (uses): | | |
| Transfers in | 7,171 | 490 |
| Transfers out | <u>(2,562,744)</u> | <u>(2,746,789)</u> |
| Net other financing sources (uses) | <u>(2,555,573)</u> | <u>(2,746,299)</u> |
| Net change in fund balance | 504,282 | 182,635 |
| Beginning fund balance | 4,790,547 | 4,607,912 |
| Cumulative effect of a change in accounting principle | <u>208,816</u> | <u>-</u> |
| Ending fund balance | <u>\$ 5,503,645</u> | <u>4,790,547</u> |

CITY OF WASILLA, ALASKA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance Positive (Negative) | 2003 |
|--|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales tax, including penalty and interest | \$ 7,140,598 | 7,659,612 | 519,014 | 7,135,583 |
| Property and vehicle taxes | <u>302,000</u> | <u>330,766</u> | <u>28,766</u> | <u>273,619</u> |
| Total taxes | <u>7,442,598</u> | <u>7,990,378</u> | <u>547,780</u> | <u>7,409,202</u> |
| Licenses and permits: | | | | |
| City business licenses | 20,000 | 18,875 | (1,125) | 17,611 |
| Land use permits | 7,500 | 16,225 | 8,725 | 9,700 |
| Utility permits | 8,500 | 1,872 | (6,628) | 7,562 |
| Driveway permits | 1,500 | 2,250 | 750 | 2,000 |
| Taxicab permits | 2,500 | 1,350 | (1,150) | 1,650 |
| Animal licenses | 100 | 120 | 20 | 273 |
| Vendor permits | <u>200</u> | <u>420</u> | <u>220</u> | <u>200</u> |
| Total licenses and permits | <u>40,300</u> | <u>41,112</u> | <u>812</u> | <u>38,996</u> |
| Fines, forfeitures and penalties | <u>68,000</u> | <u>33,727</u> | <u>(34,273)</u> | <u>37,166</u> |
| Intergovernmental: | | | | |
| Temporary fiscal relief | 95,100 | 96,368 | 1,268 | - |
| Revenue-sharing | 49,068 | - | (49,068) | 65,426 |
| Safe communities | - | - | - | 126,800 |
| Electric and telephone co-op tax | 180,000 | 219,512 | 39,512 | 227,189 |
| Public safety grants | 372,828 | 267,389 | (105,439) | 131,011 |
| Alcoholic beverage tax | 19,950 | 15,800 | (4,150) | 24,200 |
| Aviation fuel tax revenue sharing | 2,000 | 1,445 | (555) | 1,661 |
| Matanuska-Susitna Borough - solid waste | - | 4,500 | 4,500 | 1,000 |
| Other | <u>-</u> | <u>-</u> | <u>-</u> | <u>506</u> |
| Total intergovernmental | <u>718,946</u> | <u>605,014</u> | <u>(113,932)</u> | <u>577,793</u> |
| Investment income | <u>225,000</u> | <u>73,174</u> | <u>(151,826)</u> | <u>234,542</u> |
| Other: | | | | |
| Administration fee revenue | 7,540 | 6,860 | (680) | 48,366 |
| Charges for services | 7,270 | 7,662 | 392 | 4,936 |
| Building rentals | 12,400 | 12,000 | (400) | 8,514 |
| Insurance recovery | - | - | - | 63,656 |
| Donations | 5,500 | 4,876 | (624) | 2,570 |
| Youth litter patrol | 5,000 | 3,500 | (1,500) | 3,500 |
| Sale of fixed assets | 6,000 | 4,621 | (1,379) | 45,100 |
| Miscellaneous | <u>16,370</u> | <u>51,794</u> | <u>35,424</u> | <u>9,101</u> |
| Total other | <u>60,080</u> | <u>91,313</u> | <u>31,233</u> | <u>185,743</u> |
| Total revenues | <u>8,554,924</u> | <u>8,834,718</u> | <u>279,794</u> | <u>8,483,442</u> |

CITY OF WASILLA, ALASKA

General Fund

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

| | 2004 | | Variance Positive (Negative) | 2003 |
|---------------------------------------|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures: | | | | |
| General government: | | | | |
| City Council: | | | | |
| Salaries | \$ 141,959 | 132,560 | 9,399 | 129,940 |
| Employee benefits | 43,363 | 34,957 | 8,406 | 38,766 |
| Professional and technical services | 103,550 | 128,935 | (25,385) | 150,500 |
| Property services | 7,000 | 5,644 | 1,356 | 8,230 |
| Other purchased services | 58,025 | 40,708 | 17,317 | 38,031 |
| Supplies | <u>8,800</u> | <u>4,777</u> | <u>4,023</u> | <u>10,181</u> |
| Total City Council | <u>362,697</u> | <u>347,581</u> | <u>15,116</u> | <u>375,648</u> |
| Administration: | | | | |
| Salaries | 117,183 | 115,924 | 1,259 | 113,979 |
| Employee benefits | 38,127 | 39,050 | (923) | 42,413 |
| Professional and technical services | 32,000 | 25,004 | 6,996 | 117,378 |
| Property services | - | 2,748 | (2,748) | 3,930 |
| Other purchased services | 25,360 | 13,292 | 12,068 | 14,744 |
| Supplies | <u>6,500</u> | <u>2,940</u> | <u>3,560</u> | <u>10,844</u> |
| Total administration | <u>219,170</u> | <u>198,958</u> | <u>20,212</u> | <u>303,288</u> |
| General administration services: | | | | |
| Salaries | 58,506 | 62,023 | (3,517) | 32,641 |
| Employee benefits | 18,131 | 18,678 | (547) | 10,396 |
| Professional and technical services | 149,500 | 149,182 | 318 | 92,325 |
| Property services | 8,500 | 9,500 | (1,000) | 2,980 |
| Other purchased services | 120,627 | 115,438 | 5,189 | 82,049 |
| Supplies | <u>24,076</u> | <u>22,940</u> | <u>1,136</u> | <u>18,040</u> |
| Total general administration services | <u>379,340</u> | <u>377,761</u> | <u>1,579</u> | <u>238,431</u> |
| Finance: | | | | |
| Salaries | 306,112 | 300,389 | 5,723 | 277,921 |
| Employee benefits | 113,278 | 104,912 | 8,366 | 95,170 |
| Professional and technical services | 58,916 | 41,122 | 17,794 | 38,796 |
| Property services | 4,970 | 4,735 | 235 | 9,483 |
| Other purchased services | 54,450 | 30,694 | 23,756 | 33,243 |
| Supplies | <u>14,740</u> | <u>10,879</u> | <u>3,861</u> | <u>18,401</u> |
| Total finance | <u>552,466</u> | <u>492,731</u> | <u>59,735</u> | <u>473,014</u> |

CITY OF WASILLA, ALASKA

General Fund

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

| | 2004 | | Variance Positive (Negative) | 2003 |
|--------------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures, continued: | | | | |
| General government, continued: | | | | |
| Economic development: | | | | |
| Salaries | \$ 80,000 | - | 80,000 | 154,681 |
| Employee benefits | 23,629 | 656 | 22,973 | 41,537 |
| Professional and technical services | 65,575 | 59,025 | 6,550 | 10,946 |
| Property services | - | - | - | 510 |
| Other purchased services | 10,000 | 5,511 | 4,489 | 6,079 |
| Supplies | <u>5,500</u> | <u>595</u> | <u>4,905</u> | <u>4,892</u> |
| Total economic development | <u>184,704</u> | <u>65,787</u> | <u>118,917</u> | <u>218,645</u> |
| Management information systems: | | | | |
| Salaries | 19,945 | 19,900 | 45 | 19,246 |
| Employee benefits | 5,736 | 5,748 | (12) | 5,777 |
| Professional and technical services | 46,350 | 65,669 | (19,319) | 13,785 |
| Property services | 95,734 | 66,186 | 29,548 | 71,080 |
| Other purchased services | 4,400 | 732 | 3,668 | 88 |
| Supplies | 28,275 | 28,080 | 195 | 36,569 |
| Capital expenditures | - | - | - | 5,529 |
| Total management information systems | <u>200,440</u> | <u>186,315</u> | <u>14,125</u> | <u>152,074</u> |
| Total general government | <u>1,898,817</u> | <u>1,669,133</u> | <u>229,684</u> | <u>1,761,100</u> |
| Public safety: | | | | |
| Police: | | | | |
| Salaries | 116,585 | 115,075 | 1,510 | 1,074,457 |
| Employee benefits | 33,347 | 28,312 | 5,035 | 357,513 |
| Professional and technical services | 9,700 | 18,336 | (8,636) | 7,332 |
| Property services | 13,500 | 9,544 | 3,956 | 35,828 |
| Other purchased services | 39,161 | 38,065 | 1,096 | 424,230 |
| Supplies | <u>29,542</u> | <u>14,214</u> | <u>15,328</u> | <u>90,048</u> |
| Total police | <u>241,835</u> | <u>223,546</u> | <u>18,289</u> | <u>1,989,408</u> |
| SAM grant: | | | | |
| Salaries | 68,650 | 56,342 | 12,308 | - |
| Employee benefits | 24,167 | 22,069 | 2,098 | - |
| Property services | 6,340 | 6,108 | 232 | - |
| Other purchased services | 1,719 | - | 1,719 | - |
| Supplies | <u>2,800</u> | <u>824</u> | <u>1,976</u> | <u>-</u> |
| Total SAM grant | <u>103,676</u> | <u>85,343</u> | <u>18,333</u> | <u>-</u> |

CITY OF WASILLA, ALASKA

General Fund

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

| | 2004 | | Variance Positive (Negative) | 2003 |
|---------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures continued: | | | | |
| Public safety, continued: | | | | |
| Byrne grant: | | | | |
| Salaries | \$ 63,309 | 61,001 | 2,308 | - |
| Employee benefits | 23,273 | 21,482 | 1,791 | - |
| Property services | 400 | - | 400 | - |
| Other purchased services | 739 | 143 | 596 | - |
| Supplies | 2,700 | - | 2,700 | - |
| Total Byrne grant | <u>90,421</u> | <u>82,626</u> | <u>7,795</u> | <u>-</u> |
| Police patrol: | | | | |
| Salaries | 908,500 | 866,712 | 41,788 | - |
| Employee benefits | 319,571 | 294,977 | 24,594 | - |
| Other professional services | 350 | 2,767 | (2,417) | - |
| Property services | 20,085 | 17,331 | 2,754 | - |
| Other purchased services | 289,522 | 256,248 | 33,274 | - |
| Supplies | 205,021 | 159,609 | 45,412 | - |
| Total police patrol | <u>1,743,049</u> | <u>1,597,644</u> | <u>145,405</u> | <u>-</u> |
| Patrol - motorcycle grant: | | | | |
| Salaries | 19,603 | 6,106 | 13,497 | - |
| Employee benefits | 6,031 | 1,697 | 4,334 | - |
| Property services | 2,850 | 2,000 | 850 | - |
| Other purchased services | 400 | - | 400 | - |
| Supplies | 1,925 | 1,893 | 32 | - |
| Capital purchases | 19,810 | 19,231 | 579 | - |
| Total patrol - motorcycle grant | <u>50,619</u> | <u>30,927</u> | <u>19,692</u> | <u>-</u> |
| Dispatch center: | | | | |
| Salaries | 123,942 | 120,202 | 3,740 | - |
| Employee benefits | 35,469 | 34,677 | 792 | - |
| Professional services | 15,500 | 14,022 | 1,478 | - |
| Property services | 20,000 | 12,325 | 7,675 | - |
| Other purchased services | 12,000 | 9,262 | 2,738 | - |
| Supplies | 6,000 | 2,261 | 3,739 | - |
| Total dispatch center | <u>212,911</u> | <u>192,749</u> | <u>20,162</u> | <u>-</u> |
| Total public safety | <u>2,442,511</u> | <u>2,212,835</u> | <u>229,676</u> | <u>1,989,408</u> |

CITY OF WASILLA, ALASKA

General Fund

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

| | 2004 | | Variance Positive (Negative) | 2003 |
|-------------------------------------|------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures continued: | | | | |
| Public works: | | | | |
| Administration: | | | | |
| Salaries | \$ 185,872 | 184,206 | 1,666 | 182,652 |
| Employee benefits | 51,852 | 56,433 | (4,581) | 60,541 |
| Professional and technical services | 1,000 | 478 | 522 | 1,000 |
| Property services | 18,162 | 11,662 | 6,500 | 10,916 |
| Other purchased services | 20,662 | 14,320 | 6,342 | 30,582 |
| Supplies | <u>19,500</u> | <u>13,709</u> | <u>5,791</u> | <u>13,785</u> |
| Total administration | <u>297,048</u> | <u>280,808</u> | <u>16,240</u> | <u>299,476</u> |
| Road maintenance: | | | | |
| Salaries | 189,727 | 192,961 | (3,234) | 175,527 |
| Employee benefits | 75,461 | 74,979 | 482 | 61,194 |
| Property services | 60,500 | 37,087 | 23,413 | 53,665 |
| Other purchased services | 206,543 | 148,872 | 57,671 | 194,214 |
| Supplies | 119,700 | 120,480 | (780) | 136,808 |
| Capital expenditures | <u>15,000</u> | <u>3,102</u> | <u>11,898</u> | <u>30,214</u> |
| Total road maintenance | <u>666,931</u> | <u>577,481</u> | <u>89,450</u> | <u>651,622</u> |
| Property maintenance: | | | | |
| Salaries | 99,598 | 56,946 | 42,652 | 35,643 |
| Employee benefits | 44,835 | 21,637 | 23,198 | 14,188 |
| Property services | 127,351 | 94,537 | 32,814 | 119,468 |
| Other purchased services | 27,874 | 24,611 | 3,263 | 25,096 |
| Supplies | 106,899 | 91,643 | 15,256 | 84,019 |
| Capital expenditures | - | - | - | 3,114 |
| Special assessments | - | 1,399 | (1,399) | - |
| Other | <u>3,789</u> | <u>-</u> | <u>3,789</u> | <u>12,554</u> |
| Total property maintenance | <u>410,346</u> | <u>290,773</u> | <u>119,573</u> | <u>294,082</u> |
| Property maintenance - wind damage | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,180</u> |
| Planning: | | | | |
| Salaries | 109,864 | 118,721 | (8,857) | - |
| Employee benefits | 35,969 | 31,449 | 4,520 | - |
| Professional services | 17,846 | 17,028 | 818 | - |
| Purchased property | 1,393 | 1,076 | 317 | - |
| Other purchased services | 8,620 | 6,417 | 2,203 | - |
| Supplies | <u>6,500</u> | <u>5,130</u> | <u>1,370</u> | <u>-</u> |
| Total planning | <u>180,192</u> | <u>179,821</u> | <u>371</u> | <u>-</u> |
| Total public works | <u>1,554,517</u> | <u>1,328,883</u> | <u>225,634</u> | <u>1,289,360</u> |

