

Mayor Edna B. DeVries  
Deputy Mayor Steve Carrington  
Council Member Julie Berberich  
Council Member Imran Chaudhry  
Council Member Linda Combs  
Council Member Sabrena Combs  
Council Member David Fuller

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

**City of Palmer, Alaska**  
**Special City Council Meeting**  
**September 10, 2019, at 6:00 PM**  
City Council Chambers  
231 W. Evergreen Avenue, Palmer  
[www.palmerak.org](http://www.palmerak.org)

## **AGENDA**

### **A. CALL TO ORDER**

### **B. ROLL CALL**

### **C. PLEDGE OF ALLEGIANCE**

### **D. APPROVAL OF AGENDA**

### **E. AUDIENCE PARTICIPATION**

### **F. NEW BUSINESS**

1. Committee of the Whole: Presentation of the Audit on the 2018 Budget (note: action may be taken by the council following the committee of the whole)

### **G. RECORD OF ITEMS PLACED ON THE TABLE**

### **H. COUNCIL MEMBER COMMENTS**

### **I. ADJOURNMENT**





## City of Palmer, Alaska

### Basic Financial Statements, Required Supplementary Information, Supplementary Information, and Single Audit Reports

Year Ended December 31, 2018

Edna DeVries  
Mayor

Nathan Wallace  
City Manager

Prepared by  
Finance Department

Gina Davis  
Finance Director

## City of Palmer, Alaska

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information, and Single Audit Reports  
Year Ended December 31, 2018

Edna DeVries  
Mayor

Nathan Wallace  
City Manager

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Gina Davis  
Finance Director

# City of Palmer, Alaska

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3601 C Street, Suite 600  
Anchorage, AK 99503

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmer, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Palmer's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmer, Alaska, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2018 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 19, the budgetary comparison information on page 66, and the Schedules of Net Pension and OPEB Liability and Pension and OPEB Contributions on pages 67 through 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit for the year ended December 31, 2018 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palmer's basic financial statements. The supplementary information, as listed in the table of contents, for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal awards is required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2018 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Palmer as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated September 7, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019 on our consideration of the City of Palmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Palmer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palmer's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 3, 2019

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## Management's Discussion and Analysis

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# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

December 31, 2018

As management of the City of Palmer, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Palmer for the fiscal year ended December 31, 2018. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follows this section.

### Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2018 fiscal year by \$98,254,275 (total net position). Of the total net position, \$(380,482) is Unrestricted Net Position.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$7,801,928, an increase of \$369,340.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$3,649,538 or 35.6% of total General Fund expenditures. The Nonspendable fund balance was \$2,207,076 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$421,763, was assigned for vested unpaid vacation and sick leave.
- In 2015 the City entered into a loan agreement with the Alaska Department of Environmental Conservation for Water Main Replacement in the amount of \$1,285,714. Of this amount \$964,286 is offered as a subsidy for disadvantaged assistance. The maximum repayment amount is \$321,428. At the end of FY 2018, the loan balance remained the same as the FY 2017 ending balance of \$305,948.
- In 2017 the City entered into a Water and Waste Disposal Loan and Grant from the U.S. Department of Agriculture (USDA) Rural Utilities Service Program for the Waste Water Treatment Plant Facility Improvements in the amount of \$8,334,290. The requirements of the USDA loan in an amount not to exceed \$4,816,000 required interim financing. The City authorized the issuance and sale of a Utility Revenue Bond in the amount not to exceed \$4,816,000 for the purposes of financing Wastewater Utility Improvements with First National Bank Alaska for the interim financing. The interim loan was drawn down in full by May of 2018 and was repaid with proceeds from USDA Loan including interest at 1.875% through 2058.
- At year end the City's outstanding loans and bonds payable totaled \$8,077,662 a net increase of \$2,140,849 from the previous year.

# CITY OF PALMER, ALASKA

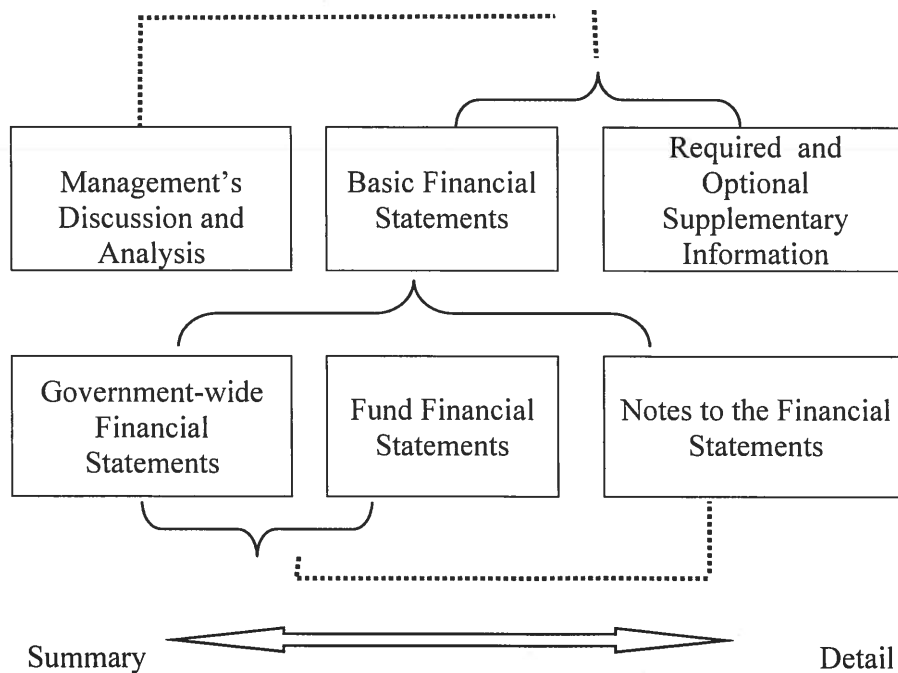
## Management's Discussion and Analysis

### Overview of Financial Statements

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

- The Government-wide Financial Statements provide both long-term and short-term information about the City's overall financial status.
- The Fund Financial Statements focus on individual parts of Palmer's government, reporting the City's operations in more detail than the Government-wide Statements.
- The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Water/Sewer Utility, Refuse, Airport, Land Development and Golf Course.

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





# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

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

### Overview of Financial Statements, continued

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

# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Palmer's finances in a manner similar to a private-sector business. These statements can be located on pages 22-23 of this document.

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

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

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

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palmer, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

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

The City of Palmer maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. The seven nonmajor governmental funds include Special Revenue Funds: Narcotics Grant, Police Grants, Neighborhood Parks Development, and Asset Forfeiture; and Capital Projects Funds: Capital Projects, Equipment and Road Improvements. The Governmental Funds financial statements are located at pages 25-28 of the report. The combining statements for the nonmajor funds can be found on pages 80-86 of this report.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 29-33 of this report.

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

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-64 of this report.

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

At the close of the 2018 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$98,254,275 (see Table A-1). Of this amount \$98,593,725, or 100.35%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Palmer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted. The deficit amount totals \$(380,482) and represents an obligation to citizens, and creditors.

At the end of the current fiscal year, the City of Palmer is not able to report positive balances in both the governmental and business-type net position.

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Government-wide Financial Analysis, continued**

**Table A-1  
City of Palmer's Net Position  
2018 and 2017**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 8,467,003	8,244,280	1,099,227	1,391,623	9,566,230	9,635,903
Capital assets	21,123,677	21,013,322	85,943,099	82,099,014	107,066,776	103,112,336
Deferred outflows	<u>900,252</u>	<u>513,237</u>	<u>84,408</u>	<u>41,795</u>	<u>984,660</u>	<u>555,032</u>
Total assets and Deferred outflows	<u>30,490,932</u>	<u>29,770,839</u>	<u>87,126,734</u>	<u>83,532,432</u>	<u>117,617,666</u>	<u>113,303,271</u>
Long-term liabilities outstanding	8,489,212	7,410,992	7,908,705	5,664,643	16,397,917	13,075,635
Other liabilities	<u>1,115,332</u>	<u>1,182,580</u>	<u>1,101,165</u>	<u>1,892,758</u>	<u>2,216,497</u>	<u>3,075,338</u>
Deferred Inflows	<u>682,359</u>	<u>788,429</u>	<u>66,618</u>	<u>79,379</u>	<u>748,977</u>	<u>867,808</u>
Total liabilities and Deferred Inflows	<u>10,286,903</u>	<u>9,382,001</u>	<u>9,076,488</u>	<u>7,636,780</u>	<u>19,363,391</u>	<u>17,018,781</u>
Net position:						
Net investment in capital assets	\$20,225,282	19,925,192	78,368,443	75,672,860	98,593,725	95,598,052
Restricted	41,032	69,720	-	-	41,032	69,720
Unrestricted (deficit)	<u>(62,285)</u>	<u>393,926</u>	<u>(318,197)</u>	<u>222,792</u>	<u>(380,482)</u>	<u>616,718</u>
Total net position	<u>20,204,029</u>	<u>20,388,838</u>	<u>78,050,246</u>	<u>75,895,652</u>	<u>98,254,275</u>	<u>96,284,490</u>

As reflected in Table A-2, the City's net position increased by \$1,969,785 as a result of current year activity. Revenues exceeded expenditures and transfers in the governmental activities by \$752,096 and in the business-type activities revenues exceeded expenses by \$2,255,549.

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program revenues:						
Charges for service	\$ 1,957,828	2,326,135	4,605,979	4,388,817	6,575,052	6,714,952
Operating grants and contributions	380,191	255,474	9,465	19,178	378,411	274,652
Capital grants and contributions	246,229	369,017	4,287,872	9,231,648	4,534,101	9,600,665
General revenues:						
Property taxes	1,294,866	1,302,296	-	-	1,294,866	1,302,296
Sales taxes	7,279,716	6,999,693	-	-	7,279,716	6,999,693
Other	451,236	809,998	-	-	451,236	809,998
Total revenues	<u>11,610,066</u>	<u>12,062,613</u>	<u>8,903,316</u>	<u>13,639,643</u>	<u>20,513,382</u>	<u>25,702,256</u>

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Government-wide Financial Analysis, continued**

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

	Governmental Activities		Business-type Activities		Total Activities	
	2018	2017	2018	2017	2018	2017
Expenses:						
General government	\$ 2,572,539	2,661,221	-	-	2,577,235	2,661,221
Public safety	3,656,590	3,731,778	-	-	3,656,590	3,731,778
Public works	3,183,658	3,755,996	-	-	3,178,962	3,755,996
Community services	1,649,647	1,866,021	-	-	1,649,647	1,866,021
Water and sewer utility	-	-	3,935,700	3,968,372	3,935,700	3,968,372
Airport	-	-	920,768	913,683	920,768	913,683
Nonmajor Enterprise Funds	-	-	1,570,034	1,440,581	1,570,034	1,440,581
Interest expense	<u>16,801</u>	<u>18,868</u>	<u>-</u>	<u>-</u>	<u>16,801</u>	<u>18,868</u>
Total expenses	<u>11,079,235</u>	<u>12,033,884</u>	<u>6,426,502</u>	<u>6,322,636</u>	<u>17,505,737</u>	<u>18,356,520</u>
Increase (decrease) in net position before transfers	530,831	28,729	2,476,814	7,317,007	3,007,645	7,345,736
Transfers	<u>221,265</u>	<u>(231,508)</u>	<u>(221,265)</u>	<u>231,508</u>	<u>-</u>	<u>-</u>
Increase (decrease) net position	752,096	(202,779)	2,255,549	7,548,515	3,007,645	7,345,736
Beginning net position	<u>19,451,933</u>	<u>20,591,617</u>	<u>75,794,697</u>	<u>68,347,137</u>	<u>95,246,630</u>	<u>88,938,754</u>
Ending net position	<u>\$ 20,204,029</u>	<u>20,388,838</u>	<u>78,050,246</u>	<u>75,895,652</u>	<u>98,254,275</u>	<u>96,284,490</u>

**Governmental Activities**

Governmental activities increased the City of Palmer's net position by \$752,096. Property taxes decreased by \$7,430 and sales tax collections increased by \$280,023. The City's expenses decreased in the amount of \$954,649. Much of this was the result of reduced public works, and reduced community services. Net transfers into business-type activities was \$221,265.

**Business-Type Activities**

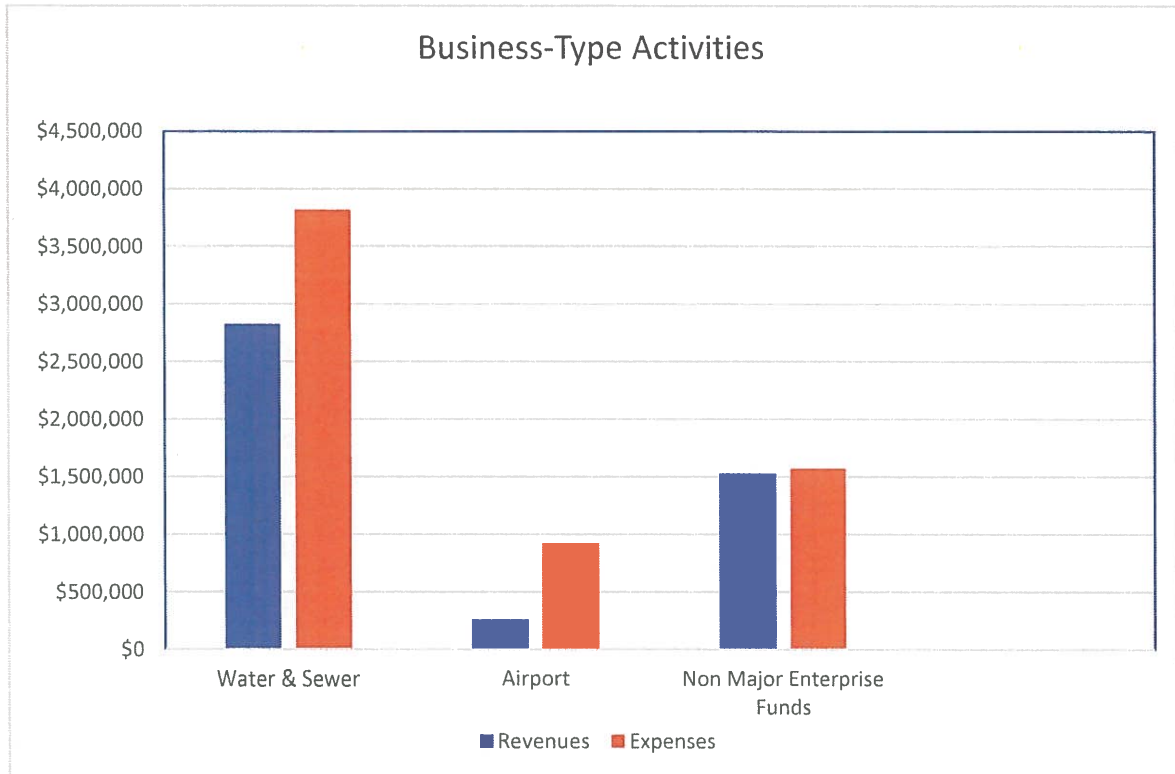
The City's business-type activities had an increase of \$2,255,549 in net position primarily as a result of the receipt of capital grants. At the operating level, expenses exceed operating revenue and basic charges for services.

The following graph shows expenses and operating revenues for all of the business-type activities in 2018. Not included in the revenues are capital grants, contributions, and investment earnings. As reflected in the graph, all funds had expenses in excess of service revenues. If depreciation expense were removed from the analysis, the non-major enterprise funds operating revenues would exceed operating expenses. The major funds, Water & Sewer, and Airport operating revenues would still fall below operating expenses.

# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

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



### Financial Analysis of the Government's Funds

**Governmental funds** - The focus of the City of Palmer's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year. As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$7,801,928, an increase of \$369,340. Of the ending balance, \$3,649,538, 46.8% is unassigned and available to the City for future spending. The remaining fund balance is non-spendable, restricted, committed or assigned. The increase of total fund balance during the year is mostly attributed to a decrease in expenditures.

- The City maintains three capital project funds that account for the use of bond proceeds, intergovernmental grants and transfers from the General Fund to support the construction of capital improvements. The General Capital Projects Fund reported an overall increase of fund balance in 2018 due to cash transfers into the fund. Not including the transfers in, each of the funds had expenditures in excess of revenues.

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

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

The Water and Sewer Fund's unrestricted net position shows a deficit of \$28,558, this is an increase of \$14,045 from 2017. This is due to the decrease in overall operating expenses from prior year.

The Refuse Fund unrestricted net position is \$655,011, an increase of \$15,369 from that amount in 2017.

The Golf Course unrestricted net position shows a deficit of \$646,591 compared to a deficit of \$597,289 at the end of 2017. Operating revenues were below operating expense by \$52,373. Depreciation constitutes \$47,518 of those expenses.

The Airport Fund unrestricted net position shows a deficit of \$515,842 compared to a deficit of \$9,741 at the end of 2017. The increase of the deficit is due to an operating loss, during the year.

The Land Development Fund unrestricted net position decreased to \$217,783 a difference of \$15,000 from 2017. This is due to a transfer of \$15,000 out of the fund.

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

The original adopted budget anticipated a decrease to the fund balance of \$2,384,521. However, the final adopted budget projected an overall decrease to the fund balance of \$568,940

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

- Transfers in were increased by \$257,916 to account for payments in lieu of tax with the Water and Sewer Fund, Refuse Fund and Golf Course Fund. Transfers out were increased by \$1,330,812 to account for capital costs with the Capital Projects Fund including Equipment and Roads Fund, Water & Sewer Fund and the Airport Fund. Revenues were increased by \$2,152,269 which included increases for PERS relief, property and equipment sales and the community assistance program. Decreases in revenues were in property taxes, building permits and other intergovernmental grant revenues. PERS relief funding is funding provided by the State to political subdivisions to offset the unfunded state pension liability.
- The final budget increased expenditures by \$226,457.