CITY OF WASILLA, ALASKA

General Fund

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

| | 2004 | | Variance Positive (Negative) | 2003 |
|--|---------------------|--------------------|------------------------------------|--------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Expenditures continued: | | | | |
| Culture and recreation: | | | | |
| Museum: | | | | |
| Salaries | \$ 35,834 | 33,346 | 2,488 | 32,015 |
| Employee benefits | 11,866 | 9,479 | 2,387 | 9,741 |
| Professional and technical services | 3,000 | 2,497 | 503 | 1,157 |
| Property services | 3,000 | 5,741 | (2,741) | 3,413 |
| Other purchased services | 21,951 | 16,989 | 4,962 | 4,115 |
| Supplies | <u>21,678</u> | <u>17,614</u> | <u>4,064</u> | <u>9,560</u> |
| Total museum | <u>97,329</u> | <u>85,666</u> | <u>11,663</u> | <u>60,001</u> |
| Parks maintenance: | | | | |
| Salaries | 235,985 | 231,565 | 4,420 | 227,826 |
| Employee benefits | 56,617 | 56,993 | (376) | 62,094 |
| Professional and technical services | 20,400 | 8,039 | 12,361 | 15,034 |
| Property services | 43,411 | 35,147 | 8,264 | 27,620 |
| Other purchased services | 12,696 | 9,402 | 3,294 | 14,681 |
| Supplies | 59,300 | 71,046 | (11,746) | 53,180 |
| Capital expenditures | <u>6,000</u> | <u>-</u> | <u>6,000</u> | <u>-</u> |
| Total parks maintenance | <u>434,409</u> | <u>412,192</u> | <u>22,217</u> | <u>400,435</u> |
| Total culture and recreation | <u>531,738</u> | <u>497,858</u> | <u>33,880</u> | <u>460,436</u> |
| Nondepartmental: | | | | |
| Insurance deductible | 10,000 | (2,697) | 12,697 | 1,723 |
| Foreclosed tax payments | 10,000 | - | 10,000 | 155 |
| Animal control | 118,302 | 26,000 | 92,302 | 26,000 |
| Donations to nonprofit organizations | <u>60,326</u> | <u>42,851</u> | <u>17,475</u> | <u>26,326</u> |
| Total nondepartmental | <u>198,628</u> | <u>66,154</u> | <u>132,474</u> | <u>54,204</u> |
| Total expenditures | <u>6,626,211</u> | <u>5,774,863</u> | <u>851,348</u> | <u>5,554,508</u> |
| Excess of revenues over expenditures | <u>1,928,713</u> | <u>3,059,855</u> | <u>1,131,142</u> | <u>2,928,934</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 7,171 | 7,171 | - | 490 |
| Transfers out | <u>(2,588,983)</u> | <u>(2,562,744)</u> | <u>26,239</u> | <u>(2,746,789)</u> |
| Net other financing sources (uses) | <u>(2,581,812)</u> | <u>(2,555,573)</u> | <u>26,239</u> | <u>(2,746,299)</u> |
| Net change in fund balance | \$ <u>(653,099)</u> | 504,282 | <u>1,157,381</u> | 182,635 |
| Beginning fund balance | | 4,790,547 | | 4,607,912 |
| Cumulative effect of a change in accounting principle | | <u>208,816</u> | | <u>-</u> |
| Ending fund balance | \$ | <u>5,503,645</u> | | <u>4,790,547</u> |

CITY OF WASILLA, ALASKA

Nonmajor Funds

Combining Balance Sheet

June 30, 2004

| <u>Assets</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Project Funds</u> | <u>Cemetery Permanent Fund</u> | <u>Total Nonmajor Funds</u> |
|--|--------------------------------------|-----------------------------------|--------------------------------------|--|-------------------------------------|
| Cash and investments | \$ 171,420 | 804,066 | 329,968 | 145,705 | 1,451,159 |
| Receivables: | | | | | |
| Grants | 2,986 | - | 257,094 | - | 260,080 |
| Special assessments, net | <u>-</u> | <u>631,595</u> | <u>-</u> | <u>-</u> | <u>631,595</u> |
| Total assets | \$ <u>174,406</u> | <u>1,435,661</u> | <u>587,062</u> | <u>145,705</u> | <u>2,342,834</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Due to other funds | - | - | 39,017 | - | 39,017 |
| Accounts payable | 6,643 | 13,167 | 207,268 | - | 227,078 |
| Accrued payroll and employee benefits | 22,654 | - | 3,742 | - | 26,396 |
| Advances from General Fund | - | 15,221 | - | - | 15,221 |
| Deferred revenue | <u>10,735</u> | <u>631,595</u> | <u>-</u> | <u>-</u> | <u>642,330</u> |
| Total liabilities | <u>40,032</u> | <u>659,983</u> | <u>250,027</u> | <u>-</u> | <u>950,042</u> |
| Fund balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances | 11,476 | - | 14,517 | - | 25,993 |
| Debt service | - | 418,677 | - | - | 418,677 |
| Investments | - | - | - | 145,705 | 145,705 |
| Unreserved: | | | | | |
| Designated for operations | 122,898 | - | - | - | 122,898 |
| Designated for capital improvements | - | - | 322,518 | - | 322,518 |
| Undesignated | <u>-</u> | <u>357,001</u> | <u>-</u> | <u>-</u> | <u>357,001</u> |
| Total fund balances | <u>134,374</u> | <u>775,678</u> | <u>337,035</u> | <u>145,705</u> | <u>1,392,792</u> |
| Total liabilities and fund balances | \$ <u>174,406</u> | <u>1,435,661</u> | <u>587,062</u> | <u>145,705</u> | <u>2,342,834</u> |

CITY OF WASILLA, ALASKA
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2004

| | Special Revenue <u>Funds</u> | Debt Service <u>Funds</u> | Capital Project <u>Funds</u> | Cemetery Permanent <u>Fund</u> | Total Nonmajor <u>Funds</u> |
|--|------------------------------------|---------------------------------|------------------------------------|--------------------------------------|-----------------------------------|
| Revenues: | | | | | |
| Intergovernmental | \$ 517,482 | - | 431,983 | - | 949,465 |
| Library fines and charges | 25,415 | - | - | - | 25,415 |
| Special assessments | - | 353,403 | - | - | 353,403 |
| Investment income | 311 | 887 | 459 | 171 | 1,828 |
| Free main allowances | - | 5,665 | - | - | 5,665 |
| Lot sales | - | - | - | 16,800 | 16,800 |
| Other | 18,904 | - | 759 | - | 19,663 |
| Total revenues | <u>562,112</u> | <u>359,955</u> | <u>433,201</u> | <u>16,971</u> | <u>1,372,239</u> |
| Expenditures: | | | | | |
| General government | 23,723 | 13,167 | - | - | 36,890 |
| Public safety | 153,312 | - | - | - | 153,312 |
| Culture and recreation | 663,472 | - | - | - | 663,472 |
| Debt service : | | | | | |
| Principal | - | 585,650 | - | - | 585,650 |
| Interest | - | 295,772 | - | - | 295,772 |
| Capital outlay | - | - | 741,919 | - | 741,919 |
| Total expenditures | <u>840,507</u> | <u>894,589</u> | <u>741,919</u> | <u>-</u> | <u>2,477,015</u> |
| Excess of revenues over (under) expenditures | (278,395) | (534,634) | (308,718) | 16,971 | (1,104,776) |
| Other financing sources (uses): | | | | | |
| Transfers in | 317,888 | 438,026 | 245,000 | - | 1,000,914 |
| Transfers out | (150,000) | (17,776) | - | (171) | (167,947) |
| Net other financing sources (uses) | <u>167,888</u> | <u>420,250</u> | <u>245,000</u> | <u>(171)</u> | <u>832,967</u> |
| Net change in fund balances | (110,507) | (114,384) | (63,718) | 16,800 | (271,809) |
| Beginning fund balances | 221,216 | 890,062 | 400,753 | 128,905 | 1,640,936 |
| Cumulative effect of a change in accounting principle | <u>23,665</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,665</u> |
| Ending fund balances | \$ <u>134,374</u> | <u>775,678</u> | <u>337,035</u> | <u>145,705</u> | <u>1,392,792</u> |

SPECIAL REVENUE FUNDS

Library – This fund is used to account for the activities of the City library.

Youth Court – This fund is used to account for the activities of the Mat-Su Youth Court.

Federal Asset Forfeiture – This fund is used to account for the activities related to federal drug enforcement activities.

Capital Reserve – This fund is used to accumulate monies for funding of capital projects.

Technology Replacement – This fund is used to accumulate monies for technology upgrades and replacements.

State Asset Forfeiture – This fund is used to account for the activities related to State drug enforcement activities.

CITY OF WASILLA, ALASKA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2004

| <u>Assets</u> | <u>Library</u> | <u>Youth Court</u> | <u>Federal Asset Forfeiture</u> | <u>Capital Reserve</u> | <u>Technology Replacement</u> | <u>State Asset Forfeiture</u> | <u>Totals</u> |
|--|----------------------|------------------------|---|----------------------------|-----------------------------------|---------------------------------------|--------------------|
| Cash and investments | \$ 63,518 | 26,798 | 6 | 39,897 | 32,450 | 8,751 | 171,420 |
| Receivables - grants | - | 2,986 | - | - | - | - | 2,986 |
| Total assets | \$ <u>63,518</u> | <u>29,784</u> | <u>6</u> | <u>39,897</u> | <u>32,450</u> | <u>8,751</u> | <u>174,406</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | 6,643 | - | - | - | - | - | 6,643 |
| Accrued payroll and employee benefits | 17,599 | 5,055 | - | - | - | - | 22,654 |
| Deferred revenue | - | 10,735 | - | - | - | - | 10,735 |
| Total liabilities | <u>24,242</u> | <u>15,790</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,032</u> |
| Fund balances: | | | | | | | |
| Reserved for encumbrances | 11,476 | - | - | - | - | - | 11,476 |
| Unreserved - designated for operations | <u>27,800</u> | <u>13,994</u> | <u>6</u> | <u>39,897</u> | <u>32,450</u> | <u>8,751</u> | <u>122,898</u> |
| Total fund balances | <u>39,276</u> | <u>13,994</u> | <u>6</u> | <u>39,897</u> | <u>32,450</u> | <u>8,751</u> | <u>134,374</u> |
| Total liabilities and fund balances | \$ <u>63,518</u> | <u>29,784</u> | <u>6</u> | <u>39,897</u> | <u>32,450</u> | <u>8,751</u> | <u>174,406</u> |

CITY OF WASILLA, ALASKA
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2004

| | <u>Library</u> | <u>Youth Court</u> | <u>Federal Asset Forfeiture</u> | <u>Capital Reserve</u> | <u>Technology Replacement</u> | <u>State Asset Forfeiture</u> | <u>Totals</u> |
|--|------------------|------------------------|---|----------------------------|-----------------------------------|---------------------------------------|----------------|
| Revenues: | | | | | | | |
| Intergovernmental | \$ 385,819 | 131,663 | - | - | - | - | 517,482 |
| Fines and charges | 16,688 | 8,727 | - | - | - | - | 25,415 |
| Investment income | 48 | 25 | - | 224 | 14 | - | 311 |
| Other | 7 | 18,897 | - | - | - | - | 18,904 |
| Total revenues | <u>402,562</u> | <u>159,312</u> | <u>-</u> | <u>224</u> | <u>14</u> | <u>-</u> | <u>562,112</u> |
| Expenditures: | | | | | | | |
| Salaries | 340,541 | 95,443 | - | - | - | - | 435,984 |
| Employee benefits | 94,022 | 42,688 | - | - | - | - | 136,710 |
| Professional and technical services | 51,233 | - | - | - | - | - | 51,233 |
| Property services | 40,224 | 98 | - | - | - | - | 40,322 |
| Other purchased services | 38,548 | 10,077 | - | - | - | - | 48,625 |
| Supplies | 81,558 | 5,006 | - | - | 23,723 | - | 110,287 |
| Capital expenditures | 17,346 | - | - | - | - | - | 17,346 |
| Total expenditures | <u>663,472</u> | <u>153,312</u> | <u>-</u> | <u>-</u> | <u>23,723</u> | <u>-</u> | <u>840,507</u> |
| Excess of revenues over (under) expenditures | (260,910) | 6,000 | - | 224 | (23,709) | - | (278,395) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | 272,388 | - | - | - | 45,500 | - | 317,888 |
| Transfers out | - | - | - | (150,000) | - | - | (150,000) |
| Net other financing sources (uses) | <u>272,388</u> | <u>-</u> | <u>-</u> | <u>(150,000)</u> | <u>45,500</u> | <u>-</u> | <u>167,888</u> |
| Net change in fund balances | 11,478 | 6,000 | - | (149,776) | 21,791 | - | (110,507) |
| Beginning fund balances | 8,887 | 3,240 | 6 | 189,673 | 10,659 | 8,751 | 221,216 |
| Cumulative effect of a change in accounting principle | <u>18,911</u> | <u>4,754</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,665</u> |
| Ending fund balances | <u>\$ 39,276</u> | <u>13,994</u> | <u>6</u> | <u>39,897</u> | <u>32,450</u> | <u>8,751</u> | <u>134,374</u> |

CITY OF WASILLA, ALASKA

Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2004

(With Comparative Amounts for 2003)

| | 2004 | | Variance Positive (Negative) | 2003 |
|---|-------------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues: | | | | |
| Intergovernmental | \$ 385,819 | 385,819 | - | 336,407 |
| Charges | 2,300 | 2,247 | (53) | - |
| Library fines | 18,750 | 14,441 | (4,309) | 15,645 |
| Investment income | 1,000 | 48 | (952) | 231 |
| Other | 100 | 7 | (93) | 2,124 |
| Total revenues | <u>407,969</u> | <u>402,562</u> | <u>(5,407)</u> | <u>354,407</u> |
| Expenditures: | | | | |
| Salaries | 350,982 | 340,541 | 10,441 | 319,702 |
| Employee benefits | 103,950 | 94,022 | 9,928 | 94,009 |
| Professional and technical services | 43,720 | 51,233 | (7,513) | 40,016 |
| Property services | 50,447 | 40,224 | 10,223 | 35,229 |
| Other purchased services | 48,710 | 38,548 | 10,162 | 30,166 |
| Supplies | 101,654 | 81,558 | 20,096 | 59,014 |
| Capital expenditures | 16,000 | 17,346 | (1,346) | 24,813 |
| Total expenditures | <u>715,463</u> | <u>663,472</u> | <u>51,991</u> | <u>602,949</u> |
| Excess of revenues over (under) expenditures | (307,494) | (260,910) | 46,584 | (248,542) |
| Other financing sources - transfers in | <u>298,627</u> | <u>272,388</u> | <u>(26,239)</u> | <u>257,429</u> |
| Net change in fund balance | \$ <u>(8,867)</u> | 11,478 | <u>20,345</u> | <u>8,887</u> |
| Beginning fund balance | | 8,887 | | - |
| Cumulative effect of a change in accounting principle | | <u>18,911</u> | | <u>-</u> |
| Ending fund balance | \$ | <u>39,276</u> | | <u>8,887</u> |

CITY OF WASILLA, ALASKA
 Youth Court Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance | 2003 |
|---|------------------|----------------|------------------------|----------------|
| | Budget | Actual | Positive (Negative) | Actual |
| Revenues: | | | | |
| Intergovernmental | \$ 139,185 | 131,663 | (7,522) | 86,160 |
| Charges | 9,000 | 8,727 | (273) | - |
| Investment income | 150 | 25 | (125) | 142 |
| Other | <u>27,735</u> | <u>18,897</u> | <u>(8,838)</u> | <u>38,481</u> |
| Total revenues | <u>176,070</u> | <u>159,312</u> | <u>(16,758)</u> | <u>124,783</u> |
| Expenditures: | | | | |
| Salaries | 97,792 | 95,443 | 2,349 | 95,728 |
| Employee benefits | 43,552 | 42,688 | 864 | 35,173 |
| Property services | 200 | 98 | 102 | 98 |
| Other purchased services | 13,016 | 10,077 | 2,939 | 8,973 |
| Supplies | <u>17,952</u> | <u>5,006</u> | <u>12,946</u> | <u>5,396</u> |
| Total expenditures | <u>172,512</u> | <u>153,312</u> | <u>19,200</u> | <u>145,368</u> |
| Net change in fund balance | \$ <u>3,558</u> | 6,000 | <u>2,442</u> | (20,585) |
| Beginning fund balance | | 3,240 | | 23,825 |
| Cumulative effect of a change in accounting principle | | <u>4,754</u> | | <u>-</u> |
| Ending fund balance | \$ <u>13,994</u> | | | <u>3,240</u> |

CITY OF WASILLA, ALASKA
 Federal Asset Forfeiture Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance | 2003 |
|----------------------------|---------------|---------------|------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | Positive (Negative) | <u>Actual</u> |
| Revenues | \$ - | - | - | - |
| Expenditures - supplies | - | - | - | 867 |
| Net change in fund balance | \$ - | - | - | (867) |
| Beginning fund balance | | 6 | | 873 |
| Ending fund balance | | \$ 6 | | 6 |

CITY OF WASILLA, ALASKA
 Capital Reserve Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance Positive (Negative) | 2003 |
|---|---------------------|------------------|------------------------------------|------------------|
| | <u>Budget</u> | <u>Actual</u> | | <u>Actual</u> |
| Revenues - investment income | \$ <u>5,000</u> | <u>224</u> | <u>(4,776)</u> | <u>2,459</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | 573,409 |
| Transfers out | <u>(150,000)</u> | <u>(150,000)</u> | <u>-</u> | <u>(755,384)</u> |
| Net other financing sources (uses) | <u>(150,000)</u> | <u>(150,000)</u> | <u>-</u> | <u>(181,975)</u> |
| Net change in fund balance | \$ <u>(145,000)</u> | <u>(149,776)</u> | <u>(4,776)</u> | <u>(179,516)</u> |
| Beginning fund balance | | 189,673 | | 812,261 |
| Residual equity transfers to Enterprise Funds | | <u>-</u> | | <u>(443,072)</u> |
| Ending fund balance | | \$ <u>39,897</u> | | <u>189,673</u> |

CITY OF WASILLA, ALASKA
 Technology Replacement Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | | <u>2003</u> | |
|--|------------------|------------------------------------|---------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> | |
| | | Variance Positive (Negative) | | |
| Revenues - investment income | \$ <u>500</u> | <u>14</u> | <u>(486)</u> | <u>130</u> |
| Expenditures: | | | | |
| Supplies | 24,000 | 23,723 | 277 | 15,418 |
| Capital expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>68,553</u> |
| Total expenditures | <u>24,000</u> | <u>23,723</u> | <u>277</u> | <u>83,971</u> |
| Excess of revenues over (under) expenditures | (23,500) | (23,709) | (209) | (83,841) |
| Other financing sources - transfers in | <u>44,500</u> | <u>45,500</u> | <u>1,000</u> | <u>94,500</u> |
| Net change in fund balance | \$ <u>21,000</u> | 21,791 | <u>791</u> | 10,659 |
| Beginning fund balance | | <u>10,659</u> | | <u>-</u> |
| Ending fund balance | | \$ <u>32,450</u> | | <u>10,659</u> |

CITY OF WASILLA, ALASKA
 State Asset Forfeiture Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | 2003 |
|------------------------|------------------------------------|----------|--------|
| | Budget | Actual | Actual |
| | Variance Positive (Negative) | | |
| | Budget | Actual | Actual |
| Revenues: | | | |
| Intergovernmental | \$ - | - | 8,747 |
| Investment income | - | - | 4 |
| Total revenues | \$ - | - | 8,751 |
| Beginning fund balance | | 8,751 | - |
| Ending fund balance | | \$ 8,751 | 8,751 |

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general obligation bond, and special assessment debt principal, interest and related costs for issuances that are not accounted for in the Enterprise Funds.

CITY OF WASILLA, ALASKA

Nonmajor Debt Service Funds

Combining Balance Sheet

June 30, 2004

| <u>Assets</u> | 1982 | 1986 | 1987 | 1988 | <u>Totals</u> |
|--|-------------------|---------------|----------------|---------------|--------------------|
| | Original | Southside | Sewer | Overlook | |
| | Water | Water | Improvement | Sewer | |
| | <u>Bond</u> | District | District | Improvement | <u>Bond</u> |
| | | <u>Bond</u> | <u>Bond</u> | <u>Bond</u> | <u>Guarantee</u> |
| | | | | Gas | <u>Assessments</u> |
| | | | | Street | <u>Bonds</u> |
| | | | | Paving | <u>Assessment</u> |
| Cash and investments | \$ 146,186 | 4,564 | 191,996 | 34,625 | 61,035 |
| Receivables - special assessments, net | <u>106,183</u> | <u>30,465</u> | <u>50,581</u> | - | - |
| | | | | 50,333 | 804,066 |
| | | | | <u>50,333</u> | <u>631,595</u> |
| Total assets | <u>\$ 252,369</u> | <u>35,029</u> | <u>242,577</u> | <u>34,625</u> | <u>61,035</u> |
| | | | | | <u>1,435,661</u> |

Liabilities and Fund Balances

| | | | | | |
|-------------------------------------|-------------------|---------------|----------------|----------------|------------------|
| Liabilities: | | | | | |
| Accounts payable | - | - | - | - | 13,167 |
| Advances from General Fund | - | - | - | - | 15,221 |
| Deferred revenue | <u>106,183</u> | <u>30,465</u> | <u>50,581</u> | <u>444,366</u> | <u>631,595</u> |
| Total liabilities | <u>106,183</u> | <u>30,465</u> | <u>50,581</u> | <u>444,366</u> | <u>659,983</u> |
| Fund balances: | | | | | |
| Reserved for debt service | - | - | 103,350 | - | - |
| Unreserved and undesignated | <u>146,186</u> | <u>4,564</u> | <u>88,646</u> | <u>34,625</u> | <u>45,814</u> |
| Total fund balances | <u>146,186</u> | <u>4,564</u> | <u>191,996</u> | <u>34,625</u> | <u>45,814</u> |
| | | | | | <u>775,678</u> |
| Total liabilities and fund balances | <u>\$ 252,369</u> | <u>35,029</u> | <u>242,577</u> | <u>34,625</u> | <u>61,035</u> |
| | | | | | <u>1,435,661</u> |

CITY OF WASILLA, ALASKA
 Nonmajor Debt Service Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Year Ended June 30, 2004

| | 1982 | 1986 | 1987 | 1988 | Street Paving General Obligation Bond | Totals |
|--|---------------------|-------------------------------|---------------------------------|--------------------------------------|---------------------------------------|----------------|
| | Original Water Bond | Southside Water District Bond | Sewer Improvement District Bond | 1988 Overlook Sewer Improvement Bond | Street Paving General Obligation Bond | Totals |
| Revenues: | | | | | | |
| Special assessments | \$ 30,298 | 17,411 | 21,563 | - | - | 353,403 |
| Investment income | 184 | 93 | 158 | 33 | - | 887 |
| Free main allowances | - | - | - | 5,665 | - | 5,665 |
| Total revenues | <u>30,482</u> | <u>17,504</u> | <u>21,721</u> | <u>33</u> | <u>-</u> | <u>359,955</u> |
| | | | | | | |
| Expenditures: | | | | | | |
| General government - Gas LID refunds | - | - | - | 13,167 | - | 13,167 |
| Debt service: | | | | | | |
| Principal | - | 75,000 | 3,775 | - | - | 205,000 |
| Interest | - | 7,822 | 6,963 | - | - | 233,026 |
| Total expenditures | <u>-</u> | <u>82,822</u> | <u>10,738</u> | <u>13,167</u> | <u>-</u> | <u>894,589</u> |
| | | | | | | |
| Excess of revenues over (under) expenditures | 30,482 | (65,318) | 10,983 | (7,460) | - | (534,634) |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | - | - | - | - | 438,026 |
| Transfers out | (17,776) | - | - | - | - | (17,776) |
| Net other financing sources (uses) | <u>(17,776)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>420,250</u> |
| | | | | | | |
| Net change in fund balances | 12,706 | (65,318) | 10,983 | (7,460) | - | (114,384) |
| Beginning fund balances | <u>133,480</u> | <u>69,882</u> | <u>181,013</u> | <u>44,626</u> | <u>45,814</u> | <u>890,062</u> |
| Ending fund balances | <u>\$ 146,186</u> | <u>4,564</u> | <u>191,996</u> | <u>37,166</u> | <u>45,814</u> | <u>775,678</u> |

CITY OF WASILLA, ALASKA
 1982 Original Water Bond Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance | 2003 |
|--|-----------------|-----------------|------------------------|----------------|
| | Budget | Actual | Positive (Negative) | Actual |
| Revenues: | | | | |
| Special assessments | \$ 21,000 | 30,298 | 9,298 | 39,133 |
| Investment income | <u>2,500</u> | <u>184</u> | <u>(2,316)</u> | <u>455</u> |
| Total revenues | <u>23,500</u> | <u>30,482</u> | <u>6,982</u> | <u>39,588</u> |
| Other uses - transfers out | <u>(17,776)</u> | <u>(17,776)</u> | <u>-</u> | <u>(8,888)</u> |
| Net change in fund balance | \$ <u>5,724</u> | 12,706 | <u>6,982</u> | 30,700 |
| Beginning fund balance | | 133,480 | | 111,668 |
| Residual equity transfer to Water and Sewer Utility Enterprise Fund | | <u>-</u> | | <u>(8,888)</u> |
| Ending fund balance | \$ | <u>146,186</u> | | <u>133,480</u> |

CITY OF WASILLA, ALASKA
 1986 Southside Water District Bond Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | | Variance | <u>2003</u> |
|------------------------------|-----------------|---------------|-----------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | Positive | |
| | | | (Negative) | <u>Actual</u> |
| Revenues: | | | | |
| Special assessments | \$ 16,498 | 17,411 | 913 | 20,073 |
| Investment income | 250 | 93 | (157) | 271 |
| Other | - | - | - | 70 |
| Total revenues | <u>16,748</u> | <u>17,504</u> | <u>756</u> | <u>20,414</u> |
| Expenditures - debt service: | | | | |
| Principal | 3,954 | 75,000 | (71,046) | 4,438 |
| Interest | <u>7,851</u> | <u>7,822</u> | <u>29</u> | <u>8,094</u> |
| Total expenditures | <u>11,805</u> | <u>82,822</u> | <u>(71,017)</u> | <u>12,532</u> |
| Net change in fund balance | \$ <u>4,943</u> | (65,318) | <u>(70,261)</u> | 7,882 |
| Beginning fund balance | | <u>69,882</u> | | <u>62,000</u> |
| Ending fund balance | \$ <u>4,564</u> | | | <u>69,882</u> |

CITY OF WASILLA, ALASKA
 1987 Sewer Improvement District Bond Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | | 2003 |
|------------------------------|------------------|-------------------|------------------------------------|----------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues: | | | | |
| Special assessments | \$ 23,100 | 21,563 | (1,537) | 40,571 |
| Investment income | <u>600</u> | <u>158</u> | <u>(442)</u> | <u>907</u> |
| Total revenues | <u>23,700</u> | <u>21,721</u> | <u>(1,979)</u> | <u>41,478</u> |
| Expenditures - debt service: | | | | |
| Principal | 3,775 | 3,775 | - | 3,775 |
| Interest | <u>6,963</u> | <u>6,963</u> | <u>-</u> | <u>7,208</u> |
| Total expenditures | <u>10,738</u> | <u>10,738</u> | <u>-</u> | <u>10,983</u> |
| Net change in fund balance | \$ <u>12,962</u> | 10,983 | <u>(1,979)</u> | 30,495 |
| Beginning fund balance | | <u>181,013</u> | | <u>150,518</u> |
| Ending fund balance | | \$ <u>191,996</u> | | <u>181,013</u> |