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

Capital assets - As detailed in Table A-3 below, the City of Palmer's investment in capital assets for its governmental and business-type activities as of December 31, 2018, totals \$107,066,776 (net of accumulated depreciation). This amount represents a \$3,954,440 increase over the previous year.



**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$1,618,570	1,498,770	3,002,073	3,002,073	4,620,643	4,500,843
Buildings	2,447,990	2,214,454	69,431	83,138	2,517,421	2,297,592
Improvements other than buildings	12,884,097	13,371,064	57,665,912	59,675,193	70,550,009	73,046,257
Machinery and equipment	1,278,846	1,319,519	1,183,419	1,158,786	2,462,265	2,478,305
Construction work in progress	<u>2,894,174</u>	<u>2,609,515</u>	<u>24,022,264</u>	<u>18,179,824</u>	<u>26,916,438</u>	<u>20,789,339</u>
Total capital assets	<u>\$21,123,677</u>	<u>21,013,322</u>	<u>85,943,099</u>	<u>82,099,014</u>	<u>107,066,776</u>	<u>103,112,336</u>

Additional information on the City's capital assets can be found in note 5 on pages 42-43 of this report.

Long-term debt – The following table summarizes the City's long-term debt at December 31, 2018.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
GO Bonds	\$ 622,000	714,182	-	-	622,000	714,182
Loans payable	-	-	<u>7,455,662</u>	<u>5,222,631</u>	<u>7,455,662</u>	<u>5,222,631</u>
Total	<u>622,000</u>	<u>714,182</u>	<u>7,455,662</u>	<u>5,222,631</u>	<u>8,077,662</u>	<u>5,936,813</u>
Compensated Absences	421,763	366,946	65,988	58,347	487,751	425,293
Capital Lease Payable	320,146	425,654	-	-	320,146	425,654
Net pension liability	6,479,492	6,456,664	625,839	623,330	7,105,331	7,079,994
Net OPEB	<u>1,301,327</u>	-	<u>140,223</u>	-	<u>1,441,550</u>	-
Total long-term debt	<u>\$9,144,728</u>	<u>7,963,446</u>	<u>8,287,712</u>	<u>5,904,308</u>	<u>17,432,440</u>	<u>13,867,754</u>

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

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

In 2018 the City continued to pay down on its outstanding bonds and loans.

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

In 2015 the City entered into a loan agreement with the Alaska Department of Environmental Conservation for Water Main Replacement in the amount of \$1,285,714. Of this amount \$964,286 is offered as a subsidy for disadvantaged assistance. The maximum repayment amount is \$321,428. For FY 2018 \$305,948 is reported as a loan payable balance.

In 2017 the City entered into a Water and Waste Disposal Loan and Grant from the U.S. Department of Agriculture (USDA) Rural Utilities Service Program for the Waste Water Treatment Plant Facility Improvements in the amount of \$8,334,290. The requirements of the USDA loan in an amount not to exceed \$4,816,000 required interim financing. The City authorized the issuance and sale of a Utility Revenue Bond in the amount not to exceed \$4,816,000 for the purposes of financing Wastewater Utility Improvements with First National Bank Alaska for the interim financing. The interim loan was drawn down in full by May of 2018 and was repaid with proceeds from USDA Loan including interest at 1.875% through 2058.

The City of Palmer issues bonded debt through the State of Alaska Municipal Bond Bank. As of July 2019, State of Alaska bond bank credit ratings were: Fitch: AA-/ "Outlook Stable", Standard and Poor's: AA-/ "AA- / Stable Outlook".

Additional information on the City's long-term debt can be found in note 7 on pages 45-48 of this report.

#### **Economic Factors and Next Year's Budgets (2019) and Rates**

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 64.8% of actual revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with improvements to the Airport and the Wastewater Treatment Plant Facility.
- Due to the increase in the rising cost of health insurance, beginning January 2014 and continuing in 2019 the City employees contribute for the cost of providing health insurance coverage for spouses and children.

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

These various factors were taken into consideration in the development of the City's 2019 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2019 budget include:

- The property tax rate remained at 3 mills or \$3 per \$1,000 of assessed value. This amount was levied for the operation and maintenance activities in the General Fund, and to fund capital improvements not associated with the enterprise funds.
- Sales tax rate remained the same as 2018 at 3%.
- Budgeted expenditures in the General Fund increased by \$159,585 over 2018 excluding transfers.

### Requests for Information

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

Gina Davis  
Finance Director  
City of Palmer  
231 W Evergreen Ave. Palmer, Alaska 99645  
Telephone: (907) 761-1314  
Email: [gdavis@palmerak.org](mailto:gdavis@palmerak.org)

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## Basic Financial Statements

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

<i>December 31, 2018</i>	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash and investments	\$ 4,663,379	\$ 2,087,741	\$ 6,751,120
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	81,433	409,808	491,241
Sales taxes	773,619	-	773,619
Property taxes	305,367	-	305,367
Accounts	50,362	481,200	531,562
Assessments	116,361	-	116,361
Prepaid expenses:			
Insurance	211,686	-	211,686
Other	-	700	700
Internal balances	2,251,178	(2,251,178)	-
Inventories	13,618	153,542	167,160
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	4,512,744	27,024,337	31,537,081
Capital assets, net of accumulated depreciation	16,610,933	58,918,762	75,529,695
<b>Total Assets</b>	<b>29,590,680</b>	<b>87,042,326</b>	<b>116,633,006</b>
<b>Deferred Outflows of Resources</b>			
Unamortized loss on refunding	43,751	-	43,751
Related to pensions	486,400	44,528	530,928
Related to other postemployment benefits	370,101	39,880	409,981
<b>Total Deferred Outflows of Resources</b>	<b>900,252</b>	<b>84,408</b>	<b>984,660</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 30,490,932</b>	<b>\$ 87,126,734</b>	<b>\$ 117,617,666</b>

*See accompanying notes to basic financial statements.*

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

<i>December 31, 2018</i>	Governmental Activities	Business-type Activities	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 189,543	\$ 209,046	\$ 398,589
Capital related accounts payable	-	118,994	118,994
Accrued payroll and employee benefits	241,312	24,558	265,870
Customer deposits	8,966	246,364	255,330
Accrued interest payable	8,950	21,693	30,643
Unearned revenue	56,701	106,521	163,222
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	421,763	65,988	487,751
Bonds and loans	85,000	308,001	393,001
Capital lease, current portion	103,097	-	103,097
Due in more than one year:			
Loans payable	-	7,147,661	7,147,661
Capital lease, long-term portion	217,049	-	217,049
General obligation bonds, including unamortized premium	537,000	-	537,000
Net pension liability	6,433,836	620,821	7,054,657
Net other postemployment benefits liability	1,301,327	140,223	1,441,550
<b>Total Liabilities</b>	<b>9,604,544</b>	<b>9,009,870</b>	<b>18,614,414</b>
<b>Deferred Inflows of Resources -</b>			
Related to pensions	166,072	10,986	177,058
Other postemployment benefits related	516,287	55,632	571,919
<b>Total Deferred Inflows of Resources</b>	<b>682,359</b>	<b>66,618</b>	<b>748,977</b>
<b>Net Position</b>			
Net investment in capital assets	20,225,282	78,368,443	98,593,725
Restricted	41,032	-	41,032
Unrestricted (deficit)	(62,285)	(318,197)	(380,482)
<b>Total Net Position</b>	<b>20,204,029</b>	<b>78,050,246</b>	<b>98,254,275</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 30,490,932</b>	<b>\$ 87,126,734</b>	<b>\$ 117,617,666</b>

*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

## Statement of Activities

Year Ended	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
<b>December 31, 2018</b>							
<b>Governmental Activities</b>							
General government	\$ 2,572,539	\$ 696,851	\$ 155,912	\$ -	\$ (1,719,776)	\$ -	\$ (1,719,776)
Public safety	3,656,590	748,356	183,766	190,503	(2,533,965)	-	(2,533,965)
Public works	3,183,658	191,008	40,513	55,726	(2,896,411)	-	(2,896,411)
Community services	1,649,647	321,613	-	-	(1,328,034)	-	(1,328,034)
Unallocated interest	16,801	-	-	-	(16,801)	-	(16,801)
<b>Total Governmental Activities</b>	<b>11,079,235</b>	<b>1,957,828</b>	<b>380,191</b>	<b>246,229</b>	<b>(8,494,987)</b>	<b>-</b>	<b>(8,494,987)</b>
<b>Business-type Activities</b>							
Water and sewer	3,935,700	2,835,377	6,518	3,488,771	-	2,394,966	2,394,966
Airport	920,768	250,722	1,694	799,101	-	130,749	130,749
Refuse	727,030	729,249	1,253	-	-	3,472	3,472
Golf course	843,004	790,631	-	-	-	(52,373)	(52,373)
<b>Total Business-type Activities</b>	<b>6,426,502</b>	<b>4,605,979</b>	<b>9,465</b>	<b>4,287,872</b>	<b>-</b>	<b>2,476,814</b>	<b>2,476,814</b>
<b>Totals</b>	<b>\$ 17,505,737</b>	<b>\$ 6,563,807</b>	<b>\$ 389,656</b>	<b>\$ 4,534,101</b>	<b>(8,494,987)</b>	<b>2,476,814</b>	<b>(6,018,173)</b>
<b>General Revenues</b>							
Property taxes					1,294,866	-	1,294,866
Sales taxes					7,279,716	-	7,279,716
Grants and entitlements not restricted to a specific purpose					331,219	-	331,219
Investment income					36,000	-	36,000
Other					84,017	-	84,017
<b>Transfers</b>					<b>221,265</b>	<b>(221,265)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>9,247,083</b>	<b>(221,265)</b>	<b>9,025,818</b>
<b>Change in Net Position</b>					<b>752,096</b>	<b>2,255,549</b>	<b>3,007,645</b>
<b>Net Position, beginning, as restated (note 14)</b>					<b>19,451,933</b>	<b>75,794,697</b>	<b>95,246,630</b>
<b>Net Position, ending</b>					<b>\$ 20,204,029</b>	<b>\$ 78,050,246</b>	<b>\$ 98,254,275</b>

See accompanying notes to basic financial statements.



## City of Palmer, Alaska

Governmental Funds  
Balance Sheet

December 31, 2018	Major Fund		Total Governmental Funds
	General	Nonmajor Funds	
<b>Assets</b>			
Cash and investments	\$ 3,174,590	\$ 1,488,789	\$ 4,663,379
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	-	81,433	81,433
Sales taxes	773,619	-	773,619
Property taxes	305,367	-	305,367
Accounts	50,362	-	50,362
Assessments	116,361	-	116,361
Prepaid insurance	211,686	-	211,686
Inventory	13,618	-	13,618
Due from other funds	292,180	-	292,180
Advances to other funds	1,981,772	-	1,981,772
<b>Total Assets</b>	<b>\$ 6,919,555</b>	<b>\$ 1,570,222</b>	<b>\$ 8,489,777</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 165,646	\$ 23,897	\$ 189,543
Accrued payroll and employee benefits	241,312	-	241,312
Deposits	8,966	-	8,966
Due to other funds	-	22,774	22,774
Unearned revenue	56,701	-	56,701
<b>Total Liabilities</b>	<b>472,625</b>	<b>46,671</b>	<b>519,296</b>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	52,192	-	52,192
Deferred assessments	116,361	-	116,361
<b>Total Deferred Inflows of Resources</b>	<b>168,553</b>	<b>-</b>	<b>168,553</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>641,178</b>	<b>46,671</b>	<b>687,849</b>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid insurance and inventory	225,304	-	225,304
Advances to other funds	1,981,772	-	1,981,772
Restricted for public safety	-	41,032	41,032
Committed:			
Capital projects and equipment	-	1,386,656	1,386,656
Public safety	-	57,024	57,024
Parks	-	38,839	38,839
Assigned - vested unpaid vacation and sick leave	421,763	-	421,763
Unassigned	3,649,538	-	3,649,538
<b>Total Fund Balances</b>	<b>6,278,377</b>	<b>1,523,551</b>	<b>7,801,928</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,919,555</b>	<b>\$ 1,570,222</b>	<b>\$ 8,489,777</b>

See accompanying notes to basic financial statements.

**City of Palmer, Alaska**  
**Reconciliation of Governmental Funds**  
**Balance Sheet to Statement of Net Position**  
**December 31, 2018**

Total fund balances for governmental funds		\$ 7,801,928
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and land improvements	\$ 1,618,570	
Construction in progress	2,894,174	
Buildings	11,382,558	
Improvements other than buildings	23,560,678	
Machinery and equipment	8,275,101	
Accumulated depreciation	<u>(26,607,404)</u>	
Total capital assets		21,123,677
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:		
Special assessments not yet due	116,361	
Delinquent property taxes receivable	<u>52,192</u>	
Total long-term assets		168,553
Long-term liabilities, including accrued vacation and sick leave are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Bonds payable	(555,000)	
Capital lease payable	(320,146)	
Unamortized premium	(67,000)	
Accrued interest	(8,950)	
Vested unpaid vacation and sick leave	(421,763)	
Net pension liability	(6,433,836)	
Net other postemployment benefits liability	<u>(1,301,327)</u>	
Total long-term liabilities		(9,108,022)
In connection with long-term liabilities, deferred outflows of resources represent the consumption of the government's net position that is applicable to a future reporting period. This consists of an unamortized loss on refunding.		
		43,751
Certain changes in net pension and OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	486,400	
Deferred inflows of resources related to pensions	(166,072)	
Deferred outflows of resources related to other postemployment benefits	370,101	
Deferred inflows of resources related to other postemployment benefits	<u>(516,287)</u>	
Total deferred pension and OPEB items		<u>174,142</u>
<b>Total Net Position of Governmental Activities</b>		<b>\$ 20,204,029</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2018</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
<b>Revenues</b>			
Taxes	\$ 8,574,582	\$ -	\$ 8,574,582
Licenses and permits	251,248	-	251,248
Fines and forfeitures	115,021	-	115,021
Intergovernmental	588,203	276,126	864,329
Special assessments	26,862	-	26,862
Charges for services	1,529,880	-	1,529,880
Miscellaneous	120,017	245,418	365,435
<b>Total Revenues</b>	<b>11,205,813</b>	<b>521,544</b>	<b>11,727,357</b>
<b>Expenditures</b>			
Current:			
General government	2,641,594	-	2,641,594
Public safety	4,343,042	215,103	4,558,145
Public works	1,737,015	-	1,737,015
Community services	1,419,290	-	1,419,290
Debt service	110,050	-	110,050
Capital outlay	-	1,113,188	1,113,188
<b>Total Expenditures</b>	<b>10,250,991</b>	<b>1,328,291</b>	<b>11,579,282</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>954,822</b>	<b>(806,747)</b>	<b>148,075</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	256,487	1,164,590	1,421,077
Transfers out	(1,199,812)	-	(1,199,812)
<b>Total Other Financing Sources (Uses)</b>	<b>(943,325)</b>	<b>1,164,590</b>	<b>221,265</b>
<b>Net Change in Fund Balances</b>	<b>11,497</b>	<b>357,843</b>	<b>369,340</b>
<b>Fund Balances, beginning</b>	<b>6,266,880</b>	<b>1,165,708</b>	<b>7,432,588</b>
<b>Fund Balances, ending</b>	<b>\$ 6,278,377</b>	<b>\$ 1,523,551</b>	<b>\$ 7,801,928</b>

*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

### Reconciliation of the Change in Fund Balances of Governmental Funds to Statement of Activities Year Ended December 31, 2018

Net change in fund balances - total governmental funds	\$	369,340
<p>The change in net position reported for governmental activities in the Statement of Activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlays (\$1,661,695) exceeded net depreciation (\$1,551,340).</p>		
		110,355
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net decrease in deferred special assessments and property taxes.</p>		
		(23,030)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt (\$75,000) consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Repayment of principal on bonds and capital leases		185,508
Decrease in unamortized bond premium		12,182
Decrease in unamortized loss on refunding		(7,955)
		189,735
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the decreases (increases) in:</p>		
Accrued interest		1,067
Vested unpaid vacation and sick leave		(54,817)
Net pension liability and related accounts		670,054
Net other postemployment benefits liability and related accounts		(510,608)
		105,696
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>752,096</b>

*See accompanying notes to basic financial statements.*

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

<i>December 31, 2018</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,292,558	\$ -	\$ 795,183	\$ 2,087,741
Receivables:				
Accounts	346,876	8,126	126,198	481,200
Grants	86,613	323,195	-	409,808
Prepaid expenses	-	-	700	700
Inventory	150,385	-	3,157	153,542
<b>Total Current Assets</b>	<b>1,876,432</b>	<b>331,321</b>	<b>925,238</b>	<b>3,132,991</b>
<b>Noncurrent Assets</b>				
Land held for sale	-	-	217,414	217,414
Property, plant and equipment:				
Land and improvements	45,164	1,412,289	1,544,620	3,002,073
Buildings	60,067	509,758	307,226	877,051
Machinery and equipment	1,397,027	811,541	1,427,019	3,635,587
Improvements other than buildings	77,765,230	18,984,196	667,234	97,416,660
Construction work in progress	15,925,961	8,096,303	-	24,022,264
Total property, plant and equipment	95,193,449	29,814,087	3,946,099	128,953,635
Less accumulated depreciation	(25,655,599)	(15,779,130)	(1,575,807)	(43,010,536)
Net property, plant and equipment	69,537,850	14,034,957	2,370,292	85,943,099
<b>Total Noncurrent Assets</b>	<b>69,537,850</b>	<b>14,034,957</b>	<b>2,587,706</b>	<b>86,160,513</b>
<b>Total Assets</b>	<b>71,414,282</b>	<b>14,366,278</b>	<b>3,512,944</b>	<b>89,293,504</b>
<b>Deferred Outflows of Resources</b>				
Related to pensions	30,099	8,286	6,143	44,528
Related to other postemployment benefits	27,419	7,219	5,242	39,880
<b>Total Deferred Outflows of Resources</b>	<b>57,518</b>	<b>15,505</b>	<b>11,385</b>	<b>84,408</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 71,471,800</b>	<b>\$ 14,381,783</b>	<b>\$ 3,524,329</b>	<b>\$ 89,377,912</b>

*See accompanying notes to basic financial statements.*

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

<i>December 31, 2018</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 168,623	\$ 7,894	\$ 32,529	\$ 209,046
Capital related accounts payable	118,994	-	-	118,994
Accrued payroll and employee benefits	17,595	4,033	2,930	24,558
Vested unpaid vacation and sick leave	37,948	13,786	14,254	65,988
Current portion of loans payable	308,001	-	-	308,001
Due to other funds	-	269,406	-	269,406
Unearned revenue	-	78,642	27,879	106,521
Accrued interest payable	21,693	-	-	21,693
Customer deposits	246,364	-	-	246,364
<b>Total Current Liabilities</b>	<b>919,218</b>	<b>373,761</b>	<b>77,592</b>	<b>1,370,571</b>
<b>Long-term Liabilities, net of current portion</b>				
Loans payable	7,147,661	-	-	7,147,661
Advances from other fund	1,000,000	359,914	621,858	1,981,772
Net pension liability	329,128	90,973	200,720	620,821
Net other postemployment benefits liability	96,411	25,382	18,430	140,223
<b>Total Long-term Liabilities</b>	<b>8,573,200</b>	<b>476,269</b>	<b>841,008</b>	<b>9,890,477</b>
<b>Total Liabilities</b>	<b>9,492,418</b>	<b>850,030</b>	<b>918,600</b>	<b>11,261,048</b>
<b>Deferred Inflows of Resources</b>				
Related to pensions	6,496	2,568	1,922	10,986
Related to other postemployment benefits	38,250	10,070	7,312	55,632
<b>Total Deferred Inflows of Resources</b>	<b>44,746</b>	<b>12,638</b>	<b>9,234</b>	<b>66,618</b>
<b>Net Position</b>				
Net investment in capital assets	61,963,194	14,034,957	2,370,292	78,368,443
Unrestricted (deficit)	(28,558)	(515,842)	226,203	(318,197)
<b>Total Net Position</b>	<b>61,934,636</b>	<b>13,519,115</b>	<b>2,596,495</b>	<b>78,050,246</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 71,471,800</b>	<b>\$ 14,381,783</b>	<b>\$ 3,524,329</b>	<b>\$ 89,377,912</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2018</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
<b>Operating Revenues</b>	\$ 2,822,524	\$ 250,722	\$ 1,519,880	\$ 4,593,126
<b>Operating Expenses</b>				
Salaries and employee benefits	569,840	133,359	114,685	817,884
Administrative services	410,114	107,881	773,660	1,291,655
Other operating expenses	816,666	122,795	566,345	1,505,806
Depreciation	2,021,755	556,733	115,344	2,693,832
<b>Total Operating Expenses</b>	3,818,375	920,768	1,570,034	6,309,177
<b>Operating Loss</b>	(995,851)	(670,046)	(50,154)	(1,716,051)
<b>Nonoperating Revenues (Expenses)</b>				
State PERS relief	6,518	1,694	1,253	9,465
Miscellaneous income	12,853	-	-	12,853
Interest expense	(117,325)	-	-	(117,325)
<b>Total Nonoperating Revenues (Expenses)</b>	(97,954)	1,694	1,253	(95,007)
<b>Loss Before Contributions and Transfers</b>	(1,093,805)	(668,352)	(48,901)	(1,811,058)
Capital contributions	3,488,771	799,101	-	4,287,872
Transfers in	-	50,222	-	50,222
Transfers out	(169,380)	-	(102,107)	(271,487)
<b>Change in Net Position</b>	2,225,586	180,971	(151,008)	2,255,549
<b>Net Position, beginning, as restated (note 14)</b>	59,709,050	13,338,144	2,747,503	75,794,697
<b>Net Position, ending</b>	\$ 61,934,636	\$ 13,519,115	\$ 2,596,495	\$ 78,050,246

*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

Proprietary Funds  
Statement of Cash Flows

Year Ended December 31, 2018	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
<b>Cash Flows from (for) Operating Activities</b>				
Cash receipts from customers and users	\$ 2,820,604	\$ 256,972	\$ 1,520,077	\$ 4,597,653
Payments to suppliers	(712,504)	(120,326)	(1,199,161)	(2,031,991)
Payments to employees	(557,983)	(125,202)	(111,873)	(795,058)
Payments for interfund services used	(410,114)	(107,881)	(123,660)	(641,655)
<b>Net cash flows from (for) operating activities</b>	<b>1,140,003</b>	<b>(96,437)</b>	<b>85,383</b>	<b>1,128,949</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>				
Increase in due to other funds	-	247,325	-	247,325
Increase in interfund advance	-	-	30,625	-
Transfers out	(169,380)	-	(102,107)	(271,487)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(169,380)</b>	<b>247,325</b>	<b>(71,482)</b>	<b>(24,162)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>				
Capital contributions received	3,751,052	746,976	-	4,498,028
Purchase of capital assets	(6,396,915)	(1,225,531)	-	(7,622,446)
Proceeds from loans	2,496,286	-	-	2,496,286
Increase in due to other funds	-	269,406	-	269,406
Transfers in	-	50,222	-	50,222
Principal payments on loans payable	(263,255)	-	-	(263,255)
Interest paid	(117,325)	-	-	(117,325)
<b>Net cash flows for capital and related financing activities</b>	<b>(530,157)</b>	<b>(158,927)</b>	<b>-</b>	<b>(689,084)</b>
<b>Net Increase (decrease) in Cash and Investments</b>	<b>440,466</b>	<b>(8,039)</b>	<b>13,901</b>	<b>415,703</b>
<b>Cash and Investments, beginning</b>	<b>852,092</b>	<b>8,039</b>	<b>781,282</b>	<b>1,641,413</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,292,558</b>	<b>\$ -</b>	<b>\$ 795,183</b>	<b>\$ 2,087,741</b>

See accompanying notes to basic financial statements.



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

<i>Year Ended December 31, 2018</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
<b>Reconciliation of Operating Loss to Net</b>				
<b>Cash Flows from (for) Operating Activities</b>				
Operating loss	\$ (995,851)	\$(670,046)	\$ (50,154)	\$(1,716,051)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:				
Depreciation	2,021,755	556,733	115,344	2,693,832
Noncash expense - PERS relief	6,518	1,694	1,253	9,465
Other revenues	12,853	-	-	12,853
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(35,393)	(1,674)	(2,700)	(39,767)
Prepaid expenses	-	-	(700)	(700)
Inventories	5,192	-	16,487	21,679
Deferred outflows of resources related to pensions	(1,882)	(489)	(362)	(2,733)
Deferred outflows of resources related to other postemployment benefits	(20,939)	(5,513)	(4,003)	(30,455)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	98,970	2,469	1,397	102,836
Accrued payroll and employee benefits	17,372	4,033	2,930	24,335
Vested unpaid vacation and sick leave	843	5,650	1,148	7,641
Unearned revenue	-	7,924	2,897	10,821
Customer deposits	20,620	-	-	20,620
Net pension liability	(1,728)	(449)	(332)	(2,509)
Net other postemployment benefits liability	20,519	5,402	3,922	29,843
Deferred inflows of resources related to pensions	(47,096)	(12,241)	(9,056)	(68,393)
Deferred inflows of resources related to other postemployment benefits	38,250	10,070	7,312	55,632
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$1,140,003</b>	<b>\$ (96,437)</b>	<b>\$ 85,383</b>	<b>\$ 1,128,949</b>
<b>Noncash Capital and Related Financing Activities</b>				
Purchase of capital assets on account	\$ 118,994	\$ -	\$ -	\$ 118,994

*See accompanying notes to basic financial statements.*

# City of Palmer, Alaska

## Notes to Basic Financial Statements December 31, 2018

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### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

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

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

Property taxes, sales taxes, certain charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. Most other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major governmental fund:

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

Major proprietary funds:

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### ***Investments***

Investments are stated at fair value.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Cash and Cash Equivalents*

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

### *Inventory*

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

### *Prepaid Items*

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

### *Land Held for Sale*

Land held for sale is valued at cost which approximates fair value.

### *Capital Assets*

Capital assets, which include property, plant, and equipment, and infrastructure assets (roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. In the case of the initial capitalization of infrastructure assets, the City chose to include all such items, regardless of their acquisition date.

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

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### ***Long-term Debt***

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

### ***Compensated Absences***

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

### ***Unearned Grant Revenue***

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

### ***Deferred Inflows/Outflows of Resources***

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

### ***Fund Balances***

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

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

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

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

### ***Encumbrances***

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

### ***Grants and Other Intergovernmental Revenues***

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

### ***Property Taxes***

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Pensions and Other Post-Employment Benefits (OPEB)*

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

### *Comparative Data*

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

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

### *Budgetary Accounting*

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

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

- a. On or before October 15th of each year, the City Manager submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. Not less than 10 days prior to December 31, the budget is legally enacted through passage of a resolution at a regular meeting.
- d. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
- e. Formal budgetary integration is employed as a management control device during the year for all funds.
- f. All budgets are adopted on a modified accrual basis. The City does not budget for certain items such as depreciation.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 3. Cash and Investments

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

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

Cash and investments were comprised of the following at December 31, 2018.

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Cash and cash equivalents	\$ 5,024,293
Investments	1,726,827
<b>Total Cash and Investments</b>	<b>\$ 6,751,120</b>

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#### *Investment Policy*

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

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

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

#### *Interest Rate Risk*

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



# City of Palmer, Alaska

## Notes to Basic Financial Statements

Investment maturities at December 31, 2018 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 1,726,827	\$ -	\$ 1,726,827
<b>Total Investments</b>	<b>\$ 1,726,827</b>	<b>\$ -</b>	<b>\$ 1,726,827</b>

Certificates of deposits with a maturity of less than one year are carried at amortized cost.

*Credit Risk*

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

*Custodial Credit Risk - Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy is that deposit-type securities shall be collateralized for any amount exceeding FDIC or any other federal deposit insurance limits.

*Custodial Credit Risk - Investments*

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no debt securities exposed to custodial credit risk at December 31, 2018 because investments were held by a custodian in the name of the City.

### 4. Deferred Inflows of Resources and Unearned Revenue

At December 31, 2018, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

Deferred inflows of resources:	
Delinquent property taxes receivable - General Fund	\$ 52,192
Special assessments not yet due and delinquent - General Fund	116,361
<b>Total Deferred Inflows of Resources</b>	<b>\$ 168,553</b>
<b>Unearned Revenue - grant drawdowns</b>	<b>\$ 56,701</b>

## City of Palmer, Alaska

### Notes to Basic Financial Statements

#### 5. Capital Assets

The following summarizes the changes in capital assets for the year ended December 31, 2018:

<b>Governmental Activities</b>	Balance January 1, 2018	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,498,770	\$ 119,800	\$ -	\$ 1,618,570
Construction in progress	2,609,515	505,045	(220,386)	2,894,174
<b>Total assets not being depreciated</b>	<b>4,108,285</b>	<b>624,845</b>	<b>(220,386)</b>	<b>4,512,744</b>
<i>Capital assets being depreciated:</i>				
Buildings	10,802,901	579,657	-	11,382,558
Improvements other than buildings	23,285,585	275,093	-	23,560,678
Machinery and equipment	7,872,615	402,486	-	8,275,101
<b>Total assets being depreciated</b>	<b>41,961,101</b>	<b>1,257,236</b>	<b>-</b>	<b>43,218,337</b>
<i>Less accumulated depreciation for:</i>				
Buildings	8,588,447	346,121	-	8,934,568
Improvements other than buildings	9,914,521	762,060	-	10,676,581
Machinery and equipment	6,553,096	443,159	-	6,996,255
<b>Total accumulated depreciation</b>	<b>25,056,064</b>	<b>1,551,340</b>	<b>-</b>	<b>26,607,404</b>
<b>Total capital assets being depreciated, net</b>	<b>16,905,037</b>	<b>(294,104)</b>	<b>-</b>	<b>16,610,933</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 21,013,322</b>	<b>\$ 330,741</b>	<b>\$ (220,386)</b>	<b>\$ 21,123,677</b>

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## City of Palmer, Alaska

### Notes to Basic Financial Statements

<b>Business-type Activities</b>	Balance January 1, 2018	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,002,073	\$ -	\$ -	\$ 3,002,073
Construction work in progress	18,179,824	6,356,523	(514,083)	24,022,264
<b>Total assets not being depreciated</b>	<b>21,181,897</b>	<b>6,356,523</b>	<b>(514,083)</b>	<b>27,024,337</b>
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	96,891,087	525,573	-	97,416,660
Machinery and equipment	3,465,683	169,904	-	3,635,587
<b>Total assets being depreciated</b>	<b>101,233,821</b>	<b>695,477</b>	<b>-</b>	<b>101,929,298</b>
<i>Less accumulated depreciation for:</i>				
Buildings	793,913	13,707	-	807,620
Improvements other than buildings	37,215,894	2,534,854	-	39,750,748
Machinery and equipment	2,306,897	145,271	-	2,452,168
<b>Total accumulated depreciation</b>	<b>40,316,704</b>	<b>2,693,832</b>	<b>-</b>	<b>43,010,536</b>
<b>Total capital assets being depreciated, net</b>	<b>60,917,117</b>	<b>(1,998,355)</b>	<b>-</b>	<b>58,918,762</b>
<b>Business-type Activity Capital Assets, net</b>	<b>\$ 82,099,014</b>	<b>\$ 4,358,168</b>	<b>\$ (514,083)</b>	<b>\$ 85,943,099</b>

Depreciation expense was charged to the functions as follows for the year ended December 31, 2018:

<b>Governmental Activities</b>	
General government	\$ 78,977
Public safety	321,286
Public works	735,132
Community services	415,945
<b>Total Governmental Activities</b>	<b>\$ 1,551,340</b>
<b>Business-type Activities</b>	
Water and sewer	\$ 2,021,755
Airport	556,733
Refuse	67,826
Golf course	47,518
<b>Total Business-type Activities</b>	<b>\$ 2,693,832</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### **Construction Commitments**

The City has various active construction projects as of December 31, 2018. At year end the City's commitments with contractors totaled \$93,085.

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

A schedule of interfund balances and transfers as of and for the year ended December 31, 2018, follows:

<b>Due to the General Fund from:</b>	
Nonmajor Governmental Funds	\$ 22,774
Airport Enterprise Fund	269,406
<hr/>	
<b>Total Due to the General Fund</b>	<b>\$ 292,180</b>

<b>Advances from the General Fund to:</b>	
Water and Sewer Enterprise Fund	\$ 1,000,000
Airport Enterprise Fund	359,914
Nonmajor Enterprise Funds	621,858
<hr/>	
<b>Total Advances to Other Funds</b>	<b>\$ 1,981,772</b>

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

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### **Transfers**

<b>To General Fund from:</b>	
Water and Sewer Enterprise Fund for payment in lieu of tax	\$ 169,380
Nonmajor Enterprise Funds for payment in lieu of tax	87,107
<b>From General Fund to:</b>	
Airport Enterprise Fund for return of capital	50,222
Nonmajor Governmental Funds for return of capital projects	1,149,590
<b>From Nonmajor Enterprise Funds to Nonmajor Governmental Funds for capital costs</b>	<b>15,000</b>
<hr/>	
<b>Total Transfers to Other Funds</b>	<b>\$ 1,471,299</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

### 7. Long-term Debt

In October 2010, voters approved \$3 million in general obligation bonds to acquire property known as Mat Maid block. As of December 31, 2018, these bonds not been issued.

In October 2011, voters approved \$2 million in revenue bonds to be used to finance additional water and sewer improvement projects. In October 2013, the City signed a Drinking Water Loan Agreement to fund the Southwest Utility Expansion, Phase II. The terms include 1.5% interest and 20-year repayment, in an amount not to exceed \$1,071,429. At December 31, 2018, \$955,925 had been drawn on the loan.

In May 2015, the City signed a Drinking Water Loan Agreement to fund the on-going Steel Water Main Replacement project. The loan is in a maximum amount of \$1,285,714 with \$964,286 eligible for principal forgiveness subsidy. The unsubsidized portion will bear interest at 1.5% with a repayment term of 20 years following project completion. At December 31, 2018, \$1,216,137 had been drawn on the loan.

In October 2016, voters approved \$5 million in revenue bonds to be used to finance additional water and sewer improvement projects.

In October 2017, the City entered into a loan agreement with a bank to fund improvements to the City's wastewater treatment plant. Subsequent to year end, the City drew down the remaining available loan funds up to the maximum amount of \$4,816,000. The City then issued a 2018 utility revenue bond in the amount of \$4,816,000 to the Rural Utility Services (RUS), United States Department of Agriculture. Proceeds from the bond were used to retire the bank loan. The loan with RUS is payable in semiannual installments of \$85,870 including interest at 1.875 percent for 40 years beginning on December 21, 2018.

A summary of long-term debt transactions of the City for the year ended December 31, 2018, follows:

Governmental Activities	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
<i>Bonds Payable:</i>					
\$865,000 refunding Ice Rink general obligation bonds, due in annual installments of \$85,000 to \$110,250, plus interest ranging from 2.0% to 5.0% through 2024	\$ 635,000	\$ -	\$ 80,000	\$ 555,000	\$ 85,000
Unamortized premium on Ice Rink GO bonds	79,182	-	12,182	67,000	-
Vested unpaid vacation and sick leave	366,946	435,572	380,755	421,763	421,763
Capital lease payable	425,654	-	105,508	320,146	103,097
<b>Total Governmental Activities</b>	<b>\$ 1,506,782</b>	<b>\$ 435,572</b>	<b>\$ 578,445</b>	<b>\$ 1,363,909</b>	<b>\$ 506,763</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

Other long-term liabilities related to governmental activities, such as accrued leave are generally liquidated by the General Fund.