CITY OF WASILLA, ALASKA
 Street Paving Assessment Bonds Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | | Variance | <u>2003</u> |
|------------------------------|--------------------|-------------------|------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | Positive | <u>Actual</u> |
| | | | (Negative) | |
| Revenues: | | | | |
| Special assessments | \$ 188,825 | 284,131 | 95,306 | 218,382 |
| Investment income | <u>5,000</u> | <u>377</u> | <u>(4,623)</u> | <u>1,738</u> |
| Total revenues | <u>193,825</u> | <u>284,508</u> | <u>90,683</u> | <u>220,120</u> |
| Expenditures - debt service: | | | | |
| Principal | 153,485 | 301,875 | (148,390) | 155,679 |
| Interest | <u>59,222</u> | <u>47,961</u> | <u>11,261</u> | <u>40,070</u> |
| Total expenditures | <u>212,707</u> | <u>349,836</u> | <u>(137,129)</u> | <u>195,749</u> |
| Net change in fund balance | \$ <u>(18,882)</u> | (65,328) | <u>(46,446)</u> | 24,371 |
| Beginning fund balance | | <u>380,655</u> | | <u>356,284</u> |
| Ending fund balance | | \$ <u>315,327</u> | | <u>380,655</u> |

CITY OF WASILLA, ALASKA
 Gas Assessments Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | Variance Positive (Negative) | 2003 |
|--------------------------------|---------------|------------------|------------------------------------|---------------|
| | Budget | Actual | | Actual |
| Revenues: | | | | |
| Investment income | \$ 500 | 42 | (458) | 167 |
| Free main allowances | <u>-</u> | <u>5,665</u> | <u>5,665</u> | <u>3,919</u> |
| Total revenues | 500 | 5,707 | 5,207 | 4,086 |
| Expenditures - Gas LID refunds | <u>-</u> | <u>13,167</u> | <u>(13,167)</u> | <u>-</u> |
| Net change in fund balance | \$ <u>500</u> | (7,460) | <u>(7,960)</u> | 4,086 |
| Beginning fund balance | | <u>44,626</u> | | <u>40,540</u> |
| Ending fund balance | | \$ <u>37,166</u> | | <u>44,626</u> |

CITY OF WASILLA, ALASKA
 1988 Overlook Sewer Improvement Bond Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | | 2003 |
|------------------------------|------------------|---------------|------------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) | <u>Actual</u> |
| Revenues - investment income | \$ <u>250</u> | 33 | <u>(217)</u> | 139 |
| Beginning fund balance | | <u>34,592</u> | | <u>34,453</u> |
| Ending fund balance | \$ <u>34,625</u> | | | <u>34,592</u> |

CITY OF WASILLA, ALASKA
 Bond Guarantee Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | | 2003 |
|------------------------------|---------------|------------------|------------------------------------|---------------|
| | Budget | Actual | Variance Positive (Negative) | Actual |
| Revenues - investment income | \$ <u>900</u> | - | <u>(900)</u> | - |
| Beginning fund balance | | <u>45,814</u> | | <u>45,814</u> |
| Ending fund balance | | \$ <u>45,814</u> | | <u>45,814</u> |

CITY OF WASILLA, ALASKA
 Street Paving General Obligation Bond Debt Service Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | 2004 | | | 2003 |
|--|----------------|----------------|------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) | <u>Actual</u> |
| Revenues | \$ - | - | - | - |
| Expenditures - debt service: | | | | |
| Principal | 205,000 | 205,000 | - | 195,000 |
| Interest | <u>233,026</u> | <u>233,026</u> | - | <u>244,398</u> |
| Total expenditures | <u>438,026</u> | <u>438,026</u> | - | <u>439,398</u> |
| Excess of revenues over (under) expenditures | (438,026) | (438,026) | - | (439,398) |
| Other financing sources - transfers in | <u>438,026</u> | <u>438,026</u> | - | <u>439,398</u> |
| Net change in fund balance | \$ <u>-</u> | - | <u>-</u> | - |
| Beginning fund balance | | - | | - |
| Ending fund balance | \$ <u>-</u> | <u>-</u> | | <u>-</u> |

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

CITY OF WASILLA, ALASKA
 Nonmajor Capital Project Funds
 Combining Balance Sheet
 June 30, 2004

| <u>Assets</u> | <u>Vehicle Replacement</u> | <u>Right- of-Way Acquisition</u> | <u>Honor Garden</u> | <u>Regional Dispatch Center</u> | <u>Totals</u> |
|---|--------------------------------|--|-------------------------|---|--------------------|
| Cash and investments | \$ 274,285 | 38,331 | 17,352 | - | 329,968 |
| Receivables - grants | <u>-</u> | <u>-</u> | <u>-</u> | <u>257,094</u> | <u>257,094</u> |
| Total assets | \$ <u>274,285</u> | <u>38,331</u> | <u>17,352</u> | <u>257,094</u> | <u>587,062</u> |
| <u>Liabilities and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Due to other funds | - | - | - | 39,017 | 39,017 |
| Accounts payable | - | - | - | 207,268 | 207,268 |
| Accrued payroll and employee benefits | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,742</u> | <u>3,742</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>250,027</u> | <u>250,027</u> |
| Fund balances: | | | | | |
| Reserved for encumbrances | - | - | 7,450 | 7,067 | 14,517 |
| Unreserved - designated for capital improvements | <u>274,285</u> | <u>38,331</u> | <u>9,902</u> | <u>-</u> | <u>322,518</u> |
| Total fund balances | <u>274,285</u> | <u>38,331</u> | <u>17,352</u> | <u>7,067</u> | <u>337,035</u> |
| Total liabilities and fund balances | \$ <u>274,285</u> | <u>38,331</u> | <u>17,352</u> | <u>257,094</u> | <u>587,062</u> |

CITY OF WASILLA, ALASKA
 Nonmajor Capital Project Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 Year Ended June 30, 2004

| | <u>Vehicle Replacement</u> | <u>Right- of-Way Acquisition</u> | <u>Honor Garden</u> | <u>Regional Dispatch Center</u> | <u>Totals</u> |
|--|--------------------------------|--|-------------------------|---|----------------|
| Revenues: | | | | | |
| Intergovernmental | \$ - | - | - | 431,983 | 431,983 |
| Investment income | 397 | 48 | 40 | (26) | 459 |
| Other | <u>-</u> | <u>-</u> | <u>759</u> | <u>-</u> | <u>759</u> |
| Total revenues | 397 | 48 | 799 | 431,957 | 433,201 |
| Expenditures - capital outlay | <u>197,689</u> | <u>-</u> | <u>19,119</u> | <u>525,111</u> | <u>741,919</u> |
| Excess of revenues over (under) expenditures | (197,292) | 48 | (18,320) | (93,154) | (308,718) |
| Other financing sources - transfers in | <u>145,000</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>245,000</u> |
| Net change in fund balances | (52,292) | 48 | (18,320) | 6,846 | (63,718) |
| Beginning fund balances | <u>326,577</u> | <u>38,283</u> | <u>35,672</u> | <u>221</u> | <u>400,753</u> |
| Ending fund balances | \$ <u>274,285</u> | <u>38,331</u> | <u>17,352</u> | <u>7,067</u> | <u>337,035</u> |

CITY OF WASILLA, ALASKA
 Miscellaneous Projects
 Capital Projects Fund
 Schedule of Expenditures by Project
 Year Ended June 30, 2004

| | |
|------------------------------------|-------------------------|
| Expenditures: | |
| Record retention project | \$ 40,610 |
| Multi-use Sports Complex utilities | 24,926 |
| Road upgrading | 66,543 |
| Storm water phase I | 1,017,143 |
| Storm water phase II | 1,302,312 |
| South Mack Garvey Road | 223,471 |
| Church Road traffic light | 79,650 |
| Public safety building | 21,212 |
| Building modification | 102,175 |
| Multi-use Sports Complex | 56,246 |
| Police roof replacement | 47,520 |
| Iditapark improvements | 99,294 |
| Library modification | 152,061 |
| Other miscellaneous projects | <u>23,185</u> |
| Total expenditures | \$ <u>3,256,348</u> |

CITY OF WASILLA, ALASKA
 Cemetery Permanent Fund
 Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | <u>2003</u> |
|----------------------------|-------------------|----------------|
| Revenues: | | |
| Lot sales | \$ 16,800 | 11,125 |
| Investment income | <u>171</u> | <u>490</u> |
| Total revenues | 16,971 | 11,615 |
| Other uses - transfers out | <u>(171)</u> | <u>(490)</u> |
| Net change in fund balance | 16,800 | 11,125 |
| Beginning fund balance | <u>128,905</u> | <u>117,780</u> |
| Ending fund balance | \$ <u>145,705</u> | <u>128,905</u> |

ENTERPRISE FUNDS

The Water Utility Fund is used to account for the provision of water services to the residents of the City. The Sewer Utility Fund is used to account for sewer services for local residents. The Municipal Airport Fund is used to account for the activities of the Wasilla Municipal Airport. The Multi-Use Sports Complex Fund accounts for the operations of the Multi-Use Sports Complex facilities. All activities necessary to provide such services are accounted for in these funds, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF WASILLA, ALASKA
 Water Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2004
 (With Comparative Amounts for 2003)

| <u>Assets</u> | <u>2004</u> | <u>2003</u> |
|---|-----------------------------|--------------------------|
| Current assets: | | |
| Cash and investments | \$ 989,885 | 851,796 |
| Receivables: | | |
| Accounts | 84,728 | 56,363 |
| Allowance for doubtful accounts | (5,443) | (6,505) |
| Grants | 676,566 | 115,486 |
| Loans | - | 10,992 |
| Inventory | <u>43,453</u> | <u>27,682</u> |
| Total current assets | <u>1,789,189</u> | <u>1,055,814</u> |
| Restricted cash and investments | <u>-</u> | <u>2,224,413</u> |
| Property, plant and equipment: | | |
| Land | 149,170 | 149,170 |
| Collection/distribution system | 10,505,743 | 9,652,767 |
| Water tank and fence | 6,496,230 | 2,591,612 |
| Wells/well house | 367,793 | 367,793 |
| Equipment | 162,848 | 154,636 |
| Construction in progress | <u>500,644</u> | <u>1,400,511</u> |
| Total property, plant and equipment | 18,182,428 | 14,316,489 |
| Less accumulated depreciation | <u>(3,259,531)</u> | <u>(2,993,832)</u> |
| Net property, plant and equipment | <u>14,922,897</u> | <u>11,322,657</u> |
| Deferred charges, net of accumulated amortization | <u>13,407</u> | <u>13,788</u> |
| Total assets | \$ <u><u>16,725,493</u></u> | <u><u>14,616,672</u></u> |

CITY OF WASILLA, ALASKA
Water Utility Enterprise Fund
Statement of Net Assets, continued

| <u>Liabilities and Net Assets</u> | <u>2004</u> | <u>2003</u> |
|---|----------------------|-------------------|
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 25,867 | 34,999 |
| Revenue billed in advance | 5,806 | 2,570 |
| Accrued payroll and employee benefits | 10,583 | 8,817 |
| Accrued annual and sick leave | 12,541 | 8,970 |
| Customer deposits | 32,799 | 18,180 |
| Accrued interest | 31,574 | 27,365 |
| Current portion of ADEC loans | <u>213,455</u> | <u>-</u> |
| Total current liabilities | 332,625 | 100,901 |
| ADEC loans, net of current portion | <u>3,974,592</u> | <u>3,919,808</u> |
| Total liabilities | <u>4,307,217</u> | <u>4,020,709</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 10,734,850 | 7,402,849 |
| Restricted for capital acquisitions | - | 2,224,413 |
| Unrestricted | <u>1,683,426</u> | <u>968,701</u> |
| Total net assets | <u>12,418,276</u> | <u>10,595,963</u> |
| Total liabilities and net assets | \$ <u>16,725,493</u> | <u>14,616,672</u> |

CITY OF WASILLA, ALASKA
 Water Utility Enterprise Fund
 Statement of Revenues, Expenses
 and Changes in Net Assets
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | <u>2003</u> |
|---|-----------------------------|--------------------------|
| Operating revenues: | | |
| Sales and user charges | \$ 684,611 | 486,722 |
| Water meters | - | 11,552 |
| Other | 3,559 | 6,123 |
| Total operating revenues | <u>688,170</u> | <u>504,397</u> |
| Operating expenses: | | |
| Salaries | 218,242 | 170,847 |
| Employee benefits | 60,977 | 57,147 |
| Other purchased services | 24,893 | 22,312 |
| Professional and technical services | 11,656 | 11,393 |
| Supplies | 80,008 | 86,497 |
| Administration | - | 24,925 |
| Property services | 41,744 | 54,216 |
| Bad debt expense | 4,202 | 2,540 |
| Total operating expenses | <u>441,722</u> | <u>429,877</u> |
| Operating income before depreciation | 246,448 | 74,520 |
| Depreciation | <u>265,699</u> | <u>268,386</u> |
| Operating loss | <u>(19,251)</u> | <u>(193,866)</u> |
| Nonoperating revenues (expenses): | | |
| Payments in lieu of assessments | 47,833 | 64,543 |
| Interest expense | (39,509) | (8,439) |
| Investment income | 6,241 | 5,610 |
| Other | - | (2,250) |
| Net nonoperating revenues (expenses) | <u>14,565</u> | <u>59,464</u> |
| Loss before transfers and contributions | (4,686) | (134,402) |
| Transfers in | 592,888 | 3,000 |
| Transfers out | (11,000) | (1,000) |
| Capital contributions | <u>1,245,111</u> | <u>271,604</u> |
| Change in net assets | 1,822,313 | 139,202 |
| Beginning net assets | <u>10,595,963</u> | <u>10,456,761</u> |
| Ending net assets | \$ <u><u>12,418,276</u></u> | <u><u>10,595,963</u></u> |

CITY OF WASILLA, ALASKA
 Water Utility Enterprise Fund
 Statement of Cash Flows
 Year Ended June 30, 2004

| | <u>2004</u> |
|--|--------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 670,222 |
| Payments to suppliers | (183,204) |
| Payments to employees | <u>(271,327)</u> |
| Net cash flows from operating activities | <u>215,691</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from long-term debt | 3,325,239 |
| Principal and interest paid on long-term debt | (3,081,308) |
| Receipt of payments in lieu of assessments | 47,833 |
| Acquisition and construction of capital assets | (3,865,939) |
| Capital contributions received | 684,031 |
| Transfers in | 592,888 |
| Transfers out | <u>(11,000)</u> |
| Net cash flows from capital and related financing activities | <u>(2,308,256)</u> |
| Cash flows from investing activities - investment income received | <u>6,241</u> |
| Net decrease in cash and investments | (2,086,324) |
| Beginning cash and investments | <u>3,076,209</u> |
| Ending cash and investments | \$ <u><u>989,885</u></u> |
| Reconciliation of operating loss to net cash flows from operating activities: | |
| Operating loss | (19,251) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | |
| Depreciation and amortization | 266,080 |
| Decrease in allowance for doubtful accounts | (1,062) |
| (Increase) decrease in assets: | |
| Accounts receivable | (28,365) |
| Inventory | (15,771) |
| Increase (decrease) in liabilities: | |
| Accounts payable | (9,132) |
| Revenue billed in advance | 3,236 |
| Accrued payroll and employee benefits | 1,766 |
| Accrued annual and sick leave | 3,571 |
| Customer deposits | <u>14,619</u> |
| Net cash flows from operating activities | \$ <u><u>215,691</u></u> |