<b>Business-type Activities</b>	Balance January 1, 2018	Additions	Retired	Balance December 31, 2018	Due Within One Year
<i>Loans Payable:</i>					
\$222,857 State of Alaska Sewer Utility loan due in final installments of \$14,120 including interest at 1.5% through 2019	\$ 27,618	\$ -	\$ 13,707	\$ 13,911	\$ 13,911
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	181,175	-	21,484	159,691	21,807
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	225,854	-	30,842	195,012	31,305
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	391,000	-	39,100	351,900	39,100
\$1,518,000 State of Alaska Sewer Utility loan due in annual installments of \$88,417 including interest at 1.5% through 2027	815,397	-	76,186	739,211	77,329
\$1,071,429 State of Alaska Water Utility loan due in annual installments of \$55,679 Including interest at 1.5% through 2037	955,925	-	41,340	914,585	41,960
\$1,285,714 (\$964,286 forgiven) State of Alaska Water Utility loan currently in drawdown phase. Maximum repayment amount of \$321,428. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	305,948	-	-	305,948	-
\$4,816,000 interim loan, repaid with proceeds from Department of Agriculture Community Facilities Loans and Grants program in 2018	2,319,714	2,496,286	4,816,000	-	-
\$4,816,000 loan from Department of Agriculture Community Facilities Loans and Grants program due in semi-annual installments of 85,870 including interest at 1.875% through 2058	-	4,816,000	40,596	4,775,404	82,589
Vested unpaid vacation and sick leave	58,347	55,348	47,707	65,988	65,988
<b>Total Business-type Activities</b>	<b>\$ 5,280,978</b>	<b>\$ 7,367,634</b>	<b>\$ 5,126,962</b>	<b>\$ 7,521,650</b>	<b>\$ 373,989</b>

## City of Palmer, Alaska

### Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2019	\$ 80,000	\$ 26,850	\$ 106,850
2020	85,000	22,850	107,850
2021	90,000	18,600	108,600
2022	95,000	15,000	110,000
2023	100,000	10,250	110,250
2024	105,000	5,250	110,250
<b>Total Governmental Activities General Obligation Bonds</b>	<b>\$ 555,000</b>	<b>\$ 98,800</b>	<b>\$ 653,800</b>

Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2019	\$ 308,001	\$ 124,766	\$ 432,767
2020	297,987	120,072	418,059
2021	302,436	115,038	417,474
2022	306,714	110,171	416,885
2023	311,064	105,235	416,299
2024-2028	1,281,411	454,248	1,735,659
2029-2033	767,411	369,682	1,137,093
2034-2038	781,659	299,755	1,081,414
2039-2043	622,537	236,163	858,700
2044-2048	683,367	175,333	858,700
2049-2053	750,355	108,345	858,700
2054-2058	736,772	34,935	771,707
	7,149,714	\$ 2,253,743	\$ 9,403,457
Loans not in repayment status	305,948		
<b>Total Business-type Activities Loans Payable</b>	<b>\$ 7,455,662</b>		

#### **Debt Covenants**

All significant bond covenants have been complied with as of December 31, 2018. All of the Water and Sewer Enterprise Fund operating revenues have been pledged for repayment of the Alaska Drinking Water and Alaska Clean Water Loans.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### **Capital Lease**

The City leases police radio equipment under a capital lease through July 2021. The obligation under capital lease has been recorded in the accompanying statement of net position at the present value of the future minimum lease payments.

Following is a summary of assets held under the capital lease which secure the lease payable:

<u>December 31,</u>	<u>2018</u>
<b>Assets Held Under Capital Lease - Radio Equipment</b>	<b>\$ 659,048</b>

The obligation under the capital lease is as follows:

<u>December 31,</u>	<u>2018</u>
Lease payable to lessor, payable in annual payments of \$114,206, including interest at a fixed rate of 3.47% per annum	\$ 320,146
Less current portion	(103,097)
<b>Long-term Portion</b>	<b>\$ 217,049</b>

The future minimum lease payments under the capital lease and the net present value lease payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 114,206
2020	114,206
2021	114,206
Total future minimum lease payments	
Less amount representing interest	(22,472)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 320,146</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

### 8. Conduit Debt - Revenue Bonds

On January 11, 2000, the City participated in the issuance of \$1,800,000 of revenue bonds with Southcentral Foundation, an Alaska nonprofit corporation, to finance the purchase of an office building in Anchorage. The balance of the revenue bonds outstanding at December 31, 2018 was \$158,198.

These bonds do not constitute a general obligation debt or pledge of the full faith and credit of the City and accordingly, the bonds are not reflected in the City's financial statements.

### 9. Fund Balances

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

	General Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>			
Prepaid insurance and inventory	\$ 225,304	\$ -	\$ 225,304
Advances to other funds	1,981,772	-	1,981,772
<b>Total nonspendable</b>	<b>2,207,076</b>	<b>-</b>	<b>2,207,076</b>
Restricted for public safety	-	41,032	41,032
<b>Committed:</b>			
Public safety	-	57,024	57,024
Parks	-	38,839	38,839
Capital projects and equipment	-	1,386,656	1,386,656
<b>Total committed</b>	<b>-</b>	<b>1,482,519</b>	<b>1,482,519</b>
Assigned - vested unpaid vacation and sick leave	421,763	-	421,763
Unassigned	3,649,538	-	3,649,538
<b>Total Fund Balances</b>	<b>\$ 6,278,377</b>	<b>\$ 1,523,551</b>	<b>\$ 7,801,928</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 10. Pension and Other Postemployment Benefit Plans

#### *(a) Defined Benefit (DB) Pension Plan*

##### *General Information About the Plan*

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

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

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

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

##### *Historical Context and Special Funding Situation*

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

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

### ***Employee Contribution Rates***

Regular employees are required to contribute 6.75% of their annual covered salary. Police officers and firefighters are required to contribute 7.50% of their annual covered salary.

### ***Employer and Other Contribution Rates***

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

***Employer Effective Rate:*** This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% of eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

***ARM Board Adopted Rate:*** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

***On-behalf Contribution Rate:*** This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

***GASB Rate:*** This is the rate used to determine the long-term pension liability and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For 2018, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

Contribution rates for the year ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2015 and June 30, 2016 actuarial valuations, respectively. The City's contribution rates for the 2018 calendar year were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Other postemployment benefits	4.88%	3.11%	0.00%	66.85%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>25.01%</b>	<b>3.01%</b>	<b>95.92%</b>

<i>July 1, 2018 to December 31, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	16.17%	23.21%	5.58%	32.11%
Other postemployment benefits	5.83%	4.37%	0.00%	87.90%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>27.58%</b>	<b>5.58%</b>	<b>120.01%</b>

In 2018, the City was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions (including DBUL)	\$ 519,362	\$ 510,983
Nonemployer contributions (on-behalf)	136,722	200,313
<b>Total Contributions</b>	<b>\$ 656,084</b>	<b>\$ 711,296</b>

In addition, employee contributions to the Plan totaled \$110,441 during the City's fiscal year.

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

At December 31, 2018, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2018
City proportionate share of NPL	\$ 7,054,657
State's proportionate share of NPL associated with the City	2,043,764
<b>Total Net Pension Liability</b>	<b>\$ 9,098,421</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the City's proportion was 0.14197 percent, which was an increase of 0.00501 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$142,776 and on-behalf revenue of \$200,313 for support provided by the State. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (177,058)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	155,805	-
Changes in proportion and differences between City contributions and proportionate share of contributions	99,574	-
City contributions subsequent to the measurement date	275,549	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 530,928</b>	<b>\$ (177,058)</b>

The \$275,549 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Year December 31,*

2019	\$	120,679
2020		85,194
2021		(120,720)
2022		(6,832)

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Actuarial Assumptions*

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

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Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	For peace officer/firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service.
Allocation methodology	Amounts for 2018 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the fiscal years 2019 to 2039 to the Plan. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

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The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation report are the same as those used in the June 30, 2016 actuarial valuation.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

### ***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

### ***Discount Rate***

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

### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.14197%	\$ 9,342,146	\$ 7,054,657	\$ 5,119,718

### ***Pension Plan Fiduciary Net Position***

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### ***(b) Defined Contribution (DC) Pension Plan***

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

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

### ***Benefit Terms***

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

### ***Employee Contribution Rate***

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

### ***Employer Contribution Rate***

For the year ended December 31, 2018, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2018 were \$134,559 and \$215,294, respectively. The City contribution amount was recognized as pension expense/expenditures.

### ***(c) Other Postemployment Benefit (OPEB) Plans***

As part of its participation in the PERS, the City participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

### ***Employer Contribution Rate***

Employer contribution rates are actuarially determined and adopted by the Board. Employees do not contribute.



## City of Palmer, Alaska

### Notes to Basic Financial Statements

Employer contribution rates for the year ended December 31, 2018 were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	4.88%	4.88%
Retiree medical plan	1.03%	1.03%
Occupational Death and Disability Benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>6.07%</b>	<b>6.34%</b>

<i>July 1, 2018 to December 31, 2018</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	5.83%	5.83%
Retiree medical plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
<b>Total Contribution Rates</b>	<b>7.03%</b>	<b>7.53%</b>

In 2018, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions - ARHCT	\$ 148,040	\$ 166,459
Employer contributions - RMP	26,523	26,371
Employer contributions - ODD	5,658	8,272
Nonemployer contributions (on-behalf) - ARHCT	-	-
<b>Total Contributions</b>	<b>\$ 180,221</b>	<b>\$ 201,102</b>

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans***

At December 31, 2018, the City reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2018
City's proportionate share of NOL - ARHCT	\$ 1,456,787
City's proportionate share of NOL - RMP	28,951
City's proportionate share of NOL - ODD	(44,188)
State's proportionate share of the ARHCT NOL associated with the City	423,018
<b>Total Net OPEB Liabilities</b>	<b>\$ 1,864,568</b>

## City of Palmer, Alaska

### Notes to Basic Financial Statements

The total OPEB liabilities for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
<b>City's proportionate share of the net OPEB liabilities (asset):</b>			
ARHCT	0.13700%	0.14195%	0.00495 %
RMP	0.24756%	0.22752%	(0.02004)%
ODD	0.24756%	0.22752%	(0.02004)%

As a result of its requirement to contribute to the plans, the City recognized OPEB expense of \$155,053 and on-behalf revenue of \$55,533 for support provided by the State associated with the ARHCT plan.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (169,659)
Changes in assumptions	237,272	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(314,483)
Changes in proportion and differences between City contributions and proportionate share of contributions	53,617	(87,777)
City contributions subsequent to the measurement date	119,092	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans</b>	<b>\$ 409,981</b>	<b>\$ (571,919)</b>

The \$119,092 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending December 31,*

2019	\$ (118,112)
2020	(54,082)
2021	(102,529)
2022	(6,705)
2023	48
Thereafter	350

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Actuarial Assumptions*

The total OPEB liability for the measurement period ended June 30, 2018 was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

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Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drug: 9.0% grading down to 4.0% RDS/EGWP:6.5% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Participation (ARHCT)	100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

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The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013. The assumptions used in the June 30, 2017 actuarial valuation are the same as those used in the June 30, 2016 valuation with the following exceptions:

1. The medical trend rate assumption was updated to reflect anticipated increases in costs based on recent survey data.
2. An obligation for the Cadillac Tax was added to the June 30, 2017 valuation because it was no longer deemed immaterial due to the updated trend rates and the change to use chained Consumer Price Index (which was part of the Tax Cut and Jobs Act passed in December 2017) to project the tax thresholds in future years.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2018 are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.90%
Global ex-U.S. equity	22%	7.85%
Fixed income	10%	1.25%
Opportunistic	10%	4.76%
Real assets	17%	6.20%
Absolute return	7%	4.76%
Private equity	9%	12.08%
Cash equivalents	1%	0.66%

### ***Discount Rate***

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

### ***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the respective plan's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.14195%	\$ 2,949,264	\$ 1,456,787	\$ 205,787
RMP	0.22752%	\$ 86,456	\$ 28,951	\$ (15,901)
ODD	0.22752%	\$ (41,494)	\$ (44,188)	\$ (46,404)

# City of Palmer, Alaska

## Notes to Basic Financial Statements

### ***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates***

The following presents the City's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the City's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.14195%	\$ (28,279)	\$ 1,456,787	\$ 3,177,565
RMP	0.22752%	\$ (24,615)	\$ 28,951	\$ 100,639
ODD	0.22752%	\$ -	\$ (44,188)	\$ -

### ***OPEB Plan Fiduciary Net Position***

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

### ***(d) Defined Contribution OPEB Plans***

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

### ***Employer Contribution Rates***

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	0.94%	0.94%
Occupational death and disability benefits	0.26%	0.76%
<b>Total Contribution Rates</b>	<b>1.20%</b>	<b>1.70%</b>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Annual Postemployment Healthcare Cost*

In 2018, the City contributed \$89,821 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

### **11. Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. APEI provides the City coverage for automobiles, casualty, including general liability, earthquake/flood, property, public officials and employee liability, law enforcement professional liability, employee benefit liability; and workers' compensation. Another insurance company provides the City coverage for airport liability. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. Coverage limits and the deductibles on the policies are relatively consistent with prior years. APEI made no supplemental assessments during the year ended December 31, 2018.

### **12. Grants**

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

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 13. Contingencies

#### *Litigation*

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

#### *Citizen Complaint*

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

#### *Airport*

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

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

### 14. Change in Accounting Principle

As discussed in Note 10 to the financial statements, the City participates in Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). In 2018 the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Other Postemployment Benefits Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance other postemployment benefits liabilities and related accounts and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment	Opening net position, as restated
Governmental activities	\$ 20,388,838	\$ (936,906)	\$ 19,451,933
Business-type activities	75,895,652	(100,955)	75,794,697
Water and Sewer Enterprise Fund	59,778,462	(69,412)	59,709,050
Airport Enterprise Fund	13,356,418	(18,274)	13,338,144

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 15. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined.

*GASB 83 - Certain Asset Retirement Obligations* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

*GASB 84 - Fiduciary Activities* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

*GASB 87 - Leases* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

*GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

*GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for year-end December 31, 2020, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

*GASB 90 - Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61* - Effective for year-end December 31, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

*GASB 91 - Conduit Debt Obligations* - Effective for year-end December 31, 2021, with earlier application encouraged - This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.



**Required Supplementary Information**

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

<i>Year Ended December 31, 2018</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,702,500	\$ 8,586,000	\$ 8,574,582	\$ (11,418)
Licenses and permits	153,500	256,768	251,248	(5,520)
Fines and forfeitures	79,000	115,021	115,021	-
Intergovernmental	741,816	572,515	588,203	15,688
Special assessments	-	28,225	26,862	(1,363)
Charges for services	1,490,126	1,540,087	1,529,880	(10,207)
Miscellaneous	118,118	119,575	120,017	442
<b>Total Revenues</b>	<b>11,285,060</b>	<b>11,218,191</b>	<b>11,205,813</b>	<b>(12,378)</b>
<b>Expenditures</b>				
General government	4,010,603	2,817,196	2,641,594	175,602
Public safety	4,346,478	4,416,505	4,343,042	73,463
Public works	1,963,125	1,825,535	1,737,015	88,520
Community services	1,294,683	1,544,949	1,419,290	125,659
Debt service	-	110,050	110,050	-
<b>Total Expenditures</b>	<b>11,614,889</b>	<b>10,714,235</b>	<b>10,250,991</b>	<b>463,244</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(329,829)</b>	<b>503,956</b>	<b>954,822</b>	<b>450,866</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	257,916	256,487	(1,429)
Transfers out	-	(1,330,812)	(1,199,812)	131,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,072,896)</b>	<b>(943,325)</b>	<b>129,571</b>
<b>Net Change in Fund Balance</b>	<b>\$ (329,829)</b>	<b>\$ (568,940)</b>	<b>11,497</b>	<b>\$ 580,437</b>
<b>Fund Balance, beginning</b>			<b>6,266,880</b>	
<b>Fund Balance, ending</b>			<b>\$ 6,278,377</b>	

*See accompanying notes to Required Supplementary Information.*

**City of Palmer, Alaska**  
**Public Employees' Retirement System Defined Benefit Pension Plan**  
**Schedule of the City's Information on the Net Pension Liability**

Years Ended December 31,	City's	State of Alaska		City's		City's		City's		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Covered Payroll	City's Covered Payroll	City's Covered Payroll		
2018	0.14197%	\$ 7,054,657	\$ 2,043,764	\$ 9,098,421	\$ 4,337,274	\$ 4,337,274	\$ 4,337,274	162.65%	65.19%	
2017	0.13696%	7,079,994	2,638,507	9,718,501	4,418,351	4,418,351	4,418,351	160.24%	63.37%	
2016	0.16745%	9,359,539	1,181,359	10,540,898	4,413,785	4,413,785	4,413,785	212.05%	59.55%	
2015	0.15223%	7,383,004	1,977,456	9,360,460	4,476,197	4,476,197	4,476,197	164.94%	63.96%	
2014	*	*	*	*	*	*	*	*	*	
2013	*	*	*	*	*	*	*	*	*	
2012	*	*	*	*	*	*	*	*	*	
2011	*	*	*	*	*	*	*	*	*	
2010	*	*	*	*	*	*	*	*	*	
2009	*	*	*	*	*	*	*	*	*	

\*Information for these years is not available

See accompanying notes to Required Supplementary Information.

**City of Palmer, Alaska**  
**Public Employees' Retirement System Defined Benefit Pension Plan**  
**Schedule of the City's Contributions**

Years Ended December 31,	Contractually Required Contribution	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
			Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution			
2018	\$ 510,983	\$ 510,983	\$		\$ -	4,256,180	12.01%
2017	521,201	521,201			-	4,418,368	11.80%
2016	467,070	467,070			-	4,418,334	10.57%
2015	446,116	446,116			-	4,406,408	10.12%
2014	*	*			*	*	*
2013	*	*			*	*	*
2012	*	*			*	*	*
2011	*	*			*	*	*
2010	*	*			*	*	*
2009	*	*			*	*	*

\*Information for these years is not available

See accompanying notes to Required Supplementary Information.

**City of Palmer, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of the City's Information on the Net OPEB Liability - Alaska Retiree Healthcare Trust**

Years Ended December 31,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability		Total Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
		State of Alaska	City of Palmer				
2018	0.14195000	\$ 1,456,787	\$ 423,018	\$ 1,879,805	\$ 4,337,274	33.59%	88.50%
2017	0.13700000	1,156,967	430,914	1,587,881	4,418,334	26.19%	89.68%
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Palmer, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of the City's Contributions - Alaska Retiree Healthcare Trust**

Years Ended December 31,	Contractually Required Contribution		Contributions Relative to the Contractually Required Contribution		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
	\$		\$				
2018	\$ 166,459	*	\$ 166,459	\$ -	\$ 4,256,180	3.91%	
2017	192,592	*	192,592	-	4,418,334	4.36%	
2016	*	*	*	*	*	*	
2015	*	*	*	*	*	*	
2014	*	*	*	*	*	*	
2013	*	*	*	*	*	*	
2012	*	*	*	*	*	*	
2011	*	*	*	*	*	*	
2010	*	*	*	*	*	*	
2009	*	*	*	*	*	*	

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska

Public Employees' Retirement System OPEB Plan

Schedule of the City's Information on the Net OPEB Liability - Retiree Medical Plan

Years Ended December 31,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's		Plan Fiduciary as a Percentage of the Total OPEB Liability
						Share of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	
2018	0.22752000	\$ 28,951	\$ -	\$ 28,951	\$ 4,337,274	0.67%	88.71%	
2017	0.24756000	12,910	-	12,910	4,418,334	0.29%	93.80%	
2016	*	*	*	*	*	*	*	
2015	*	*	*	*	*	*	*	
2014	*	*	*	*	*	*	*	
2013	*	*	*	*	*	*	*	
2012	*	*	*	*	*	*	*	
2011	*	*	*	*	*	*	*	
2010	*	*	*	*	*	*	*	
2009	*	*	*	*	*	*	*	

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Palmer, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of the City's Contributions - Retiree Medical Plan**

Years Ended December 31,	Contractually	Contributions	Contractually	Contribution	Deficiency	City's	Contributions
	Required	Relative to the					
	Contribution	Contractually	Contribution	(Excess)	Payroll	Covered	Percentage of
		Required	Required	(Excess)	Payroll	Payroll	Covered Payroll
2018	\$ 26,371	\$ 26,371	\$ -	\$ 4,256,180	0.62%		
2017	29,266	29,266		4,418,334	0.66%		
2016	*	*	*	*	*		
2015	*	*	*	*	*		
2014	*	*	*	*	*		
2013	*	*	*	*	*		
2012	*	*	*	*	*		
2011	*	*	*	*	*		
2010	*	*	*	*	*		
2009	*	*	*	*	*		

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.



City of Palmer, Alaska

Public Employees' Retirement System OPEB Plan  
 Schedule of the City's Information on the Net OPEB Liability - Occupational Death and Disability Plan

Years Ended December 31,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's		Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
						Share of the Net OPEB Liability as a Percentage of Covered Payroll	Proportionate Share of the Net OPEB Liability	
2018	0.22752000	\$ (44,188)	\$ -	\$ (44,188)	\$ 4,337,274	-1.02%		270.62%
2017	0.24756000	(35,126)	-	(35,126)	4,418,334	-0.80%		212.97%
2016	*	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Palmer, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of the City's Contributions - Occupational Death and Disability Plan**

Years Ended December 31,	Contractually Required Contribution	Contractually Required Contribution	Contributions Relative to the		Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
			Contractually Required Contribution	Contractually Required Contribution			
2018	\$ 8,272	\$ 8,272	\$ -	\$ 4,256,180	0.19%		
2017	5,948	5,948	-	4,418,334	0.13%		
2016	*	*	*	*	*		
2015	*	*	*	*	*		
2014	*	*	*	*	*		
2013	*	*	*	*	*		
2012	*	*	*	*	*		
2011	*	*	*	*	*		
2010	*	*	*	*	*		
2009	*	*	*	*	*		

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

# City of Palmer, Alaska

## Notes to Required Supplementary Information December 31, 2018

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### 1. Budgetary Comparison Schedule

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

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

- a. On or before October 15th of each year, the City Manager submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. Not less than 10 days prior to December 31, the budget is legally enacted through passage of a resolution at a regular meeting.
- d. The City Manager is authorized to transfer budgeted amounts within a department; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.

The City publishes its annual budget document and it is available on the City's website at: [www.cityofpalmer.org](http://www.cityofpalmer.org)

### 2. Public Employees' Retirement System - Defined Benefit Pension Plan

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

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

#### *Schedule of the City's Information on the Net Pension Liability*

- This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- There were no changes in benefit terms from the prior measurement period.
- There were no changes in assumptions from the prior measurement period.
- There were no changes to the allocation methodology from the prior measurement period.
- The measurement period ended June 30, 2018 allocated the net pension liability based on the present value of contributions for fiscal year 2019 through 2039, as determined by projections based on the June 30, 2017 actuarial valuation.

## City of Palmer, Alaska

### Notes to Required Supplementary Information, continued December 31, 2018

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#### *Schedule of the City's Contributions*

- This table is based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the Statement of Net Position.

### **3. Public Employees' Retirement System - Defined Benefit Other Post-employment Benefit (OPEB) Plan**

In accordance with GASB Statement No. 85, "Covered Payroll" is defined as payroll on which contributions to the OPEB plan are based. Because a portion of the City's contributions to the Plan (the DBUL) are based on Defined Contribution Wages, covered payroll reported here includes all PERS participating wages (both Defined Benefit and Defined Contribution).

The OPEB tables are presented for each of the three PERS OPEB plans; Alaska Retiree Healthcare Trust Plan (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD).

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

#### *Schedule of the City's Information on the Net OPEB Liability*

- These tables are presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.
- The measurement period ended June 30, 2018 allocated the net pension liability based on the present value of contributions for fiscal year 2019 through 2039, as determined by projections based on the June 30, 2017 actuarial valuation.

#### *Schedule of the City's Contributions*

- These tables are based on the City's contributions for each year presented. A portion of these contributions are included in the plan measurement results, while a portion of the contributions are reported as a deferred outflow of resources on the December 31, 2018 Statement of Net Position.
- All tables are intended to present 10 years' information. Additional years' information will be added to the schedule as it becomes available.

## Supplementary Information

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## Nonmajor Governmental Funds

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

<i>December 31, 2018</i>	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects Fund	Equipment	Road Improve- ments	
<b>Assets</b>								
Cash and investments	\$ 51,820	-	\$ 38,839	\$ 41,032	\$ 358,257	\$ 550,064	\$ 448,777	\$1,488,789
Grants receivable	407	27,571	-	-	53,455	-	-	81,433
<b>Total Assets</b>	<b>\$ 52,227</b>	<b>\$ 27,571</b>	<b>\$ 38,839</b>	<b>\$ 41,032</b>	<b>\$ 411,712</b>	<b>\$ 550,064</b>	<b>\$ 448,777</b>	<b>\$1,570,222</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 23,897	\$ -	\$ -	\$ 23,897
Due to other funds	-	22,774	-	-	-	-	-	22,774
<b>Total Liabilities</b>	<b>-</b>	<b>22,774</b>	<b>-</b>	<b>-</b>	<b>23,897</b>	<b>-</b>	<b>-</b>	<b>46,671</b>
<b>Fund Balances</b>								
Restricted for public safety	-	-	-	41,032	-	-	-	41,032
Committed:								
Capital projects and equipment	-	-	-	-	387,815	550,064	448,777	1,386,656
Public safety	52,227	4,797	-	-	-	-	-	57,024
Parks	-	-	38,839	-	-	-	-	38,839
<b>Total Fund Balances</b>	<b>52,227</b>	<b>4,797</b>	<b>38,839</b>	<b>41,032</b>	<b>387,815</b>	<b>550,064</b>	<b>448,777</b>	<b>1,523,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 52,227</b>	<b>\$ 27,571</b>	<b>\$ 38,839</b>	<b>\$ 41,032</b>	<b>\$ 411,712</b>	<b>\$ 550,064</b>	<b>\$ 448,777</b>	<b>\$1,570,222</b>



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

<i>Year Ended December 31, 2018</i>	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects Fund	Equipment	Road Improve- ments	
<b>Revenues</b>								
Federal government	\$ 11,670	\$ 11,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,915
State of Alaska	-	-	-	6,982	196,795	49,434	-	253,211
Miscellaneous	135,000	47,040	10,102	-	-	53,276	-	245,418
<b>Total Revenues</b>	<b>146,670</b>	<b>58,285</b>	<b>10,102</b>	<b>6,982</b>	<b>196,795</b>	<b>102,710</b>	<b>-</b>	<b>521,544</b>
<b>Expenditures</b>								
Public safety	121,148	58,285	-	35,670	-	-	-	215,103
Capital outlay	-	-	-	-	478,291	583,675	51,222	1,113,188
<b>Total Expenditures</b>	<b>121,148</b>	<b>58,285</b>	<b>-</b>	<b>35,670</b>	<b>478,291</b>	<b>583,675</b>	<b>51,222</b>	<b>1,328,291</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>25,522</b>	<b>-</b>	<b>10,102</b>	<b>(28,688)</b>	<b>(281,496)</b>	<b>(480,965)</b>	<b>(51,222)</b>	<b>(806,747)</b>
<b>Other Financing Sources -</b>								
Transfers in	-	-	-	-	384,329	412,000	368,261	1,164,590
<b>Net Change in Fund Balances</b>	<b>25,522</b>	<b>-</b>	<b>10,102</b>	<b>(28,688)</b>	<b>102,833</b>	<b>(68,965)</b>	<b>317,039</b>	<b>357,843</b>
<b>Fund Balances, beginning</b>	<b>26,705</b>	<b>4,797</b>	<b>28,737</b>	<b>69,720</b>	<b>284,982</b>	<b>619,029</b>	<b>131,738</b>	<b>1,165,708</b>
<b>Fund Balances, ending</b>	<b>\$ 52,227</b>	<b>\$ 4,797</b>	<b>\$ 38,839</b>	<b>\$ 41,032</b>	<b>\$ 387,815</b>	<b>\$ 550,064</b>	<b>\$ 448,777</b>	<b>\$ 1,523,551</b>

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## Nonmajor Enterprise Funds

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

<i>December 31, 2018</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and investments	\$ 794,814	\$ -	\$ 369	\$ 795,183
Accounts receivable	126,198	-	-	126,198
Prepaid expenses	-	700	-	700
Inventories - materials and supplies	-	3,157	-	3,157
<b>Total Current Assets</b>	<b>921,012</b>	<b>3,857</b>	<b>369</b>	<b>925,238</b>
<b>Land Held for Sale</b>	<b>-</b>	<b>-</b>	<b>217,414</b>	<b>217,414</b>
<b>Property, Plant and Equipment</b>				
Land and land improvements	-	1,544,620	-	1,544,620
Buildings	52,667	254,559	-	307,226
Machinery and equipment	1,015,720	411,299	-	1,427,019
Improvements other than buildings	-	667,234	-	667,234
Total property, plant and equipment	1,068,387	2,877,712	-	3,946,099
Less accumulated depreciation	(542,633)	(1,033,174)	-	(1,575,807)
<b>Net Property, Plant and Equipment</b>	<b>525,754</b>	<b>1,844,538</b>	<b>-</b>	<b>2,370,292</b>
<b>Total Assets</b>	<b>1,446,766</b>	<b>1,848,395</b>	<b>217,783</b>	<b>3,512,944</b>
<b>Deferred Outflows of Resources</b>				
Related to pensions	6,143	-	-	6,143
Related to other postemployment benefits	5,242	-	-	5,242
<b>Total Deferred Outflows of Resources</b>	<b>11,385</b>	<b>-</b>	<b>-</b>	<b>11,385</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,458,151</b>	<b>\$ 1,848,395</b>	<b>\$ 217,783</b>	<b>\$ 3,524,329</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 31,818	\$ 711	\$ -	\$ 32,529
Accrued payroll and employee benefits	2,930	-	-	2,930
Vested unpaid vacation and sick leave	14,254	-	-	14,254
Unearned revenue	-	27,879	-	27,879
<b>Total Current Liabilities</b>	<b>49,002</b>	<b>28,590</b>	<b>-</b>	<b>77,592</b>
<b>Long-term Liabilities</b>				
Net pension liability	200,720	-	-	200,720
Net other postemployment benefits liability	18,430	-	-	18,430
Advance from other fund	-	621,858	-	621,858
<b>Total Long-term Liabilities</b>	<b>219,150</b>	<b>621,858</b>	<b>-</b>	<b>841,008</b>
<b>Total Liabilities</b>	<b>268,152</b>	<b>650,448</b>	<b>-</b>	<b>918,600</b>
<b>Deferred Inflows of Resources</b>				
Related to pensions	1,922	-	-	1,922
Related to other postemployment benefits	7,312	-	-	7,312
<b>Total Deferred Inflows of Resources</b>	<b>9,234</b>	<b>-</b>	<b>-</b>	<b>9,234</b>
<b>Net Position</b>				
Net investment in capital assets	525,754	\$ 1,844,538	-	2,370,292
Unrestricted (deficit)	655,011	\$ (646,591)	217,783	226,203
<b>Total Net Position</b>	<b>1,180,765</b>	<b>1,197,947</b>	<b>217,783</b>	<b>2,596,495</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,458,151</b>	<b>\$ 1,848,395</b>	<b>\$ 217,783</b>	<b>\$ 3,524,329</b>

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

<i>Year Ended December 31, 2018</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>	\$ 729,249	\$ 790,631	\$ -	\$ 1,519,880
<b>Operating Expenses</b>				
Salaries and employee benefits	114,685	-	-	114,685
Administrative services	123,660	650,000	-	773,660
Other operating expenses	420,859	145,486	-	566,345
Depreciation	67,826	47,518	-	115,344
<b>Total Operating Expenses</b>	<b>727,030</b>	<b>843,004</b>	<b>-</b>	<b>1,570,034</b>
<b>Operating Income (Loss)</b>	<b>2,219</b>	<b>(52,373)</b>	<b>-</b>	<b>(50,154)</b>
<b>Nonoperating Revenues</b>				
State PERS relief	1,253	-	-	1,253
<b>Income (Loss) Before Transfers</b>	<b>3,472</b>	<b>(52,373)</b>	<b>-</b>	<b>(48,901)</b>
<b>Transfers out</b>	<b>(42,660)</b>	<b>(44,447)</b>	<b>(15,000)</b>	<b>(102,107)</b>
<b>Change in Net Position</b>	<b>(39,188)</b>	<b>(96,820)</b>	<b>(15,000)</b>	<b>(151,008)</b>
<b>Net Position, beginning</b>	<b>1,219,953</b>	<b>1,294,767</b>	<b>232,783</b>	<b>2,747,503</b>
<b>Net Position, ending</b>	<b>\$ 1,180,765</b>	<b>\$ 1,197,947</b>	<b>\$ 217,783</b>	<b>\$ 2,596,495</b>

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

<i>Year Ended December 31, 2018</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Cash receipts from customers and users	\$ 726,549	\$ 793,528	\$ -	\$ 1,520,077
Payments to suppliers	(419,455)	(779,706)	-	(1,199,161)
Payments to employees	(111,873)	-	-	(111,873)
Payments for interfund services used	(123,660)	-	-	(123,660)
<b>Net cash flows from operating activities</b>	<b>71,561</b>	<b>13,822</b>	<b>-</b>	<b>85,383</b>
<b>Cash Flows for Noncapital Financing Activities</b>				
Transfers out	(42,660)	(44,447)	(15,000)	(102,107)
Increase in advance from General Fund	-	30,625	-	30,625
<b>Net cash flows for noncapital financing activities</b>	<b>(42,660)</b>	<b>(13,822)</b>	<b>(15,000)</b>	<b>(71,482)</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>28,901</b>	<b>-</b>	<b>(15,000)</b>	<b>13,901</b>
<b>Cash and Investments, beginning</b>	<b>765,913</b>	<b>-</b>	<b>15,369</b>	<b>781,282</b>
<b>Cash and Investments, ending</b>	<b>\$ 794,814</b>	<b>\$ -</b>	<b>\$ 369</b>	<b>\$ 795,183</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities</b>				
Operating income (Loss)	\$ 2,219	\$ (52,373)	\$ -	\$ (50,154)
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	67,826	47,518	-	115,344
Noncash expense - PERS relief	1,253	-	-	1,253
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(2,700)	-	-	(2,700)
Prepaid expenses	-	(700)	-	(700)
Inventories	-	16,487	-	16,487
Deferred outflows of resources related to pensions	(362)	-	-	(362)
Deferred outflows of resources related to other postemployment benefits	(4,003)	-	-	(4,003)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	1,404	(7)	-	1,397
Unearned revenue	-	2,897	-	2,897
Accrued payroll and employee benefits	2,930	-	-	2,930
Vested unpaid vacation and sick leave	1,148	-	-	1,148
Net pension liability	(332)	-	-	(332)
Net other postemployment benefits liability	3,922	-	-	3,922
Deferred inflows of resources related to pensions	(9,056)	-	-	(9,056)
Deferred inflows of resources related to other postemployment benefits	7,312	-	-	7,312
<b>Net Cash from Operating Activities</b>	<b>\$ 71,561</b>	<b>\$ 13,822</b>	<b>\$ -</b>	<b>\$ 85,383</b>