CITY OF WASILLA, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Net Assets
 June 30, 2004
 (With Comparative Amounts for 2003)

| <u>Assets</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------|--------------------|
| Current assets: | | |
| Cash and investments | \$ 674,033 | 762,746 |
| Receivables: | | |
| Accounts | 76,555 | 67,865 |
| Allowance for doubtful accounts | (4,827) | (4,394) |
| Grants | 154,166 | 1,149 |
| Current portion of special assessments | 8,500 | 8,471 |
| Current portion of notes | 4,800 | 6,600 |
| Loans | - | 6,730 |
| Inventory | <u>70,933</u> | <u>57,165</u> |
| Total current assets | <u>984,160</u> | <u>906,332</u> |
| Special assessments receivable, net of current portion | 33,695 | 47,558 |
| Notes receivable, net of current portion | <u>5,619</u> | <u>8,310</u> |
| Property, plant and equipment: | | |
| Land | 657,810 | 657,810 |
| Treatment system | 8,079,120 | 7,913,975 |
| Collection/distribution system | 8,533,543 | 8,529,283 |
| Equipment | 5,101,948 | 5,101,948 |
| Construction in progress | <u>436,678</u> | <u>134,870</u> |
| Total property, plant and equipment | 22,809,099 | 22,337,886 |
| Less accumulated depreciation | <u>(7,193,783)</u> | <u>(6,803,232)</u> |
| Net property, plant and equipment | <u>15,615,316</u> | <u>15,534,654</u> |
| Total assets | \$ <u>16,638,790</u> | <u>16,496,854</u> |

CITY OF WASILLA, ALASKA
Sewer Utility Enterprise Fund
Statement of Net Assets, continued

| <u>Liabilities and Net Assets</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------|-------------------|
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,275 | 367 |
| Accrued payroll and employee benefits | 10,195 | 11,247 |
| Accrued annual and sick leave | 21,071 | 16,084 |
| Customer deposits | 25,256 | 24,716 |
| Accrued interest | 4,954 | 1,969 |
| Current portion: | | |
| Special assessment bonds | 8,471 | 8,471 |
| ADEC loans | 17,271 | - |
| Total current liabilities | <u>90,493</u> | <u>62,854</u> |
| Long-term debt, net of current portion: | | |
| Special assessment bonds | 41,427 | 59,298 |
| ADEC loans | 313,095 | 340,467 |
| Total liabilities | <u>445,015</u> | <u>462,619</u> |
| Net assets: | | |
| Invested in capital asset, net of related debt | 15,235,052 | 15,126,418 |
| Unrestricted | 958,723 | 907,817 |
| Total net assets | <u>16,193,775</u> | <u>16,034,235</u> |
| Total liabilities and net assets | <u>\$ 16,638,790</u> | <u>16,496,854</u> |

CITY OF WASILLA, ALASKA
 Sewer Utility Enterprise Fund
 Statement of Revenues, Expenses
 and Changes in Net Assets
 Year Ended June 30, 2004
 (With Comparative Amounts for 2003)

| | <u>2004</u> | <u>2003</u> |
|---|----------------------|-------------------|
| Operating revenues: | | |
| Sales and user charges | \$ 640,653 | 522,965 |
| Other | 1,415 | - |
| Total operating revenues | <u>642,068</u> | <u>522,965</u> |
| Operating expenses: | | |
| Salaries | 234,761 | 222,619 |
| Employee benefits | 75,907 | 82,353 |
| Other purchased services | 31,376 | 29,196 |
| Professional and technical services | 6,525 | 10,606 |
| Supplies | 99,111 | 127,295 |
| Administration | - | 24,925 |
| Property services | 36,080 | 17,297 |
| Bad debt expense | 3,848 | 2,017 |
| Total operating expenses | <u>487,608</u> | <u>516,308</u> |
| Operating income before depreciation | 154,460 | 6,657 |
| Depreciation | <u>390,551</u> | <u>457,869</u> |
| Operating loss | <u>(236,091)</u> | <u>(451,212)</u> |
| Nonoperating revenues (expenses): | | |
| Payments in lieu of assessments | 44,534 | 80,529 |
| Interest expense | (12,460) | (17,622) |
| Investment income | 866 | 6,218 |
| Other | - | 33 |
| Net nonoperating revenues (expenses) | <u>32,940</u> | <u>69,158</u> |
| Loss before transfers and contributions | (203,151) | (382,054) |
| Transfers in | 30,000 | 45,705 |
| Transfers out | (16,500) | (16,500) |
| Capital contributions | <u>349,191</u> | <u>41,361</u> |
| Change in net assets | 159,540 | (311,488) |
| Beginning net assets | <u>16,034,235</u> | <u>16,345,723</u> |
| Ending net assets | \$ <u>16,193,775</u> | <u>16,034,235</u> |

CITY OF WASILLA, ALASKA

Sewer Utility Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2004

| | <u>2004</u> |
|---|-------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 630,503 |
| Payments to suppliers | (183,952) |
| Payments to employees | <u>(306,733)</u> |
| Net cash flows from operating activities | <u>139,818</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from long-term debt | 11,682 |
| Principal and interest paid on long-term debt | (42,399) |
| Special assessments received | 13,834 |
| Receipt of payments in lieu of assessments | 44,534 |
| Acquisition and construction of capital assets | (471,213) |
| Capital contributions received | 196,174 |
| Transfers in | 30,000 |
| Transfers out | <u>(16,500)</u> |
| Net cash flows from capital and related financing activities | <u>(233,888)</u> |
| Cash flows from investing activities: | |
| Investment income received | 866 |
| Principal payments received on notes receivable | <u>4,491</u> |
| Net cash flows from investing activities | <u>5,357</u> |
| Net decrease in cash and investments | (88,713) |
| Beginning cash and investments | <u>762,746</u> |
| Ending cash and investments | \$ <u>674,033</u> |
| Reconciliation of operating loss to net cash flows from operating activities: | |
| Operating loss | (236,091) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | |
| Depreciation | 390,551 |
| Increase in allowance for doubtful accounts | 433 |
| (Increase) decrease in assets: | |
| Accounts receivable | (8,690) |
| Inventory | (13,768) |
| Increase (decrease) in liabilities: | |
| Accounts payable | 2,908 |
| Accrued payroll and employee benefits | (1,052) |
| Accrued annual and sick leave | 4,987 |
| Customer deposits | <u>540</u> |
| Net cash flows from operating activities | \$ <u>139,818</u> |

CITY OF WASILLA, ALASKA

Municipal Airport Enterprise Fund

Statement of Net Assets

June 30, 2004

(With Comparative Amounts for 2003)

| <u>Assets</u> | <u>2004</u> | <u>2003</u> |
|---|---------------------|--------------------|
| Current assets: | | |
| Cash and investments | \$ 241,413 | 125,146 |
| Receivables: | | |
| Accounts | 111 | 4,112 |
| Grants | 41,394 | 28,520 |
| Total current assets | <u>282,918</u> | <u>157,778</u> |
| Property, plant and equipment: | | |
| Land | 1,470,000 | 1,470,000 |
| Land improvements | 5,620,175 | 5,330,984 |
| Equipment | 648,164 | 624,016 |
| Construction work in process | 103,550 | 278,921 |
| Total property, plant and equipment | 7,841,889 | 7,703,921 |
| Less accumulated depreciation | <u>(3,014,617)</u> | <u>(2,691,952)</u> |
| Net property, plant and equipment | <u>4,827,272</u> | <u>5,011,969</u> |
| Total assets | \$ <u>5,110,190</u> | <u>5,169,747</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | - | 7 |
| Revenue billed in advance | 6,152 | 7,271 |
| Accrued payroll and employee benefits | 1,318 | 1,145 |
| Accrued annual and sick leave | 1,406 | 1,608 |
| Total current liabilities | <u>8,876</u> | <u>10,031</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 4,827,272 | 5,011,969 |
| Unrestricted | 274,042 | 147,747 |
| Total net assets | <u>5,101,314</u> | <u>5,159,716</u> |
| Total liabilities and net assets | \$ <u>5,110,190</u> | <u>5,169,747</u> |

CITY OF WASILLA, ALASKA
Municipal Airport Enterprise Fund
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended June 30, 2004
(With Comparative Amounts for 2003)

| | <u>2004</u> | <u>2003</u> |
|---|---------------------|------------------|
| Operating revenues - fees and rentals | \$ <u>44,180</u> | <u>41,220</u> |
| Operating expenses: | | |
| Salaries | 26,622 | 13,334 |
| Employee benefits | 5,870 | 3,092 |
| Other purchased services | 14,679 | 10,670 |
| Professional and technical services | 500 | - |
| Supplies | 10,545 | 4,275 |
| Property services | <u>24,059</u> | <u>5,534</u> |
| Total operating expenses | <u>82,275</u> | <u>36,905</u> |
| Operating income (loss) before depreciation | (38,095) | 4,315 |
| Depreciation | <u>322,665</u> | <u>277,111</u> |
| Operating loss | (360,760) | (272,796) |
| Nonoperating revenues: | | |
| Investment income | 187 | 295 |
| Special assessments | <u>33,034</u> | <u>-</u> |
| Total nonoperating revenues | <u>33,221</u> | <u>295</u> |
| Loss before transfers and contributions | (327,539) | (272,501) |
| Transfers in | 136,590 | 39,789 |
| Capital contributions | <u>132,547</u> | <u>351,113</u> |
| Change in net assets | (58,402) | 118,401 |
| Beginning net assets | <u>5,159,716</u> | <u>5,041,315</u> |
| Ending net assets | \$ <u>5,101,314</u> | <u>5,159,716</u> |

CITY OF WASILLA, ALASKA

Municipal Airport Enterprise Fund

Statement of Cash Flows

Year Ended June 30, 2003

| | <u>2004</u> |
|---|--------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 47,062 |
| Payments to suppliers | (49,790) |
| Payments to employees | <u>(32,521)</u> |
| Net cash flows from operating activities | <u>(35,249)</u> |
| | |
| Cash flows from noncapital financing activities - transfers in | <u>54,590</u> |
| | |
| Cash flows from capital and related financing activities: | |
| Special assessments received | 33,034 |
| Acquisition and construction of capital assets | (137,968) |
| Capital contributions received | 119,673 |
| Transfers in | <u>82,000</u> |
| Net cash flows from capital and related financing activities | <u>96,739</u> |
| | |
| Cash flows from investing activities - investment income received | <u>187</u> |
| | |
| Net increase in cash and investments | 116,267 |
| | |
| Beginning cash and investments | <u>125,146</u> |
| | |
| Ending cash and investments | \$ <u>241,413</u> |
| | |
| Reconciliation of operating loss to net cash flows from operating activities: | |
| Operating loss | (360,760) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | |
| Depreciation | 322,665 |
| Decrease in accounts receivable | 4,001 |
| Increase (decrease) in liabilities: | |
| Accounts payable | (7) |
| Revenue billed in advance | (1,119) |
| Accrued payroll and employee benefits | 173 |
| Accrued annual and sick leave | <u>(202)</u> |
| Net cash flows from operating activities | \$ <u>(35,249)</u> |

CITY OF WASILLA, ALASKA
Multi-Use Sports Complex Enterprise Fund
Statement of Net Assets
June 30, 2004
(With Comparative Amounts for 2003)

| <u>Assets</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------|-------------------|
| Current assets: | | |
| Cash and investments | \$ 1,402,610 | 13,594,548 |
| Sales tax receivable | 188,748 | 172,124 |
| Total current assets | <u>1,591,358</u> | <u>13,766,672</u> |
| Restricted cash and investments | <u>348,542</u> | <u>202,391</u> |
| Property, plant and equipment: | | |
| Land | 418,934 | 219,110 |
| Buildings | 14,620,654 | - |
| Equipment | 177,762 | - |
| Construction in progress | - | 2,792,527 |
| Total property, plant and equipment | <u>15,217,350</u> | <u>3,011,637</u> |
| Total assets | \$ <u>17,157,250</u> | <u>16,980,700</u> |
| <u>Liabilities and Net Assets</u> | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 180,620 | 766,932 |
| Retainage payable | - | 57,786 |
| Accrued payroll and employee benefits | 14,872 | - |
| Accrued annual and sick leave | 2,507 | - |
| Accrued interest | 130,629 | 138,280 |
| Deferred revenue | 31,016 | 135,894 |
| Current portion of general obligation bonds | <u>1,125,000</u> | <u>1,020,000</u> |
| Total current liabilities | 1,484,644 | 2,118,892 |
| General obligation bonds, net of current portion | 11,715,000 | 12,840,000 |
| Unamortized bond premium | <u>85,260</u> | <u>94,734</u> |
| Total liabilities | <u>13,284,904</u> | <u>15,053,626</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 2,972,588 | - |
| Restricted for debt service | 551,244 | 236,235 |
| Unrestricted | <u>348,514</u> | <u>1,690,839</u> |
| Total net assets | <u>3,872,346</u> | <u>1,927,074</u> |
| Total liabilities and net assets | \$ <u>17,157,250</u> | <u>16,980,700</u> |

CITY OF WASILLA, ALASKA
Multi-Use Sports Complex Enterprise Fund
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended June 30, 2004

| | <u>2004</u> | <u>2003</u> |
|---|---------------------|------------------|
| Operating revenues - fees and rentals | \$ <u>63,599</u> | <u>-</u> |
| Operating expenses: | | |
| Salaries | 103,381 | - |
| Employee benefits | 27,524 | - |
| Other purchased services | 33,484 | - |
| Professional and technical services | 2,361 | - |
| Supplies | 35,365 | - |
| Property services | <u>7,560</u> | <u>-</u> |
| Total operating expenses | <u>209,675</u> | <u>-</u> |
| Operating loss | (146,076) | - |
| Nonoperating revenues (expenses): | | |
| Sales tax revenue | 1,880,477 | 1,740,791 |
| Interest expense | (172,349) | - |
| Investment income | 3,479 | - |
| Rate analysis grant | <u>2,896</u> | <u>-</u> |
| Net nonoperating revenues (expenses) | <u>1,714,503</u> | <u>1,740,791</u> |
| Income before transfers and contributions | 1,568,427 | 1,740,791 |
| Transfers in | 376,845 | - |
| Capital contributions | <u>-</u> | <u>5,106</u> |
| Change in net assets | 1,945,272 | 1,745,897 |
| Beginning net assets | <u>1,927,074</u> | <u>181,177</u> |
| Ending net assets | \$ <u>3,872,346</u> | <u>1,927,074</u> |