## General Fund

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

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

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

## City of Palmer, Alaska

General Fund  
Balance Sheet

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 3,174,590	\$ 3,968,843
Receivables, net of allowance for uncollectibles:		
Sales taxes	773,619	699,081
Property taxes	305,367	227,006
Accounts	50,362	46,172
Assessments:		
Current	12,063	15,194
Delinquent	32,595	35,702
Deferred	71,703	88,495
Prepaid insurance	211,686	196,146
Inventory	13,618	13,103
Due from other funds	292,180	-
Advances to other funds	1,981,772	1,703,822
<b>Total Assets</b>	<b>\$ 6,919,555</b>	<b>\$ 6,993,564</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 165,646	\$ 232,443
Accrued payroll and employee benefits	241,312	235,679
Deposits	8,966	7,841
Unearned revenue	56,701	59,138
<b>Total Liabilities</b>	<b>472,625</b>	<b>535,101</b>
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	52,192	52,192
Deferred assessments	116,361	139,391
<b>Total Deferred Inflows of Resources</b>	<b>168,553</b>	<b>191,583</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>641,178</b>	<b>726,684</b>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid insurance and inventory	225,304	209,249
Advances to other funds	1,981,772	1,703,822
Assigned for vested unpaid vacation and sick leave	421,763	366,946
Unassigned	3,649,538	3,986,863
<b>Total Fund Balance</b>	<b>6,278,377</b>	<b>6,266,880</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 6,919,555</b>	<b>\$ 6,993,564</b>



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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 7,266,000	\$ 7,279,716	\$ 13,716	\$ 6,999,693
Real and personal property taxes	1,320,000	1,294,866	(25,134)	1,302,296
<b>Total taxes</b>	<b>8,586,000</b>	<b>8,574,582</b>	<b>(11,418)</b>	<b>8,301,989</b>
Licenses and permits:				
Business licenses	74,765	69,425	(5,340)	95,097
Permits	182,003	181,823	(180)	61,714
<b>Total licenses and permits</b>	<b>256,768</b>	<b>251,248</b>	<b>(5,520)</b>	<b>156,811</b>
<b>Fines and forfeitures</b>	<b>115,021</b>	<b>115,021</b>	<b>-</b>	<b>80,874</b>
Intergovernmental:				
Community assistance	196,076	196,076	-	230,289
Liquor licenses	12,500	12,700	200	12,500
Electric and telephone co-op tax	135,143	135,143	-	143,742
State PERS relief	161,512	180,392	18,880	158,349
Library grants	4,845	1,453	(3,392)	8,250
Public safety grants	7,500	7,500	-	7,500
Motor vehicle tax	54,939	54,939	-	32,438
<b>Total intergovernmental</b>	<b>572,515</b>	<b>588,203</b>	<b>15,688</b>	<b>593,068</b>
<b>Special assessments</b>	<b>28,225</b>	<b>26,862</b>	<b>(1,363)</b>	<b>34,955</b>
Charges for services:				
Administrative service charges - other funds	623,354	621,718	(1,636)	630,127
Grant administration fees	10,000	5,708	(4,292)	41,198
Fire protection	377,713	375,963	(1,750)	353,735
Community center fees	40,000	39,600	(400)	39,380
Library fees	22,200	22,397	197	18,385

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues, continued:</b>				
Charges for services, continued:				
Dispatch	\$ 90,000	\$ 90,000	\$ -	\$ 546,543
Ice rink revenues	257,390	255,045	(2,345)	257,054
Building rental	64,077	64,096	19	59,893
Planning and zoning	5,353	5,353	-	1,466
Public safety	50,000	50,000	-	50,000
<b>Total charges for services</b>	<b>1,540,087</b>	<b>1,529,880</b>	<b>(10,207)</b>	<b>1,997,781</b>
Miscellaneous:				
Investment income	36,000	36,000	-	22,760
Property and equipment sales	-	-	-	394,403
Police services	-	-	-	25
Other	83,575	84,017	442	18,779
<b>Total miscellaneous</b>	<b>119,575</b>	<b>120,017</b>	<b>442</b>	<b>435,967</b>
<b>Total Revenues</b>	<b>11,218,191</b>	<b>11,205,813</b>	<b>(12,378)</b>	<b>11,601,445</b>
<b>Expenditures</b>				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	248,370	247,328	1,042	234,232
Audit	43,259	43,259	-	37,860
Advertising	10,000	7,048	2,952	5,495
Dues and subscriptions	8,840	7,846	994	7,408
Travel	12,000	8,222	3,778	6,776
Education and training	5,255	4,563	692	2,919
Legal fees	29,197	20,367	8,830	29,418
Services	2,000	1,936	64	1,265
Telephone	9,750	9,178	572	8,772
Insurance	4,346	4,346	-	3,701
Operating supplies	5,675	3,266	2,409	1,803
Services - Sister City program	7,500	5,124	2,376	2,781
Council donations	15,000	13,427	1,573	10,304

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

<i>Years Ended December 31,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website and broadcasting	\$ 3,000	\$ 2,625	\$ 375	\$ 2,750
Computer services	6,600	4,634	1,966	6,565
Election	9,650	8,370	1,280	8,616
Office equipment	6,100	5,339	761	6,402
Codification consulting services	16,100	10,699	5,401	13,644
Repairs and maintenance	1,000	998	2	998
Office supplies	6,000	5,548	452	1,593
<b>Total Mayor/Council/Clerk</b>	<b>449,642</b>	<b>414,123</b>	<b>35,519</b>	<b>393,302</b>
Administration:				
Salaries and employee benefits	897,709	915,936	(18,227)	879,614
Advertising	500	-	500	1,009
Dues and subscriptions	690	359	331	666
Travel	1,300	593	707	973
Education and training	1,000	300	700	600
Legal fees	8,130	5,410	2,720	10,357
Services	8,900	8,861	39	7,954
Telephone	5,800	5,108	692	7,286
Insurance	6,606	6,592	14	7,503
Operating supplies	8,700	8,591	109	9,555
Repairs and maintenance	500	-	500	893
Office equipment	4,500	3,943	557	3,658
Computer services	67,050	64,726	2,324	59,901
Miscellaneous	-	469	(469)	-
<b>Total administration</b>	<b>1,011,385</b>	<b>1,020,888</b>	<b>(9,503)</b>	<b>989,969</b>
Buildings:				
Services	5,640	5,397	243	5,580
Power	18,100	18,047	53	18,939
Heat	2,550	2,525	25	2,449
Water and sewer	1,450	1,417	33	1,395

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Buildings, continued:				
Insurance	\$ 3,529	\$ 3,527	\$ 2	\$ 3,414
Telephone	16,720	16,715	5	18,024
Operating supplies	1,850	1,618	232	779
Office supplies	8,185	7,582	603	9,664
Repairs and maintenance	11,890	11,876	14	13,342
Equipment	640	639	1	-
Miscellaneous	7,700	7,621	79	2,200
<b>Total buildings</b>	<b>78,254</b>	<b>76,964</b>	<b>1,290</b>	<b>75,786</b>
City manager:				
Salaries and employee benefits	417,635	406,569	11,066	409,675
Advertising	24,300	22,901	1,399	23,375
Dues and subscriptions	3,325	3,321	4	3,484
Travel	3,500	3,258	242	4,944
Education and training	4,000	3,996	4	2,045
Legal fees	11,630	5,277	6,353	18,727
Services	14,400	11,556	2,844	24,516
Telephone	5,300	5,276	24	3,667
Insurance	6,321	6,313	8	5,693
Operating supplies	1,988	1,988	-	-
Small tools and equipment	5,300	5,211	89	848
Discretionary	10,000	-	10,000	7,517
Lobbying	1,000	-	1,000	-
Fuel	500	313	187	409
Repairs and maintenance	125,000	115,990	9,010	121,492
Office supplies	4,000	3,264	736	4,465
Board stipends	8,400	3,800	4,600	2,450
Miscellaneous	10,500	8,847	1,653	8,432
<b>Total city manager</b>	<b>657,099</b>	<b>607,880</b>	<b>49,219</b>	<b>641,739</b>
Community development:				
Salaries and employee benefits	551,274	460,891	90,383	509,019
Advertising	1,900	1,713	187	1,299
Dues and subscriptions	2,000	1,701	299	2,510

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Community development, continued:				
Travel	\$ 750	\$ -	\$ 750	\$ 1,139
Education and training	1,500	1,466	34	1,585
Legal fees	8,200	8,136	64	12,893
Services	3,150	2,727	423	4,164
Telephone	4,100	3,824	276	2,207
Power	7,700	7,645	55	7,967
Heat	3,000	2,760	240	3,029
Water and sewer	1,640	1,494	146	1,672
Insurance	7,552	7,101	451	6,208
Operating supplies	900	818	82	530
Equipment	5,300	4,874	426	15,559
Fuel	1,750	1,737	13	1,377
Repairs and maintenance	2,100	1,984	116	2,561
Annexation and community planning	850	26	824	6,220
Rental and lease	3,650	1,641	2,009	4,620
Vehicle supplies	100	52	48	-
Office supplies	4,200	4,057	143	4,446
Board stipends	4,200	2,550	1,650	3,300
Miscellaneous	5,000	4,542	458	2,718
<b>Total community development</b>	<b>620,816</b>	<b>521,739</b>	<b>99,077</b>	<b>595,023</b>
<b>Total general government</b>	<b>2,817,196</b>	<b>2,641,594</b>	<b>175,602</b>	<b>2,695,819</b>
<b>Public safety:</b>				
Police department:				
Salaries and employee benefits	3,069,824	3,067,289	2,535	3,271,719
Advertising	-	-	-	1,202
Dues and subscriptions	485	482	3	250
Travel	10,331	10,198	133	20,658
Education and training	26,086	26,084	2	8,599
Legal fees	61,027	61,023	4	6,477
Services	53,545	53,299	246	52,505
Telephone	18,140	18,030	110	18,376
Power	39,320	39,319	1	37,796

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Police department, continued:				
Heat	\$ 16,771	\$ 16,756	\$ 15	\$ 18,142
Water and sewer	11,388	11,168	220	11,640
Fuel	32,870	32,864	6	24,491
Insurance	42,202	42,197	5	40,580
Vehicle insurance	27,050	27,047	3	23,704
Office supplies	9,250	9,164	86	11,051
Vehicle supplies	1,000	-	1,000	155
Uniform purchases and allowances	15,540	15,414	126	26,318
Operating supplies	17,110	16,908	202	12,375
Repairs and maintenance	26,715	26,547	168	11,059
Community planning	5,154	5,154	-	2,755
Janitorial supplies	2,600	2,542	58	3,520
Equipment	64,933	64,926	7	32,518
Rowland Memorial Fund	2,000	2,000	-	1,000
Miscellaneous	3,018	3,018	-	2,932
<b>Total police department</b>	<b>3,556,359</b>	<b>3,551,429</b>	<b>4,930</b>	<b>3,639,822</b>
Fire department:				
Salaries and employee benefits	341,778	332,443	9,335	330,759
Volunteer firemen salaries and benefits	216,209	201,988	14,221	223,212
Dues and subscriptions	3,030	743	2,287	2,964
Education and training	29,512	21,396	8,116	18,299
Services	28,340	25,152	3,188	29,397
Telephone	9,800	9,718	82	8,864
Power	9,600	9,043	557	8,912
Heat	6,975	6,478	497	6,641
Water and sewer	3,212	2,943	269	2,367
Fuel	28,708	20,958	7,750	20,723
Legal	2,000	164	1,836	779
Rental and lease	14,755	14,755	-	11,588
Insurance	8,345	8,341	4	7,131
Vehicle insurance	19,272	18,100	1,172	16,252
Office supplies	3,250	3,265	(15)	1,480

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

Years Ended December 31,	2018			2017	
	Budget	Actual	Variance with Budget		
				Budget	Actual
<b>Expenditures, continued:</b>					
Public safety, continued:					
Fire department, continued:					
Vehicle supplies	\$ 18,760	\$ 14,045	\$ 4,715	\$ 31,996	
Uniform purchases and allowances	4,100	4,058	42	2,109	
Operating supplies	2,900	2,102	798	2,713	
Repairs and maintenance	38,850	35,196	3,654	23,007	
Small tools	20,000	19,872	128	23,230	
Janitorial supplies	2,000	1,137	863	148	
Equipment	48,750	39,716	9,034	37,862	
<b>Total fire department</b>	<b>860,146</b>	<b>791,613</b>	<b>68,533</b>	<b>810,433</b>	
<b>Total public safety</b>	<b>4,416,505</b>	<b>4,343,042</b>	<b>73,463</b>	<b>4,450,255</b>	
Public works:					
Administration:					
Salaries and employee benefits	678,691	665,858	12,833	662,326	
Advertising	500	-	500	173	
Travel	640	-	640	-	
Education and training	1,000	773	227	1,054	
Legal fees	4,000	3,853	147	759	
Services	18,030	17,886	144	22,181	
Telephone	7,000	6,988	12	6,932	
Power	16,200	16,105	95	16,372	
Heat	17,000	16,851	149	19,032	
Water and sewer	10,655	10,653	2	10,238	
Insurance	19,769	19,768	1	18,547	
Vehicle insurance	18,985	18,978	7	14,947	
Repairs and maintenance	6,700	6,633	67	11,148	
Small tools	1,000	747	253	929	
Janitorial supplies	-	-	-	1,412	
Equipment	14,861	21,769	(6,908)	11,547	
Office supplies	3,300	2,504	796	2,118	
Christmas lighting	10,360	10,358	2	9,288	
Miscellaneous	500	-	500	-	
<b>Total administration</b>	<b>829,191</b>	<b>819,724</b>	<b>9,467</b>	<b>809,003</b>	

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

Years Ended December 31,	2018		Variance with Budget	2017
	Budget	Actual		Actual
<b>Expenditures, continued:</b>				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 331,653	\$ 323,614	\$ 8,039	\$ 325,085
Services	57,020	57,018	2	48,195
Operating supplies	12,300	12,246	54	8,018
Repairs and maintenance	16,850	16,819	31	15,241
Rental and lease	9,570	9,567	3	7,100
Dust control and chemicals	4,650	4,650	-	9,580
Road salt and sand	82,660	82,646	14	81,783
Crack sealing	31,685	31,683	2	24,593
Safety equipment	2,500	2,496	4	632
<b>Total roads</b>	<b>548,888</b>	<b>540,739</b>	<b>8,149</b>	<b>520,227</b>
<b>Engineering</b>	<b>8,700</b>	<b>8,613</b>	<b>87</b>	<b>7,481</b>
<b>Highway maintenance</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>5,795</b>
Street lighting:				
Power	105,310	105,301	9	112,278
Operating supplies	2,800	2,787	13	1,957
Repairs and maintenance	16,600	16,534	66	40,668
<b>Total street lighting</b>	<b>124,710</b>	<b>124,622</b>	<b>88</b>	<b>154,903</b>
Motor vehicle maintenance:				
Salaries and employee benefits	206,377	136,909	69,468	134,051
Fuel	39,791	39,790	1	31,761
Vehicle supplies	18,000	17,744	256	20,115
Repairs and maintenance	28,938	28,937	1	46,252
Small tools and equipment	19,940	19,937	3	24,846
<b>Total motor vehicle maintenance</b>	<b>313,046</b>	<b>243,317</b>	<b>69,729</b>	<b>257,025</b>
<b>Total public works</b>	<b>1,825,535</b>	<b>1,737,015</b>	<b>88,520</b>	<b>1,754,434</b>



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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services:				
Tourist center:				
Services	\$ 168,730	\$ 168,730	\$ -	\$ 169,030
Telephone	2,305	2,305	-	2,225
Fuel	2,810	2,810	-	2,667
Power	3,410	3,406	4	3,965
Water and sewer	1,644	1,643	1	1,490
Insurance	1,828	1,828	-	1,547
Janitorial supplies	1,423	1,423	-	1,104
Equipment	-	-	-	1,140
Repairs and maintenance	5,257	5,207	50	-
<b>Total tourist center</b>	<b>187,407</b>	<b>187,352</b>	<b>55</b>	<b>183,168</b>
Community center building:				
Services	2,850	2,292	558	-
Power	5,500	5,374	126	5,722
Heat	6,000	5,045	955	5,248
Water and sewer	2,800	2,557	243	2,539
Insurance	710	660	50	574
Operating supplies	7,300	4,102	3,198	12,063
Rental and lease	500	500	-	500
Repairs and maintenance	8,537	6,259	2,278	9,245
<b>Total community center building</b>	<b>34,197</b>	<b>26,789</b>	<b>7,408</b>	<b>35,891</b>
Parks and recreation:				
Salaries and employee benefits	86,819	86,664	155	77,022
Fuel	5,240	5,239	1	2,368
Operating supplies	21,095	20,655	440	10,391
Power	313	312	1	197
Water, sewer and garbage	700	700	-	560
Services	760	760	-	-
Repairs and maintenance	30,348	30,346	2	5,560
<b>Total parks and recreation</b>	<b>145,275</b>	<b>144,676</b>	<b>599</b>	<b>96,098</b>
Arena:				
Salaries and employee benefits	207,968	196,132	11,836	253,262
Advertising	400	156	244	1,126
Services	13,250	13,047	203	4,465