CITY OF WASILLA, ALASKA

Multi-Use Sports Complex Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2004

| | <u>2004</u> |
|---|---------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 97,511 |
| Payments to suppliers | (722,868) |
| Payments to employees | <u>(113,526)</u> |
| Net cash flows from operating activities | <u>(738,883)</u> |
| Cash flows from noncapital financing activities - transfers in | <u>215,650</u> |
| Cash flows from capital and related financing activities: | |
| Principal and interest paid on long-term debt | (1,209,474) |
| Acquisition and construction of capital assets | (12,205,713) |
| Capital grant transferred to other funds | (135,894) |
| Sales tax revenue received | 1,863,853 |
| Transfers in | <u>161,195</u> |
| Net cash flows from capital and related financing activities | <u>(11,526,033)</u> |
| Cash flows from investing activities - investment income received | <u>3,479</u> |
| Net decrease in cash and investments | (12,045,787) |
| Beginning cash and investments | <u>13,796,939</u> |
| Ending cash and investments | \$ <u>1,751,152</u> |
| Reconciliation of cash and investments to balance sheet: | |
| Cash and investments | 1,402,610 |
| Restricted cash and investments | <u>348,542</u> |
| | \$ <u>1,751,152</u> |
| Reconciliation of operating loss to net cash flows from operating activities: | |
| Operating loss | (146,076) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | |
| Other nonoperating revenues | 2,896 |
| Increase (decrease) in liabilities: | |
| Accounts payable | (644,098) |
| Accrued payroll and employee benefits | 14,872 |
| Accrued annual and sick leave | 2,507 |
| Deferred revenue | <u>31,016</u> |
| Net cash flows from operating activities | \$ <u>(738,883)</u> |

CITY OF WASILLA, ALASKA
Capital Assets
Schedule of Governmental Capital Assets
June 30, 2004

| | <u>2004</u> |
|--------------------------------|---------------------------------|
| Capital assets: | |
| Land | \$ 4,533,005 |
| Buildings | 3,532,563 |
| Office furniture and equipment | 1,079,118 |
| Vehicles and equipment | 1,639,339 |
| Infrastructure | 15,458,281 |
| Construction in progress | <u>3,637,257</u> |
| Total capital assets | \$ <u><u>29,879,563</u></u> |

CITY OF WASILLA, ALASKA

Capital Assets

Schedule of Governmental Capital Assets by Function and Activity

June 30, 2004

| | <u>Land</u> | <u>Buildings</u> | <u>Office Furniture and Equipment</u> | <u>Vehicles and Equipment</u> | <u>Infrastructure</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|---------------------|------------------|---|---------------------------------------|-----------------------|---|-------------------|
| General government: | | | | | | | |
| Administration | \$ - | - | - | 15,542 | - | - | 15,542 |
| City Council | - | - | 6,725 | - | - | 40,610 | 47,335 |
| Finance | - | - | 381,408 | - | - | 7,000 | 388,408 |
| Nondepartmental | <u>1,004,448</u> | <u>1,245,594</u> | <u>10,573</u> | <u>-</u> | <u>-</u> | <u>25,126</u> | <u>2,285,741</u> |
| Total general government | <u>1,004,448</u> | <u>1,245,594</u> | <u>398,706</u> | <u>15,542</u> | <u>-</u> | <u>72,736</u> | <u>2,737,026</u> |
| Police | <u>600,000</u> | <u>794,995</u> | <u>502,272</u> | <u>859,331</u> | <u>-</u> | <u>162,125</u> | <u>2,918,723</u> |
| Public works: | | | | | | | |
| Public works | 81,305 | 197,368 | 115,057 | 629,916 | - | 56,246 | 1,079,892 |
| Planning | - | - | 12,806 | 26,301 | - | - | 39,107 |
| Streets | <u>1,958,534</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,458,281</u> | <u>3,240,142</u> | <u>20,656,957</u> |
| Total public works | <u>2,039,839</u> | <u>197,368</u> | <u>127,863</u> | <u>656,217</u> | <u>15,458,281</u> | <u>3,296,388</u> | <u>21,775,956</u> |
| Culture and recreation | | | | | | | |
| Museum | 90,650 | 97,986 | 5,193 | - | - | - | 193,829 |
| Recreation services | 783,068 | 490,695 | - | 108,249 | - | 106,008 | 1,488,020 |
| Library | <u>15,000</u> | <u>705,925</u> | <u>45,084</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>766,009</u> |
| Total culture and recreation | <u>888,718</u> | <u>1,294,606</u> | <u>50,277</u> | <u>108,249</u> | <u>-</u> | <u>106,008</u> | <u>2,447,858</u> |
| Total capital assets allocated to functions | \$ <u>4,533,005</u> | <u>3,532,563</u> | <u>1,079,118</u> | <u>1,639,339</u> | <u>15,458,281</u> | <u>3,637,257</u> | <u>29,879,563</u> |

CITY OF WASILLA, ALASKA

Capital Assets

Schedule of Changes in Governmental Capital Assets by Function and Activity Year Ended June 30, 2004

| | Capital Assets July 1, <u>2003</u> | <u>Additions</u> | <u>Deletions</u> | Capital Assets June 30, <u>2004</u> |
|------------------------------|---|----------------------|--------------------|--|
| General government: | | | | |
| Administration | \$ 15,542 | - | - | 15,542 |
| City Council | 6,725 | 40,610 | - | 47,335 |
| Finance | 382,288 | 6,120 | - | 388,408 |
| Nondepartmental | <u>2,158,440</u> | <u>127,301</u> | - | <u>2,285,741</u> |
| Total general government | <u>2,562,995</u> | <u>174,031</u> | - | <u>2,737,026</u> |
| Police | <u>2,317,541</u> | <u>726,620</u> | <u>125,438</u> | <u>2,918,723</u> |
| Public works: | | | | |
| Public works | 976,174 | 122,800 | 19,082 | 1,079,892 |
| Planning | 39,107 | - | - | 39,107 |
| Streets | <u>17,967,837</u> | <u>2,689,120</u> | - | <u>20,656,957</u> |
| Total public works | <u>18,983,118</u> | <u>2,811,920</u> | <u>19,082</u> | <u>21,775,956</u> |
| Culture and recreation | | | | |
| Museum | 188,636 | 5,193 | - | 193,829 |
| Recreation services | 1,143,661 | 353,150 | 8,791 | 1,488,020 |
| Library | <u>766,009</u> | - | - | <u>766,009</u> |
| Total culture and recreation | <u>2,098,306</u> | <u>358,343</u> | <u>8,791</u> | <u>2,447,858</u> |
| Total capital assets | \$ <u>25,961,960</u> | <u>4,070,914</u> | <u>153,311</u> | <u>29,879,563</u> |

CITY OF WASILLA, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2004

Exhibit M-1

| <u>Name of Award</u> | <u>Grant Number</u> | <u>Catalog of Federal Domestic Assistance Number</u> | <u>Total Grant Award</u> | <u>July 1, 2003 Receivable (Deferred)</u> | <u>Federal Share of Expenditures</u> | <u>Federal Receipts</u> | <u>June 30, 2004 Receivable (Deferred)</u> | |
|---|---------------------|--|----------------------------------|---|--|-----------------------------|--|------------------|
| DEPARTMENT OF TRANSPORTATION | | | | | | | | |
| Airport Master Plan Study | AIP3-02-0417-0701 | 20.106 | \$ 421,875 | 17,102 | 22,638 | 39,740 | - | |
| Wasilla Airport Apron Phase 1A | AIP3-02-0417-0903 | 20.106 | 200,000 | - | 97,078 | 69,679 | 27,399 | |
| Airport Security Improvements | 3-02-0417-0802 | 20.106 | 264,110 | 7,017 | 9,594 | 7,017 | 9,594 | |
| Passed through the State of Alaska: | | | | | | | | |
| Department of Natural Resources: | | | | | | | | |
| Winter Recreation Staging | 10795200 | 20.219 | 30,000 | 30,000 | - | 30,000 | - | |
| Trailhead Amenities | 10790208 | 20.219 | 15,000 | 15,000 | - | 15,000 | - | |
| DNR Winter Trail Grooming | 10790209 | 20.219 | 10,500 | - | 555 | - | 555 | |
| Department of Public Safety: | | | | | | | | |
| Motorcycle Officer Grant | 040505 PT | 20.600 | 45,554 | - | 24,514 | - | 24,514 | |
| Department of Transportation and Public Facilities: | | | | | | | | |
| Seatbelt Enforcement | PT 03-05-06 | 20.600 | 15,332 | 2,994 | 2,296 | 5,290 | - | |
| Minor Consuming Diversion Panel | 040212AL | 20.600 | 8,628 | - | 5,490 | 3,878 | 1,612 | |
| Minor Consuming Diversion Panel | 030204AL | 20.600 | 13,700 | 2,938 | 525 | 3,463 | - | |
| Total Department of Transportation | | | | <u>75,051</u> | <u>162,690</u> | <u>174,067</u> | <u>63,674</u> | |
| DEPARTMENT OF EDUCATION | | | | | | | | |
| Passed through the State of Alaska | | | | | | | | |
| Department of Education and Early Development: | | | | | | | | |
| Rate Analysis & Marketing Study | 840831 | 90.100 | 30,000 | - | 2,896 | 2,896 | - | |
| Governor's Drug and Violence Prevention | DA 04 057 01 | 84.868 | 49,000 | - | 49,000 | 49,000 | - | |
| Total Department of Education | | | | <u>-</u> | <u>51,896</u> | <u>51,896</u> | <u>-</u> | |
| ENVIRONMENTAL PROTECTION AGENCY | | | | | | | | |
| South Mack and Water Main Extension | XP-970480010 | 66.606 | 1,455,000 | - | 619,020 | - | 619,020 | |
| Passed through the State of Alaska | | | | | | | | |
| Department of Environmental Conservation: | | | | | | | | |
| Bumpus Reservoir Facility Loan (82% federal) | 905061 | 66.468 | 2,718,674 | - | 2,718,674 | 2,718,674 | - | |
| Water Main Improvement Loan (82% federal) | 905021 | 66.468 | 742,100 | 855 | - | 855 | - | |
| Water Main Improvement Loan, Phase II (82% federal) | 905051 | 66.468 | 41,000 | 8,313 | 4,302 | 12,615 | - | |
| Sewer Main Improvement Loan, Phase II (83% federal) | 905041 | 66.458 | 41,500 | 5,478 | 4,257 | 9,735 | - | |
| Total Environmental Protection Agency | | | | <u>14,646</u> | <u>3,346,253</u> | <u>2,741,879</u> | <u>619,020</u> | |
| DEPARTMENT OF JUSTICE | | | | | | | | |
| Local Law Enforcement Block Grant | 2003-LB-BX-0870 | 16.592 | 16,899 | - | 16,899 | 16,899 | - | |
| Bulletproof Vest Partnership | COW99-00BVP | 16.607 | 8,606 | 425 | 734 | 425 | 734 | |
| Asset Seizure and Forfeiture Program | N/A | 16.xxx | 874 | (6) | - | - | (6) | |
| Technology Dispatch Phase 2 | 2003CKWX0101 | 16.710 | 745,125 | - | 301 | - | 301 | |
| COPS 2002 Technology Initiative | 2002CKWX0008 | 16.710 | 1,000,000 | 112,406 | 431,683 | 287,296 | 256,793 | |
| Passed through the State of Alaska: | | | | | | | | |
| Department of Health and Social Services: | | | | | | | | |
| Juvenile Accountability Incentive | 06-3760 | 16.523 | 27,000 | 1,350 | - | 1,350 | - | |
| Department of Military and Veterans Affairs: | | | | | | | | |
| State Homeland Security | SHSGP II 03-27 | 16.007 | 39,620 | - | 39,620 | - | 39,620 | |
| Department of Public Safety: | | | | | | | | |
| Multi-Jurisdictional Task Force | 02-023E | 16.579 | 67,148 | 15,191 | - | 15,191 | - | |
| Multi-Jurisdictional SAM Investigator | 03-006 | 16.579 | 77,742 | - | 63,617 | 46,536 | 17,081 | |
| Byrne Drug Grant | 03-023E | 16.579 | 67,140 | - | 61,580 | 46,074 | 15,506 | |
| Public Safety Equipment Technology | 2001CKWX0008 | 16.710 | 63,879 | - | 48,335 | 48,335 | - | |
| Total Department of Justice | | | | <u>129,366</u> | <u>662,769</u> | <u>462,106</u> | <u>330,029</u> | |
| DEPARTMENT OF AGRICULTURE | | | | | | | | |
| Wasilla Action Plan | 00DG11100000213 | 10.670 | 3,500 | 173 | 342 | 515 | - | |
| INSTITUTE OF MUSEUMS AND LIBRARIES | | | | | | | | |
| Conservation Assessment Program | IA-00-04-0014-04 | 45.304 | 7,890 | - | 5,206 | 7,890 | (2,684) | |
| DEPARTMENT OF TREASURY | | | | | | | | |
| Passed through the State of Alaska | | | | | | | | |
| Department of Community and Economic Development | | | | | | | | |
| 04 Temporary Fiscal Relief | N/A | 21.XXX | 96,368 | - | 96,368 | 96,368 | - | |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | | \$ | <u>219,236</u> | <u>4,325,524</u> | <u>3,534,721</u> | <u>1,010,039</u> |