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Arena, continued:				
Telephone	\$ 4,000	\$ 3,977	\$ 23	\$ 3,360
Power	115,000	113,376	1,624	113,972
Heat	38,000	35,889	2,111	45,033
Water and sewer	16,020	14,959	1,061	17,473
Rental and lease	2,000	1,334	666	1,608
Fuel	5,000	4,494	506	3,548
Insurance	5,691	5,593	98	4,794
Operating supplies	10,700	8,962	1,738	8,997
Janitorial supplies	5,000	3,628	1,372	3,309
Learn to skate	3,000	2,580	420	3,000
Education and training	-	-	-	940
Small tools and equipment	500	440	60	352
Repairs and maintenance	34,800	29,227	5,573	54,072
Legal fees	1,000	943	57	205
<b>Total arena</b>	<b>462,329</b>	<b>434,737</b>	<b>27,592</b>	<b>519,516</b>
Library:				
Salaries and employee benefits	502,325	440,652	61,673	445,190
Subscriptions and dues	509	498	11	449
Travel	2,555	428	2,127	3,232
Education and training	3,420	828	2,592	1,482
Services	39,075	29,141	9,934	34,660
Telephone	8,000	7,581	419	6,309
Power	38,750	38,124	626	39,244
Heat	8,101	5,215	2,886	7,011
Water and sewer	4,200	3,967	233	3,974
Rental and lease	720	324	396	702
Insurance	7,367	7,367	-	6,628
Books and subscriptions	45,500	44,485	1,015	44,112

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Library, continued:				
Operating supplies	\$ 19,758	\$ 15,775	\$ 3,983	\$ 23,588
Repairs and maintenance	12,000	9,375	2,625	20,195
Equipment	18,836	17,473	1,363	17,099
Miscellaneous	4,625	4,503	122	3,998
<b>Total library</b>	<b>715,741</b>	<b>625,736</b>	<b>90,005</b>	<b>657,873</b>
<b>Total community services</b>	<b>1,544,949</b>	<b>1,419,290</b>	<b>125,659</b>	<b>1,492,546</b>
Debt service on bonds:				
Principal	80,000	80,000	-	75,000
Interest	30,050	30,050	-	31,550
<b>Total debt service on bonds</b>	<b>110,050</b>	<b>110,050</b>	<b>-</b>	<b>106,550</b>
<b>Total Expenditures</b>	<b>10,714,235</b>	<b>10,250,991</b>	<b>463,244</b>	<b>10,499,604</b>
<b>Excess of Revenues Over Expenditures</b>	<b>503,956</b>	<b>954,822</b>	<b>450,866</b>	<b>1,101,841</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	257,916	256,487	(1,429)	243,843
Transfers out	(1,330,812)	(1,199,812)	131,000	(949,346)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,072,896)</b>	<b>(943,325)</b>	<b>129,571</b>	<b>(705,503)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (568,940)</b>	<b>11,497</b>	<b>\$ 580,437</b>	<b>396,338</b>
<b>Fund Balance, beginning</b>		<b>6,266,880</b>		<b>5,870,542</b>
<b>Fund Balance, ending</b>		<b>\$ 6,278,377</b>		<b>\$ 6,266,880</b>

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## **Special Revenue Funds**

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

### ***Narcotics Grant***

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

### ***Police Grants***

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

### ***Neighborhood Parks Development***

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

### ***Asset Forfeiture***

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

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 51,820	\$ 26,705
Grants receivable	407	-
<b>Total Assets</b>	<b>\$ 52,227</b>	<b>\$ 26,705</b>
<b>Fund Balance</b>		
Committed for public safety	\$ 52,227	\$ 26,705

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

<i>Years Ended December 31,</i>	2018	2017
<b>Revenues</b>		
Intergovernmental - Federal government	\$ 11,670	\$ -
Miscellaneous income	135,000	-
<b>Total Revenues</b>	<b>146,670</b>	<b>-</b>
<b>Expenditures -</b>		
Building maintenance - salaries and employee benefits	121,148	-
<b>Net Change in Fund Balance</b>	<b>25,522</b>	<b>-</b>
<b>Fund Balance, beginning</b>	<b>26,705</b>	<b>26,705</b>
<b>Fund Balance, ending</b>	<b>\$ 52,227</b>	<b>\$ 26,705</b>

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

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<i>December 31,</i>	2018	2017
<b>Assets</b>		
Grants receivable	\$ 27,571	\$ 4,797
<b>Liabilities and Fund Balance</b>		
<hr/>		
Liabilities - Due to other funds	\$ 22,774	\$ -
<b>Fund Balance</b>		
Committed for public safety	4,797	4,797
<b>Total Liabilities and Fund Balance</b>	<b>\$ 27,571</b>	<b>\$ 4,797</b>

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

<i>Years Ended December 31,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental - Federal government	\$ 18,915	\$ 11,245	\$ (7,670)	\$ -
Miscellaneous income	55,000	47,040	(7,960)	11,775
<b>Total Revenues</b>	<b>73,915</b>	<b>58,285</b>	<b>(15,630)</b>	<b>11,775</b>
<b>Expenditures - public safety:</b>				
Salaries and employee benefits	67,245	51,558	15,687	10,839
Travel	2,800	2,680	120	-
Training	700	431	269	-
Supplies	1,000	2,184	(1,184)	-
Fuel	2,170	1,432	738	936
<b>Total Expenditures</b>	<b>73,915</b>	<b>58,285</b>	<b>15,630</b>	<b>11,775</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>Fund Balance, beginning</b>		<b>4,797</b>		<b>4,797</b>
<b>Fund Balance, ending</b>		<b>\$ 4,797</b>		<b>\$ 4,797</b>

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 38,839	\$ 28,737
<b>Fund Balance</b>		
Committed for parks	\$ 38,839	\$ 28,737

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

<i>Years Ended December 31,</i>	2018	2017
Revenues - development fees	\$ 10,102	\$ 2,100
<b>Expenditures</b>	-	-
<b>Net Change in Fund Balance</b>	10,102	2,100
<b>Fund Balance, beginning</b>	28,737	26,637
<b>Fund Balance, ending</b>	\$ 38,839	\$ 28,737

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 41,032	\$ 69,720
<b>Fund Balance</b>		
Restricted for public safety	\$ 41,032	\$ 69,720

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

<i>Years Ended December 31,</i>	2018	2017
<b>Revenues</b>		
State forfeiture funds	\$ 6,982	\$ 4,542
<b>Expenditures - equipment</b>	35,670	25,037
<b>Net Change in Fund Balance</b>	(28,688)	(20,495)
<b>Fund Balance, beginning</b>	69,720	90,215
<b>Fund Balance, ending</b>	\$ 41,032	\$ 69,720

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## Capital Project Funds

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

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

### *Capital Projects*

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

### *Equipment*

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

### *Road Improvements*

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

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 358,257	\$ 294,434
Grants receivable	53,455	64,952
<b>Total Assets</b>	<b>\$ 411,712</b>	<b>\$ 359,386</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,897	\$ 74,404
<b>Fund Balance</b>		
Committed for capital projects	387,815	284,982
<b>Total Liabilities and Fund Balance</b>	<b>\$ 411,712</b>	<b>\$ 359,386</b>



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

<i>Years Ended December 31,</i>	2018			2017	
	Budget	Actual	Variance with Budget	Actual	
<b>Revenues</b>					
Intergovernmental:					
State of Alaska	\$ 220,072	\$ 196,795	\$ (23,277)	\$ 161,225	
Federal government	258,720	-	(258,720)	9,904	
Miscellaneous income	-	-	-	7,450	
<b>Total Revenues</b>	<b>478,792</b>	<b>196,795</b>	<b>(281,997)</b>	<b>178,579</b>	
<b>Expenditures</b>					
General government - deferred maintenance	2,936	-	2,936	-	
Public safety - SAFER	-	-	-	9,904	
<b>Capital outlay:</b>					
Wayfinding and streetscapes	-	-	-	37,889	
Park improvements	50,204	-	50,204	15,175	
Mat Maid property	-	-	-	1,250	
Public video	75,000	1,535	73,465	-	
Library Front doors	25,000	21,945	3,055	-	
Library boiler replacement	-	-	-	44,095	
LED street light upgrades	47,226	47,226	-	107,774	
Parking lot update	138,774	138,774	-	31,775	
Ice arena equipment	34,786	10,000	24,786	23,160	
Crosswalk project	25,000	14,073	10,927	-	
Depot expansion	555	-	555	-	
Mayor projects	500	-	500	-	
COP matching funds-PSB	65,000	47,942	17,058	-	
Depot sound baffles	-	-	-	15,000	
Palmer bike rack project	461	-	461	989	
Keep America beautiful	-	-	-	5,000	

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

<i>Years Ended December 31,</i>	2018			2017	
	Budget	Actual	Variance with Budget		
				Budget	Actual
<b>Expenditures, continued</b>					
Capital outlay, continued:					
ADA sidewalk	\$ 323,400	\$ -	\$ 323,400	\$	104,197
Property acquisition	70,097	-	70,097		-
Public safety building repair	141,069	141,069	-		52,338
Public works storage building	79,003	55,727	23,276		70,671
Regular benefits	-	-	-		326
City hall office renovations	29,704	-	29,704		-
<b>Total capital outlay</b>	<b>1,105,779</b>	<b>478,291</b>	<b>627,488</b>		<b>509,639</b>
<b>Total Expenditures</b>	<b>1,108,715</b>	<b>478,291</b>	<b>630,424</b>		<b>519,543</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(629,923)	(281,496)	348,427		(340,964)
<b>Other Financing Sources (Uses)</b>					
Transfers in	384,329	384,329	-		125,000
Transfers out	-	-	-		(31,005)
<b>Total Other Financing Sources (Uses)</b>	<b>384,329</b>	<b>384,329</b>	<b>-</b>		<b>93,995</b>
<b>Net Change in Fund Balance</b>	<b>\$ (245,594)</b>	<b>102,833</b>	<b>\$ 348,427</b>		<b>(246,969)</b>
<b>Fund Balance, beginning</b>		<b>284,982</b>			<b>531,951</b>
<b>Fund Balance, ending</b>		<b>\$ 387,815</b>			<b>\$ 284,982</b>

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 550,064	\$ 501,174
Grants receivable	-	128,459
<b>Total Assets</b>	<b>\$ 550,064</b>	<b>\$ 629,633</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 10,604
<b>Fund Balance</b>		
Committed for equipment replacement	550,064	619,029
<b>Total Liabilities and Fund Balance</b>	<b>\$ 550,064</b>	<b>\$ 629,633</b>

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

Years Ended December 31,	2018		Variance with	2017
	Budget	Actual	Budget	Actual
<b>Revenues</b>				
Intergovernmental:				
State of Alaska	\$ 301,264	\$ 49,434	\$ (251,830)	\$ 72,888
Federal government	-	-	-	125,000
E911 revenue	53,276	53,276	-	69,034
<b>Total Revenues</b>	<b>354,540</b>	<b>102,710</b>	<b>(251,830)</b>	<b>266,922</b>
<b>Expenditures - capital outlay:</b>				
Administrative services	13,673	1,681	11,992	3,471
Dispatch equipment	152,997	99,721	53,276	-
Clerk/Council equipment	4,915	-	4,915	-
Police equipment	212,972	135,306	77,666	717,682
Public works equipment	242,439	219,557	22,882	62,103
Fire equipment	367,591	127,410	240,181	69,417
<b>Total Expenditures</b>	<b>994,587</b>	<b>583,675</b>	<b>410,912</b>	<b>852,673</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(640,047)</b>	<b>(480,965)</b>	<b>159,082</b>	<b>(585,751)</b>
<b>Other Financing Sources</b>				
Transfers in	412,000	412,000	-	330,000
Proceeds from capital lease	-	-	-	425,654
<b>Total Other Financing Sources</b>	<b>412,000</b>	<b>412,000</b>	<b>-</b>	<b>755,654</b>
<b>Net Change in Fund Balance</b>	<b>\$ (228,047)</b>	<b>(68,965)</b>	<b>\$ 159,082</b>	<b>169,903</b>
<b>Fund Balance, beginning</b>		<b>619,029</b>		<b>449,126</b>
<b>Fund Balance, ending</b>		<b>\$ 550,064</b>		<b>\$ 619,029</b>

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 448,777	\$ 131,738
<b>Fund Balance</b>		
Committed for roads and streets	\$ 448,777	\$ 131,738

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

<i>Years Ended December 31,</i>	2018			2017
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay	\$ 500,000	\$ 51,222	\$ 448,778	\$ -
Other Financing Sources - transfers in	368,261	368,261	-	50,000
Net Change in Fund Balance	<u>\$ (131,739)</u>	317,039	<u>\$ 448,778</u>	50,000
Fund Balance, beginning		<u>131,738</u>		<u>81,738</u>
Fund Balance, ending		<u>\$ 448,777</u>		<u>\$ 131,738</u>

## **Enterprise Funds**

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

### ***Water and Sewer***

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

### ***Airport***

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

### ***Refuse***

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

### ***Golf Course***

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

### ***Land Development***

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

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

<i>December 31,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 1,292,558	\$ 852,092
Receivables:		
Grants and loans	86,613	348,894
Accounts	346,876	311,483
Inventories - materials and supplies	150,385	155,577
<b>Total Current Assets</b>	<b>1,876,432</b>	<b>1,668,046</b>
<b>Property, Plant and Equipment:</b>		
Land	45,164	45,164
Buildings	60,067	60,067
Machinery and equipment	1,397,027	1,227,123
Improvements other than buildings	77,765,230	77,698,838
Construction work in progress	15,925,961	10,588,728
Total property, plant and equipment	95,193,449	89,619,920
Less accumulated depreciation	(25,655,599)	(23,633,844)
<b>Net Property, Plant and Equipment</b>	<b>69,537,850</b>	<b>65,986,076</b>
<b>Total Assets</b>	<b>71,414,282</b>	<b>67,654,122</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	30,099	28,217
Related to other postemployment benefits	27,419	-
<b>Total Deferred Outflows of Resources</b>	<b>57,518</b>	<b>28,217</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 71,471,800</b>	<b>\$ 67,682,339</b>



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

<i>December 31,</i>	2018	2017
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 168,623	\$ 69,653
Capital related accounts payable	118,994	942,380
Accrued payroll and employee benefits	17,595	223
Vested unpaid vacation and sick leave	37,948	37,105
Current portion of loans payable	308,001	181,318
Accrued interest payable	21,693	21,693
Customer deposits	246,364	225,744
<b>Total Current Liabilities</b>	<b>919,218</b>	<b>1,478,116</b>
<b>Long-term Liabilities, net of current portion</b>		
Loans payable	7,147,661	5,041,313
Advance from other fund	1,000,000	1,000,000
Net pension liability	329,128	330,856
Net other postemployment benefits liability	96,411	-
<b>Total Long-term Liabilities</b>	<b>8,573,200</b>	<b>6,372,169</b>
<b>Total Liabilities</b>	<b>9,492,418</b>	<b>7,850,285</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	6,496	53,592
Related to other postemployment benefits	38,250	-
<b>Total Deferred Inflows of Resources</b>	<b>44,746</b>	<b>53,592</b>
<b>Net Position</b>		
Net investment in capital assets	61,963,194	59,821,065
Unrestricted (deficit)	(28,558)	(42,603)
<b>Total Net Position</b>	<b>61,934,636</b>	<b>59,778,462</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 71,471,800</b>	<b>\$ 67,682,339</b>

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

<i>Years Ended December 31,</i>	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Water sales	\$ 1,465,000	\$ 1,454,044	\$ (10,956)	\$ 1,418,040
Sewer services	1,315,000	1,287,615	(27,385)	1,188,516
Connection fees	51,600	50,200	(1,400)	34,660
Miscellaneous	30,665	30,665	-	26,944
<b>Total Operating Revenues</b>	<b>2,862,265</b>	<b>2,822,524</b>	<b>(39,741)</b>	<b>2,668,160</b>
<b>Operating Expenses Excluding Depreciation</b>				
Water:				
Salaries and employee benefits	288,858	264,760	(24,098)	258,187
Administrative services	190,614	190,614	-	193,342
Audit	11,851	11,851	-	10,372
Advertising	2,044	2,043	(1)	1,978
Education and training	538	538	-	2,728
Legal fees	200	103	(97)	-
Engineering	500	-	(500)	-
Services	26,345	25,048	(1,297)	25,614
Telephone	10,281	10,281	-	10,203
Power	117,955	117,954	(1)	114,461
Heat	10,358	10,357	(1)	10,336
Fuel	6,448	6,447	(1)	5,918
Equipment rental	48	-	(48)	-
Insurance	14,909	14,859	(50)	12,793
Office supplies	2,293	2,291	(2)	2,703
Operating supplies	4,765	4,762	(3)	1,716
Repairs and maintenance	72,740	75,886	3,146	34,630
Small tools	1,000	793	(207)	1,480
Chemicals	9,000	8,648	(352)	10,306
Permits	9,000	8,967	(33)	8,967
Equipment	34,461	12,943	(21,518)	120,731
Miscellaneous	8,169	18,911	10,742	207,245
<b>Total water</b>	<b>822,377</b>	<b>788,056</b>	<b>(34,321)</b>	<b>1,033,710</b>