CITY OF WASILLA, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2004

| Name of Award | Grant Number | Total Grant Award | July 1, 2003 Receivable (Deferred) | State Share of Expenditures | State Receipts | June 30, 2004 Receivable (Deferred) |
|---|------------------|-------------------------|---|-----------------------------------|-------------------|--|
| DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT | | | | | | |
| Improvements to Iditapark | 04-RR-010 | \$ 9,373 | - | - | 1,874 | (1,874) |
| Iditapark Site Improvements | 03-MG-063 | 61,677 | 4,076 | 12,558 | 7,134 | 9,500 |
| Old Knik Landfill/Smith Ball Fields Ground Water | 4/99-002 | 50,000 | 76 | 200 | 276 | - |
| Public Facilities Improvements | 02-MG-143 | 106,677 | 2,906 | 40,012 | 31,020 | 11,898 |
| Ball Park Improvements | 03-MG-064 | 45,000 | 2,149 | 2,985 | 5,134 | - |
| * Multi-Use Sports Complex Utilities | 03-DC-089 | 705,000 | (141,000) | 474,535 | 333,377 | 158 |
| Total Department of Community and Economic Development | | | (131,793) | 530,290 | 378,815 | 19,682 |
| DEPARTMENT OF ENVIRONMENTAL CONSERVATION | | | | | | |
| * Storm Water Pumping and Treatment Facility | 90510 | 1,535,800 | 28,358 | 870,120 | 502,572 | 395,906 |
| Wastewater Outfall Study and Preliminary Design | 90515 | 45,000 | 1,150 | 4,436 | 5,585 | 1 |
| Emergency Water Source/Wastewater Treatment | 90509 | 300,000 | 30,000 | - | - | 30,000 |
| * Parks Hwy West Water Main Extension | 90512 | 862,800 | 85,099 | 87,886 | 86,705 | 86,280 |
| Water Main Improvement Program | 90516 | 449,700 | 387 | 22,827 | 15,841 | 7,373 |
| * Water Main Improvement Program Phase 2 | 90518 | 945,100 | - | 415,629 | 327,728 | 87,901 |
| Total Department of Environmental Conservation | | | 144,994 | 1,400,898 | 938,431 | 607,461 |
| DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT | | | | | | |
| Exhibit Development Workshop | COW MUEXHIBIT 04 | 7,000 | - | 1,183 | 7,000 | (5,817) |
| Grant In Aid | COW MUAIDE 04 | 9,077 | - | 9,077 | 9,077 | - |
| Total Department of Education and Early Development | | | - | 10,260 | 16,077 | (5,817) |
| DEPARTMENT OF REVENUE | | | | | | |
| Alcohol and Beverage Tax FY03 | N/A | 21,300 | 6,600 | - | 6,600 | - |
| Liquor License 04 Revenue Share | N/A | 15,800 | - | 15,800 | 4,900 | 10,900 |
| Electric & Telephone Co-op Tax FY03 | N/A | 227,189 | 221,189 | - | 221,189 | - |
| * Electric & Telephone Co-op Tax FY04 | N/A | 219,512 | - | 219,512 | - | 219,512 |
| Aviation Fuel Tax FY04 | N/A | 1,445 | - | 1,445 | - | 1,445 |
| Aviation Fuel Tax FY03 | N/A | 1,661 | 1,661 | - | 1,661 | - |
| Surcharge Funding FY04 | N/A | 5,000 | - | 5,000 | 5,000 | - |
| Total Department of Revenue | | | 229,450 | 241,757 | 239,350 | 231,857 |
| DEPARTMENT OF PUBLIC SAFETY | | | | | | |
| Multijurisdictional SAM Investigator | 01-006 | 114,262 | 16,981 | - | 16,981 | - |
| Marijuana Eradication 04 | COW ERAD 04 | 1,876 | - | 1,876 | 1,621 | 255 |
| Marijuana Eradication FY03 | N/A | 574 | 325 | - | 325 | - |
| Total Department of Public Safety | | | 17,306 | 1,876 | 18,927 | 255 |
| DEPARTMENT OF HEALTH AND SOCIAL SERVICES | | | | | | |
| Juvenile Justice/Delinquency Prevention - YC | 609-04-029 | 27,500 | - | 27,500 | 26,125 | 1,375 |
| DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES | | | | | | |
| 2004 Seat Belt Enforcement Blitz | 040303 OP | 4,850 | - | 2,681 | - | 2,681 |
| 2003/2004 Impaired Driving/Alcohol | 040203 AL | 10,000 | - | 1,670 | 419 | 1,251 |
| FY 03 AIP 3-02-0417-0903 | N/A | 6,667 | - | 3,236 | 3,334 | (98) |
| * Church Road South Extension Traffic Signals | 57043 | 225,000 | - | 79,650 | - | 79,650 |
| * Church Road South Extension | 56560 | 1,121,625 | - | 63,413 | - | 63,413 |
| Airport Security Improvements | 56471 | 8,804 | 4,402 | - | - | 4,402 |
| Total Department of Transportation and Public Facilities | | | 4,402 | 150,650 | 3,753 | 151,299 |
| TOTAL STATE FINANCIAL ASSISTANCE | | \$ 264,359 | 2,368,231 | 2,368,231 | 1,626,478 | 1,006,112 |

* Major Programs

CITY OF WASILLA, ALASKA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS

| FISCAL YEAR | (2) | | PUBLIC WORKS | (3) (4) | MUSEUM & | DEBT SERVICE | (5) | TOTAL |
|----------------|-----------------------|------------------|-----------------|-----------------------------|-----------------------------|-----------------|-------------------|--------------|
| | GENERAL GOVERNMENT | POLICE | | LIBRARY & YOUTH COURT | RECREA- TION SERVICES | | CAPITAL OUTLAY | |
| 1995 | \$ 1,353,163 | \$ 981,124 | \$ 603,926 | \$ 436,098 | \$ 345,626 | \$ 179,975 | \$ 1,663,337 | \$ 5,563,249 |
| 1996 | 1,286,594 | 1,090,305 | 587,309 | 520,367 | 442,987 | 390,385 | 2,309,488 | 6,627,435 |
| 1997 | 1,319,683 | 1,280,540 | 668,716 | 653,242 | 477,911 | 264,826 | 1,376,179 | 6,041,097 |
| 1998 | 1,283,709 | 1,289,878 | 731,585 | 674,234 | 486,756 | 333,429 | 1,805,596 | 6,605,187 |
| 1999 | 1,335,308 | 1,502,984 | 728,392 | 709,991 | 439,771 | 486,298 | 4,382,531 | 9,585,275 |
| 2000 | 1,425,757 | 1,632,413 | 754,122 | 669,743 | 480,528 | 642,999 | 4,840,525 | 10,446,087 |
| 2001 | 1,528,350 | 1,752,855 | 1,089,402 | 666,613 | 519,655 | 745,646 | - | 6,302,521 |
| 2002 | 1,583,586 | 1,950,183 | 1,093,759 | 725,698 | 458,926 | 939,157 | - | 6,751,309 |
| 2003 | 1,899,275 | 1,990,275 | 1,289,360 | 748,317 | 460,436 | 658,662 | - | 7,046,325 |
| <hr/> | | | | | | | | |
| | GENERAL GOVERNMENT | PUBLIC SAFETY | PUBLIC WORKS | CULTURAL & RECREATION | | | | |
| 2004 | 1,794,203 | 2,592,610 | 2,258,555 | 1,245,813 | | | | 7,891,181 |

- (1) Includes General, Special Revenue, Debt Service, and Capital Project Funds.
- (2) Includes Administration, City Council, General Administrative Services, Planning, Finance, Management Information Systems and Nondepartmental.
- (3) Library is shown as a Special Revenue Fund as the expenditures are funded partly by the Matanuska-Susitna Borough.
- (4) Youth Court established in FY96.
- (5) Starting with Fiscal Year 2001, expenditures associated with capital outlays will not be included in total General Government Expenditures.

CITY OF WASILLA, ALASKA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) (3)
LAST TEN FISCAL YEARS

| FISCAL YEAR | (2) TAXES | STATE SHARED REVENUES | OTHER GOVERNMENTALS | PENALTIES FINES AND FORFEITURES | INVESTMENT INCOME | FEEES, PERMITS AND OTHER REVENUES | SPECIAL ASSESSMENTS | OTHER | TOTAL |
|-------------|--------------|-----------------------|---------------------|---------------------------------|-------------------|-----------------------------------|---------------------|------------|--------------|
| 1995 | \$ 4,252,607 | \$ 955,571 | \$ 282,216 | \$ 53,297 | \$ 107,130 | \$ 44,251 | \$ 303,141 | \$ 388,141 | \$ 6,386,354 |
| 1996 | 4,626,864 | 879,473 | 315,499 | 53,728 | 110,929 | 52,585 | 407,258 | 529,828 | 6,976,164 |
| 1997 | 4,960,321 | 1,140,947 | 345,711 | 58,641 | 392,417 | 51,005 | 407,887 | 211,959 | 7,568,888 |
| 1998 | 5,121,764 | 680,238 | 379,770 | 79,841 | 490,879 | 48,922 | 332,234 | 299,437 | 7,433,085 |
| 1999 | 5,372,395 | 671,215 | 1,646,918 | 76,805 | 653,695 | 33,168 | 349,228 | 258,115 | 9,061,539 |
| 2000 | 5,950,156 | 685,834 | 977,443 | 71,191 | 528,552 | 33,630 | 345,511 | 598,680 | 9,190,997 |
| 2001 | 6,405,685 | 394,769 | 597,992 | 84,621 | 355,627 | 31,305 | 275,491 | 161,648 | 8,307,138 |
| 2002 | 6,901,702 | 367,078 | 649,445 | 74,642 | 282,810 | 35,540 | 309,234 | 89,715 | 8,710,166 |
| 2003 | 7,409,202 | 445,275 | 563,832 | 52,811 | 241,185 | 38,996 | 318,159 | 230,337 | 9,299,797 |

| | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | TAXES | UNRESTRICTED GRANTS & ENTITLEMENTS | UNRESTRICTED INVESTMENT EARNINGS | OTHER | TOTAL |
|------|----------------------|------------------------------------|----------------------------------|-----------|------------------------------------|----------------------------------|---------|------------|
| 2004 | 174,764 | 787,076 | 2,704,812 | 7,990,378 | 333,124 | 76,293 | 123,614 | 12,190,061 |

- (1) Includes General, Special Revenue and Debt Service
- (2) A 2% sales tax on retail sales and services was approved by the voters in October 1992, becoming effective January 1, 1993.
- (3) Starting with Fiscal 2001, revenue associated with capital outlays will not be included in General Governmental Revenues by Source.

CITY OF WASILLA, ALASKA
ASSESSED VALUATION, TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| FISCAL YEAR | CITY LEVY | AMOUNT COLLECTED | % OF LEVY | AMOUNT OF LEVY UNCOLLECTED | AMOUNT OF LEVY UNCOLLECTED AS A PERCENT OF TOTAL TAXES |
|----------------|--------------|---------------------|--------------|----------------------------------|--|
| 1995 | \$ 418,659 | \$ 427,566 | 102.13% | \$ (8,907) | (2.13%) |
| 1996 | 468,773 | 447,548 | 95.47% | 21,225 | 4.53% |
| 1997 | 465,016 | 553,962 | 119.13% | (88,946) | (19.13%) |
| 1998 | 449,064 | 455,322 | 101.39% | (6,258) | (1.39%) |
| 1999 | 372,930 | 371,302 | 99.56% | 1,628 | 0.44% |
| 2000 | 365,253 | 363,867 | 99.62% | 1,386 | 0.38% |
| 2001 | 341,867 | 342,320 | 100.13% | (453) | (0.13%) |
| 2002 | 324,235 | 321,112 | 99.04% | 3,123 | 0.96% |
| 2003 | 193,980 | 191,584 | 98.76% | 2,396 | 1.24% |
| 2004 | 207,000 | 235,620 | 113.83% | (28,620) | (13.83%) |

- (1) The Matanuska-Susitna Borough (MSB) does all of the assessment, collection and foreclosure regarding property taxes for the City of Wasilla. No breakdown is furnished for delinquent taxes. Taxes are periodically forwarded to the city.

CITY OF WASILLA, ALASKA
TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

| FISCAL YEAR | PROPERTY TAXES | SALES TAXES | TOTAL TAXES |
|----------------|-------------------|----------------|----------------|
| 1995 | \$ 427,566 | \$ 3,825,041 | \$ 4,252,607 |
| 1996 | 447,548 | 4,179,316 | 4,626,864 |
| 1997 | 553,962 | 4,406,359 | 4,960,321 |
| 1998 | 455,322 | 4,656,270 | 5,111,592 |
| 1999 | 371,302 | 4,932,494 | 5,303,796 |
| 2000 | 363,867 | 5,509,279 | 5,873,146 |
| 2001 | 342,320 | 5,985,169 | 6,327,489 |
| 2002 | 321,112 | 6,497,069 | 6,818,181 |
| 2003 | 193,980 | 8,704,250 | 8,898,230 |
| 2004 | 235,621 | 9,459,297 | 9,694,918 |

- (1) Property taxes were capped at 2 mils effective for FY 94.
- (2) During FY95 the City implemented GASB 22.
- (3) A dedicated .5% sales tax on retail sales and services was approved by the voters in October 2001, becoming effective July 1, 2002. The dedicated sales tax will be used to retire the Multi-use Sports complex general obligation bonds.

CITY OF WASILLA, ALASKA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

| FISCAL YEAR | REAL PROPERTY | PERSONAL PROPERTY (1) | TOTAL ASSESSED VALUE NET OF EXEMPTIONS (1) | ESTIMATED ACTUAL VALUE (1) | RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE |
|----------------|------------------|--------------------------|--|----------------------------------|---|
| 1995 | \$ 222,219,600 | \$ 34,652,956 | \$ 246,270,256 | \$ 269,881,500 | 91.25% |
| 1996 | 249,438,500 | 38,301,293 | 275,748,993 | 272,626,900 | 101.15% |
| 1997 | 244,837,100 | 41,981,450 | 273,538,950 | 297,377,900 | 91.98% |
| 1998 | 268,459,100 | 46,586,585 | 299,376,085 | 305,409,300 | 98.02% |
| 1999 | 303,475,800 | - | 286,868,900 | 305,214,400 | 93.99% |
| 2000 | 322,482,900 | - | 304,377,400 | 342,576,700 | 88.85% |
| 2001 | 361,413,900 | - | 341,866,700 | 360,629,100 | 94.80% |
| 2002 | 381,258,900 | - | 360,261,400 | 377,912,600 | 95.33% |
| 2003 | 408,866,900 | - | 387,961,600 | 395,409,800 | 98.12% |
| 2004 | 445,441,100 | - | 418,986,300 | 431,953,800 | 97.00% |

(1) Effective with Fiscal Year 1999, Personal Property was exempted from property tax.

CITY OF WASILLA, ALASKA
PROPERTY TAX RATES-ALL DIRECT AND
OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEAR

| FISCAL YEAR | MAT-SU BOROUGH | WASILLA FIRE SERVICE AREA | CITY OF WASILLA | TOTAL |
|----------------|-------------------|------------------------------------|-----------------------|--------|
| 1995 | 15.78 | 1.30 | 1.70 | 18.78 |
| 1996 | 13.75 | 1.30 | 1.70 | 16.75 |
| 1997 | 12.25 | 1.30 | 2.00 | 15.55 |
| 1998 | 11.50 | 1.30 | 1.50 | 14.30 |
| 1999 | 11.73 | 1.00 | 1.30 | 14.03 |
| 2000 | 12.50 | 1.00 | 1.20 | 14.70 |
| 2001 | 11.94 | 1.00 | 1.00 | 13.94 |
| 2002 | 13.13 | 1.00 | 0.90 | 15.03 |
| 2003 | 11.702 | 1.00 | 0.50 | 13.202 |
| 2004 | 11.483 | 1.00 | 0.50 | 12.983 |

Tax Rate - Millage per \$1,000 of assessed value.

TABLE 7

CITY OF WASILLA, ALASKA
PRINCIPAL TAXPAYERS
 June 30, 2004

| TAXPAYER | NATURE OF BUSINESS | ASSESSED VALUE | PERCENTAGE OF TOTAL VALUATION |
|---------------------------------|--|-------------------|-------------------------------------|
| FRED MEYER STORES, INC. | RETAIL | \$29,712,223 | 7.66% |
| WAL MART STORES INC. | RETAIL | 16,748,028 | 4.32% |
| COTTONWOOD CREEK MALL LLC | PROPERTY DEVELOPMENT AND RETAIL MALLS | 14,233,200 | 3.67% |
| WASILLA LLC | PROPERTY DEVELOPMENT AND RETAIL MALLS | 9,776,500 | 2.52% |
| MAT-SU VALLEY MEDICAL CENTER | MEDICAL FACILITIES | 7,474,000 | 1.93% |
| NEWCOMB FAMILY TRUST | PROPERTY DEVELOPMENT | 6,380,500 | 1.64% |
| NYE, HAROLD J. | RETAIL/SERVICE | 4,146,600 | 1.07% |
| PEDERSEN FAMILY LTD PARTNERSHIP | PROPERTY DEVELOPMENT | 5,553,300 | 1.43% |
| ENSTAR NATURAL GAS | PRIVATE UTILITY | 4,130,300 | 1.06% |
| 875 COMMERCIAL DR LLC | PROPERTY DEVELOPMENT | 2,743,800 | 0.71% |
| | | 100,898,451 | |

Information provided by the Matanuska Susitna Borough Assessment Division
 Reflects certified data as of June 30,2004
 Includes real and personal property

CITY OF WASILLA, ALASKA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS

| <u>FISCAL YEAR</u> | <u>(1) SPECIAL ASSESSMENT COLLECTIONS</u> |
|------------------------|---|
| 1995 | \$ 303,141 |
| 1996 | 407,258 |
| 1997 | 407,887 |
| 1998 | 332,234 |
| 1999 | 349,228 |
| 2000 | 345,511 |
| 2001 | 275,491 |
| 2002 | 309,234 |
| 2003 | 318,159 |
| 2004 | 353,403 |

(1) Includes prepayment, foreclosure, current and delinquent payments

CITY OF WASILLA, ALASKA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004

No debt limit is mandated by law.

CITY OF WASILLA, ALASKA
RATIO OF NET GENERAL BONDED BEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST SEVEN FISCAL YEARS (1)

| FISCAL YEAR | Population (2) | ASSESSED VALUE (3) | BONDED LONG-TERM DEBT | DEBT SERVICE MONIES AVAILABLE | NET BONDED LONG-TERM DEBT | NET BONDED LONG-TERM DEBT TO ASSESSED VALUE | NET BONDED DEBT PER CAPITA |
|----------------|----------------|-----------------------|-----------------------------|--|---------------------------------|---|--|
| 1998 | 5134 | \$ 299,376,085 | \$ 5,500,000 | - | \$ 5,500,000 | 1.84% | \$ 1,071 |
| 1999 | 5213 | 286,868,900 | 5,500,000 | - | 5,500,000 | 1.92% | 1,055 |
| 2000 | 5469 | 304,377,400 | 5,330,000 | - | 5,330,000 | 1.75% | 975 |
| 2001 | 5568 | 341,866,700 | 5,155,000 | - | 5,155,000 | 1.51% | 926 |
| 2002 | 5817 | 360,261,400 | 19,670,000 | - | 19,670,000 | 5.46% | 3,381 |
| 2003 | 6343 | 387,961,600 | 18,635,000 | 236,235 | 18,398,765 | 4.74% | 2,901 |
| 2004 | 6715 | 418,986,300 | 17,410,000 | 551,244 | 16,858,756 | 4.02% | 2,511 |

- (1) The City of Wasilla issued its first general obligation debt in Fiscal Year 1998.
- (2) Source of Data - State Of Alaska
- (3) Source of Data - Matanuska-Susitna Bourough Assessment Office.

CITY OF WASILLA, ALASKA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST SEVEN FISCAL YEARS (1)

| FISCAL YEAR | PRINCIPAL | INTEREST (2) | TOTAL DEBT SERVICE | TOTAL GENERAL GOVERNMENTAL EXPENDITURES (3) | RATIO OF DEBT SERVICE TO GENERAL GOVERNMENTAL EXPENDITURES |
|----------------|-----------|--------------|--------------------------|--|--|
| 1998 | \$ - | \$ - | \$ - | 4,799,591 | 0.00% |
| 1999 | - | 281,341 | 281,341 | 5,189,286 | 5.42% |
| 2000 | 170,000 | 276,241 | 446,241 | 5,605,562 | 7.96% |
| 2001 | 175,000 | 265,891 | 440,891 | 6,302,521 | 7.00% |
| 2002 | 185,000 | 255,323 | 440,323 | 6,751,309 | 6.52% |
| 2003 | 195,000 | 244,398 | 439,398 | 7,046,325 | 6.24% |
| 2004 | 205,000 | 233,026 | 438,026 | 7,847,694 | 5.58% |

- (1) The City of Wasilla issued its first general obligation debt in Fiscal Year 1998.
(2) Excludes bond issuance and other costs.
(3) Includes General, Special Revenue and Debt Service Funds.
(4) Does not include principal and interest payments on Multi-use Sports Complex General Obligation Bonds which are paid out of the Multi-use Sports Complex Enterprise Fund.

CITY OF WASILLA, ALASKA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
 June 30, 2004

| <u>JURISDICTION</u> | <u>NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING</u> | <u>PERCENTAGE APPLICABLE TO CITY OF WASILLA</u> | <u>AMOUNT APPLICABLE TO CITY OF WASILLA</u> |
|---------------------------|---|---|---|
| DIRECT: | | | |
| CITY OF WASILLA | \$ 17,410,000 | 100.00% | \$ 17,410,000 |
| OVERLAPPING: | | | |
| MATANUSKA-SUSITNA BOROUGH | <u>134,875,000</u> (1) | 11% (2) | <u>15,208,305</u> |
| TOTAL | <u>\$ 152,285,000</u> | | <u>\$ 32,618,305</u> |

(1) Source: Matanuska-Susitna Borough Finance Department.

(2) Based upon the ratio of the City of Wasilla total assessed value to total assessed value of the Matanuska-Susitna Borough.

**CITY OF WASILLA, ALASKA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

| <u>FISCAL YEAR</u> | <u>POPULATION</u> |
|--------------------|-------------------|
| 1995 | 4,381 |
| 1996 | 4,635 |
| 1997 | 4,917 |
| 1998 | 5,134 |
| 1999 | 5,213 |
| 2000 | 5,469 |
| 2001 | 5,568 |
| 2002 | 5,817 |
| 2003 | 6,343 |
| 2004 | 6,715 |

(1) The number is based on adjusting the 2000 census number by the average population trend growth rate.

CITY OF WASILLA, ALASKA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (1)
LAST TEN FISCAL YEARS

| <u>FISCAL YEAR</u> | <u>PROPERTY VALUE</u> | <u>CONSTRUCTION</u> | <u>BANK DEPOSITS</u> |
|------------------------|---------------------------|---------------------|--------------------------|
| 1995 | \$ 246,270,256 | (a) | (a) |
| 1996 | 275,748,993 | (a) | (a) |
| 1997 | 273,538,950 | (a) | (a) |
| 1998 | 299,376,085 | (a) | (a) |
| 1999 | 286,868,900 | (a) | (a) |
| 2000 | 304,377,400 | (a) | (a) |
| 2001 | 341,866,700 | (a) | (a) |
| 2002 | 360,261,400 | (a) | (a) |
| 2003 | 387,961,600 | (a) | (a) |
| 2004 | 418,986,300 | (a) | (a) |

(1) Effective in Fiscal Year 1999, Personal Property was exempted from property tax.

(a) Not available

CITY OF WASILLA, ALASKA
LAND USE PERMITS ISSUED
LAST TEN CALENDAR YEARS

| <u>CALENDAR YEAR</u> | <u>NUMBER ISSUED</u> |
|--------------------------|--------------------------|
| 1995 | 140 |
| 1996 | 130 |
| 1997 | 159 |
| 1998 | 144 |
| 1999 | 100 |
| 2000 | 110 |
| 2001 | 109 |
| 2002 | 128 |
| 2003 | 155 |
| 2004 | 165 |

- (1) The City Of Wasilla does not issue building permits.
- (2) No value is assigned to the land use permits.
- (3) Source: Wasilla Planning Office

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

Honorable Mayor and City Council
City of Wasilla, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wasilla, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated September 17, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Wasilla's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Wasilla's financial statements are free of 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*.

Honorable Mayor and City Council
City of Wasilla, Alaska

This report is intended solely for the information and use of City of Wasilla's management, Honorable Mayor and City Council, and appropriate federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

September 17, 2004

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and City Council
City of Wasilla, Alaska

Compliance

We have audited the compliance of City of Wasilla, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. City of Wasilla's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Wasilla's management. Our responsibility is to express an opinion on City of Wasilla's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Wasilla'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. Our audit does not provide a legal determination on City of Wasilla's compliance with those requirements.

In our opinion, City of Wasilla complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Honorable Mayor and City Council
City of Wasilla, Alaska

Internal Control Over Compliance

The management of City of Wasilla is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Wasilla's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of City of Wasilla's management, Honorable Mayor and City Council, and appropriate federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

September 17, 2004

CITY OF WASILLA, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

| <u>AUDIT COMPONENT</u> | <u>AUDIT RESULT</u> | | | | | | | | | |
|--|-------------------------------|---|----------------|-----------------------|--------|--------------------------|---------------------------------|--------|---|--|
| I. Summary of Auditor's Results: | | | | | | | | | | |
| Financial Statements: | | | | | | | | | | |
| Type of auditor's report issued: | Unqualified | | | | | | | | | |
| Internal control over financial reporting: | | | | | | | | | | |
| - Material weaknesses identified? | ___yes <u>x</u> no | | | | | | | | | |
| - Reportable conditions identified that are not considered to be material weaknesses? | ___yes <u>x</u> none reported | | | | | | | | | |
| Noncompliance material to financial statements noted? | ___ yes <u>x</u> no | | | | | | | | | |
| Federal Awards: | | | | | | | | | | |
| Internal control over major programs: | | | | | | | | | | |
| - Material weaknesses identified? | ___yes <u>x</u> no | | | | | | | | | |
| - Reportable conditions identified that are not considered to be material weaknesses? | ___yes <u>x</u> none reported | | | | | | | | | |
| Type of auditor's report issued on compliance for major programs: | Unqualified | | | | | | | | | |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | ___yes <u>x</u> no | | | | | | | | | |
| Major program: | | | | | | | | | | |
| <table border="0" style="display: inline-table; vertical-align: top;"> <thead> <tr> <th style="text-align: left; width: 30%;"><u>Agency</u></th> <th style="text-align: left; width: 30%;"><u>CFDA Number</u></th> <th style="text-align: left; width: 40%;"><u>Program</u></th> </tr> </thead> <tbody> <tr> <td>Department of Justice</td> <td>16.710</td> <td>COPS Technology Dispatch</td> </tr> <tr> <td>Environmental Protection Agency</td> <td>66.606</td> <td>South Mack Water/Sewer and Water Main Extension</td> </tr> </tbody> </table> | <u>Agency</u> | <u>CFDA Number</u> | <u>Program</u> | Department of Justice | 16.710 | COPS Technology Dispatch | Environmental Protection Agency | 66.606 | South Mack Water/Sewer and Water Main Extension | |
| <u>Agency</u> | <u>CFDA Number</u> | <u>Program</u> | | | | | | | | |
| Department of Justice | 16.710 | COPS Technology Dispatch | | | | | | | | |
| Environmental Protection Agency | 66.606 | South Mack Water/Sewer and Water Main Extension | | | | | | | | |
| Dollar threshold used to distinguish between Type A and B programs | \$300,000 | | | | | | | | | |
| Low-risk auditee | Yes | | | | | | | | | |
| II. Financial Statement Findings | None noted | | | | | | | | | |
| III. Federal Awards Findings and Questioned Costs | None noted | | | | | | | | | |

CITY OF WASILLA, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2004

There were no prior year audit findings.

CITY OF WASILLA, ALASKA

Corrective Action Plan

Year Ended June 30, 2004

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

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

Honorable Mayor and City Council
City of Wasilla, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wasilla, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated September 17, 2004. 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.

Internal Control Over Financial Reporting

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Wasilla's financial statements are free of 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*.

Honorable Mayor and City Council
City of Wasilla, Alaska

This report is intended solely for the information and use of City of Wasilla's management, Honorable Mayor and City Council, and appropriate federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

September 17, 2004

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Wasilla, Alaska

Compliance

We have audited the compliance of City of Wasilla with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended June 30, 2004. City of Wasilla's major state programs are identified in the accompanying schedule of state financial assistance. Compliance with laws, regulations, contracts and grants, general requirements, and specific requirements applicable to each of its major state programs is the responsibility of City of Wasilla's management. Our responsibility is to express an opinion on City of Wasilla's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Wasilla'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. Our audit does not provide a legal determination of City of Wasilla's compliance with those requirements.

In our opinion, City of Wasilla complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2004.

Honorable Mayor and City Council
City of Wasilla, Alaska

Internal Control Over Compliance

The management of City of Wasilla is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered City of Wasilla's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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Mikunda, Cottrell & Co.

September 17, 2004