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

<i>Years Ended December 31,</i>	2018		Variance with Budget	2017
	Budget	Actual		Actual
<b>Operating Expenses Excluding Depreciation, continued</b>				
Sewer:				
Salaries and employee benefits	\$ 304,477	\$ 305,080	\$ (603)	\$ 297,768
Administrative services	219,500	219,500	-	222,912
Audit	10,741	10,741	-	9,400
Education and training	1,800	1,770	30	1,267
Legal	20,000	19,320	680	28,809
Engineering	100	-	100	-
Services	37,737	36,079	1,658	39,064
Telephone	11,661	11,660	1	8,530
Power	257,389	256,677	712	216,161
Heat	15,542	15,541	1	8,205
Fuel	10,889	10,888	1	10,686
Equipment rental	100	-	100	1,970
Insurance	21,777	21,727	50	12,983
Office supplies	2,000	1,521	479	2,603
Operating supplies	21,210	21,209	1	14,955
Repairs and maintenance	63,500	48,182	15,318	26,320
Small tools	3,500	3,382	118	2,635
Equipment	27,360	12,858	14,502	10,600
Permits	9,000	8,967	33	8,967
Miscellaneous	3,500	3,462	38	3,657
<b>Total sewer</b>	<b>1,041,783</b>	<b>1,008,564</b>	<b>33,219</b>	<b>927,492</b>
<b>Total Operating Expenses Excluding Depreciation</b>	<b>1,864,160</b>	<b>1,796,620</b>	<b>67,540</b>	<b>1,961,202</b>
<b>Operating Income Before Depreciation</b>	<b>998,105</b>	<b>1,025,904</b>	<b>27,799</b>	<b>706,958</b>
<b>Depreciation</b>	<b>-</b>	<b>2,021,755</b>	<b>(2,021,755)</b>	<b>1,979,865</b>
<b>Operating Income (Loss)</b>	<b>998,105</b>	<b>(995,851)</b>	<b>(1,993,956)</b>	<b>(1,272,907)</b>

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

<i>Years Ended December 31,</i>	2018			2017	
	Budget	Actual	Variance with Budget	Actual	
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	\$ 12,222	\$ 6,518	\$ (5,704)	\$ 12,948	
Miscellaneous income	12,854	12,853	(1)	5,616	
Interest expense	(117,356)	(117,325)	31	(27,305)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(92,280)</b>	<b>(97,954)</b>	<b>(5,674)</b>	<b>(8,741)</b>	
<b>Income (Loss) Before Contributions and Transfers</b>	<b>905,825</b>	<b>(1,093,805)</b>	<b>(1,999,630)</b>	<b>(1,281,648)</b>	
Capital contributions	3,625,625	3,488,771	(136,854)	2,226,678	
Transfers in	-	-	-	154,746	
Transfers out	(169,380)	(169,380)	-	(160,950)	
<b>Change In Net Position</b>	<b><u>\$ 4,362,070</u></b>	<b>2,225,586</b>	<b><u>\$ (2,136,484)</u></b>	<b>938,826</b>	
<b>Net Position, beginning, as restated (note 14)</b>		<b><u>59,709,050</u></b>		<b><u>58,839,636</u></b>	
<b>Net Position, ending</b>		<b><u>\$ 61,934,636</u></b>		<b><u>\$ 59,778,462</u></b>	

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

<i>Years Ended December 31,</i>	2018	2017
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers and users	\$ 2,820,604	\$ 2,674,963
Payments to suppliers	(712,504)	(1,185,207)
Payments to employees	(557,983)	(512,579)
Payments for interfund services used	(410,114)	(416,254)
<b>Net cash flows from operating activities</b>	<b>1,140,003</b>	<b>560,923</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	-	154,746
Transfers out	(169,380)	(160,950)
<b>Net cash flows for noncapital financing activities</b>	<b>(169,380)</b>	<b>(6,204)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Capital contributions received	3,751,052	2,751,824
Purchase of property, plant and equipment and construction work in progress	(6,396,915)	(6,420,441)
Proceeds from loans	2,496,286	2,327,100
Increase in interfund advance	-	1,000,000
Principal payments on loans payable	(263,255)	(179,216)
Interest paid	(117,325)	(27,305)
<b>Net cash flows for capital and related financing activities</b>	<b>(530,157)</b>	<b>(548,038)</b>
<b>Net Increase in Cash and Investments</b>	<b>440,466</b>	<b>6,681</b>
<b>Cash and Investments, beginning</b>	<b>852,092</b>	<b>845,411</b>
<b>Cash and Investments, ending</b>	<b>\$ 1,292,558</b>	<b>\$ 852,092</b>

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

<i>Years Ended December 31,</i>	2018	2017
<b>Reconciliation of Operating Loss to Net</b>		
<b>Cash Flows from Operating Activities</b>		
Operating loss	\$ (995,851)	\$ (1,272,907)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,021,755	1,979,865
Noncash expense - PERS relief	6,518	12,948
Other revenues	12,853	5,616
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(35,393)	(21,533)
Inventories - materials and supplies	5,192	(17,390)
Deferred outflows of resources related to pensions	(1,882)	36,309
Deferred outflows of resources related to other postemployment benefi	(20,939)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	98,970	(178,824)
Accrued payroll and employee benefits	17,372	-
Vested unpaid vacation and sick leave	843	2,705
Customer deposits	20,620	22,720
Net pension liability	(1,728)	(59,085)
Net other postemployment benefits liability	20,519	-
Deferred inflows of resources related to pensions	(47,096)	50,499
Deferred inflows of resources related to other postemployment benefits	38,250	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,140,003</b>	<b>\$ 560,923</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of capital assets on account	\$ 118,994	\$ 942,380

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

<i>December 31,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ -	\$ 8,039
Receivables:		
Accounts	8,126	6,452
Grants	323,195	271,070
<b>Total Current Assets</b>	<b>331,321</b>	<b>285,561</b>
<b>Property, Plant and Equipment</b>		
Land	1,412,289	1,412,289
Buildings	509,758	509,758
Machinery and equipment	811,541	811,541
Improvements other than buildings	18,984,196	18,525,015
Construction work in progress	8,096,303	7,591,096
<b>Total property, plant and equipment</b>	<b>29,814,087</b>	<b>28,849,699</b>
Less accumulated depreciation	(15,779,130)	(15,222,397)
<b>Net Property, Plant and Equipment</b>	<b>14,034,957</b>	<b>13,627,302</b>
<b>Total Assets</b>	<b>14,366,278</b>	<b>13,912,863</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	8,286	7,797
Related to other postemployment benefits	7,219	-
<b>Total Deferred Outflows of Resources</b>	<b>15,505</b>	<b>7,797</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 14,381,783</b>	<b>\$ 13,920,660</b>

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

<i>December 31,</i>	2018	2017
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,894	\$ 5,425
Capital related accounts payable	-	261,143
Accrued payroll and employee benefits	4,033	-
Vested unpaid vacation and sick leave	13,786	8,136
Due to other funds	269,406	-
Unearned revenue	78,642	70,718
<b>Total Current Liabilities</b>	<b>373,761</b>	<b>345,422</b>
<b>Long-term Liabilities</b>		
Advance from other fund	359,914	112,589
Net pension liability	90,973	91,422
Net other postemployment benefits liability	25,382	-
<b>Total Long-term Liabilities</b>	<b>476,269</b>	<b>204,011</b>
<b>Total Liabilities</b>	<b>850,030</b>	<b>549,433</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	2,568	14,809
Related to other postemployment benefits	10,070	-
<b>Total Deferred Inflows of Resources</b>	<b>12,638</b>	<b>14,809</b>
<b>Net Position</b>		
Net investment in capital assets	14,034,957	13,366,159
Unrestricted (deficit)	(515,842)	(9,741)
<b>Total Net Position</b>	<b>13,519,115</b>	<b>13,356,418</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 14,381,783</b>	<b>\$ 13,920,660</b>



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

<i>Years Ended December 31,</i>	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Aviation fuel - revenue sharing	\$ 10,014	\$ 10,014	\$ -	\$ 12,180
Tiedown fees	27,715	27,715	-	25,282
Land leases	173,162	170,634	(2,528)	157,796
Agricultural land leases	7,307	7,307	-	2,942
Miscellaneous	37,180	35,052	(2,128)	16,525
<b>Total Operating Revenues</b>	<b>255,378</b>	<b>250,722</b>	<b>(4,656)</b>	<b>214,725</b>
<b>Operating Expenses Excluding Depreciation</b>				
Salaries and employee benefits	141,485	133,359	8,126	127,477
Administrative services	87,944	107,881	(19,937)	87,944
Audit	2,094	2,094	-	1,833
Advertising	1,900	1,895	5	1,652
Subscriptions and dues	320	317	3	275
Education and training	2,250	2,106	144	1,438
Legal fees	4,500	1,089	3,411	36,433
Services	30,965	23,682	7,283	11,633
Telephone	4,000	3,931	69	3,166
Power	14,680	14,679	1	15,087
Heat	5,645	5,643	2	3,182
Water, sewer and garbage	405	404	1	436
Fuel	7,446	7,446	-	5,500
Insurance	12,815	12,813	2	12,059
Operating supplies	2,000	1,555	445	1,098
Rental and lease	1,000	404	596	414
Repairs and maintenance	33,311	33,310	1	42,833
Building and improvements	5,500	-	5,500	4,850
Engineering	9,000	8,996	4	4,400
Office equipment	-	-	-	343
Small tools and equipment	1,850	1,481	369	486
Board stipends	2,400	950	1,450	1,100
<b>Total Operating Expenses Excluding Depreciation</b>	<b>371,510</b>	<b>364,035</b>	<b>7,475</b>	<b>363,639</b>

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

<i>Years Ended December 31,</i>	2018			2017	
	Budget	Actual	Variance with Budget	Actual	
Operating Loss Before Depreciation	\$ (116,132)	\$ (113,313)	\$ 2,819	\$ (148,914)	
Depreciation	-	556,733	(556,733)	550,044	
Operating Loss	(116,132)	(670,046)	(553,914)	(698,958)	
Nonoperating Revenues - State PERS relief	3,177	1,694	(1,483)	3,576	
Loss Before Contributions and Transfers	(112,955)	(668,352)	(555,397)	(695,382)	
Capital contributions	1,045,329	799,101	(246,228)	7,004,970	
Transfers in	181,222	50,222	(131,000)	410,751	
Transfers out	-	-	-	(154,746)	
Change in Net Position	<u>\$ 1,113,596</u>	180,971	<u>\$ (932,625)</u>	6,565,593	
Net Position, beginning, as restated (note 14)		<u>13,338,144</u>		<u>6,790,825</u>	
Net Position, ending		<u>\$ 13,519,115</u>		<u>\$ 13,356,418</u>	

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

Years Ended December 31,	2018	2017
<b>Cash Flows for Operating Activities</b>		
Cash receipts from customers and users	\$ 256,972	\$ 241,106
Payments to employees	(125,202)	(129,695)
Payments to suppliers	(120,326)	(176,232)
Payments for interfund services used	(107,881)	(87,944)
<b>Net cash flows for operating activities</b>	<b>(96,437)</b>	<b>(152,765)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Increase in advance from General Fund	247,325	-
Transfers in	-	154,746
Transfers out	-	(154,746)
<b>Net cash flows from noncapital financing activities</b>	<b>247,325</b>	<b>-</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Capital contributions received	746,976	6,964,310
Transfers in	50,222	256,005
Increase in due to other funds	269,406	-
Purchase of property, plant and equipment and construction work in progress	(1,225,531)	(7,105,813)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(158,927)</b>	<b>114,502</b>
<b>Net Decrease in Cash and Investments</b>	<b>(8,039)</b>	<b>(38,263)</b>
<b>Cash and Investments, beginning</b>	<b>8,039</b>	<b>46,302</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ 8,039</b>
<b>Reconciliation of Operating Loss to Net</b>		
<b>Cash Flows for Operating Activities</b>		
Operating loss	\$ (670,046)	\$ (698,958)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	556,733	550,044
Non-cash expense - PERS relief	1,694	3,576
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(1,674)	(6,452)
Deferred outflows of resources related to pensions	(489)	13,943
Deferred outflows of resources related to other postemployment benefits	(5,513)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	2,469	(28,014)
Accrued payroll and employee benefits	4,033	-
Vested unpaid vacation and sick leave	5,650	3,639
Unearned revenue	7,924	32,833
Net pension liability	(449)	(36,793)
Net other postemployment benefits liability	5,402	-
Deferred inflows of resources related to pensions	(12,241)	13,417
Deferred inflows of resources related to other postemployment benefits	10,070	-
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (96,437)</b>	<b>\$ (152,765)</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of capital assets on account	\$ -	\$ 261,143

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

<i>December 31,</i>	2018	2017
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 794,814	\$ 765,913
Accounts receivable	126,198	123,498
<b>Total Current Assets</b>	<b>921,012</b>	<b>889,411</b>
<b>Property, Plant and Equipment</b>		
Buildings	52,667	52,667
Machinery and equipment	1,015,720	1,015,720
Total property, plant and equipment	1,068,387	1,068,387
Less accumulated depreciation	(542,633)	(474,807)
<b>Net Property, Plant and Equipment</b>	<b>525,754</b>	<b>593,580</b>
<b>Total Assets</b>	<b>1,446,766</b>	<b>1,482,991</b>
<b>Deferred Outflows of Resources</b>		
Related to pensions	6,143	5,781
Related to other postemployment benefits	5,242	-
<b>Total Deferred Outflows of Resources</b>	<b>11,385</b>	<b>5,781</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,458,151</b>	<b>\$ 1,488,772</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 31,818	\$ 30,414
Accrued payroll and employee benefits	2,930	-
Vested unpaid vacation and sick leave	14,254	13,106
<b>Total Current Liabilities</b>	<b>49,002</b>	<b>43,520</b>
<b>Long-term Liabilities</b>		
Net pension liability	200,720	201,052
Other postemployment benefits liability	18,430	-
<b>Total Long-term Liabilities</b>	<b>219,150</b>	<b>201,052</b>
<b>Total Liabilities</b>	<b>268,152</b>	<b>244,572</b>
<b>Deferred Inflows of Resources</b>		
Related to pensions	1,922	10,978
Related to other postemployment benefits	7,312	-
<b>Total Deferred Inflows of Resources</b>	<b>9,234</b>	<b>10,978</b>
<b>Net Position</b>		
Net investment in capital assets	525,754	593,580
Unrestricted	655,011	639,642
<b>Total Net Position</b>	<b>1,180,765</b>	<b>1,233,222</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,458,151</b>	<b>\$ 1,488,772</b>

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

Years Ended December 31,	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues - solid waste collection fees</b>	\$ 712,955	\$ 729,249	\$ 16,294	\$ 779,736
<b>Operating Expenses Excluding Depreciation</b>				
Salaries and employee benefits	118,026	114,685	3,341	61,547
Administrative services	123,660	123,660	-	125,929
Advertising	2,370	2,370	-	-
Audit	2,402	2,402	-	2,103
Services	367,171	367,140	31	353,310
Fuel	15,322	15,322	-	14,173
Insurance	7,109	7,107	2	6,393
Vehicle insurance	5,525	5,525	-	6,152
Operating supplies	5,063	1,562	3,501	3,153
Repairs and maintenance	16,578	14,969	1,609	2,068
Equipment	2,192	2,140	52	3,471
Travel	-	-	-	510
Miscellaneous	2,325	2,322	3	2,382
<b>Total Operating Expenses Excluding Depreciation</b>	<b>667,743</b>	<b>659,204</b>	<b>8,539</b>	<b>581,191</b>
<b>Operating Income Before Depreciation</b>	<b>45,212</b>	<b>70,045</b>	<b>24,833</b>	<b>198,545</b>
<b>Depreciation</b>	<b>-</b>	<b>67,826</b>	<b>(67,826)</b>	<b>59,530</b>
<b>Operating Income</b>	<b>45,212</b>	<b>2,219</b>	<b>(42,993)</b>	<b>139,015</b>
<b>Nonoperating Revenues</b>				
State PERS relief	2,350	1,253	(1,097)	2,654
<b>Income Before Transfers</b>	<b>47,562</b>	<b>3,472</b>	<b>(44,090)</b>	<b>141,669</b>
<b>Transfers out</b>	<b>(42,660)</b>	<b>(42,660)</b>	<b>-</b>	<b>(42,120)</b>
<b>Change in Net Position</b>	<b>\$ 4,902</b>	<b>(39,188)</b>	<b>\$ (44,090)</b>	<b>99,549</b>
<b>Net Position, beginning, as restated (note 14)</b>		<b>1,219,953</b>		<b>1,133,673</b>
<b>Net Position, ending</b>		<b>\$1,180,765</b>		<b>\$1,233,222</b>

## City of Palmer, Alaska

Refuse Enterprise Fund  
Statement of Cash Flows

Years Ended December 31,	2018	2017
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers and users	\$ 726,549	\$ 769,302
Payments to suppliers	(419,455)	(390,565)
Payments to employees	(111,873)	(112,872)
Payments for interfund services used	(123,660)	(125,929)
<b>Net cash flows from operating activities</b>	<b>71,561</b>	<b>139,936</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	(42,660)	(42,120)
<b>Cash Flows for Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	-	(388,570)
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>28,901</b>	<b>(290,754)</b>
<b>Cash and Investments, beginning</b>	<b>765,913</b>	<b>1,056,667</b>
<b>Cash and Investments, ending</b>	<b>\$ 794,814</b>	<b>\$ 765,913</b>
<b>Reconciliation of Operating Income to Net</b>		
<b>Cash Flows from Operating Activities</b>		
Operating income	\$ 2,219	\$ 139,015
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	67,826	59,530
Noncash expense - PERS relief	1,253	2,654
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(2,700)	(10,434)
Deferred outflows of resources related to pensions	(362)	49,514
Deferred outflows of resources related to other postemployment benefits	(4,003)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	1,404	3,150
Accrued payroll and employee benefits	2,930	-
Vested unpaid vacation and sick leave	1,148	3,639
Net pension liability	(332)	(113,262)
Net other postemployment benefits liability	3,922	-
Deferred inflows of resources related to pensions	(9,056)	6,130
Deferred inflows of resources related to other postemployment benefits	7,312	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 71,561</b>	<b>\$ 139,936</b>

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

<i>December 31,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Prepaid expenses	\$ 700	\$ -
Inventories - materials and supplies	3,157	19,644
<b>Total Current Assets</b>	<b>3,857</b>	<b>19,644</b>
<b>Property, Plant and Equipment</b>		
Land and land improvements	1,544,620	1,544,620
Buildings	254,559	254,559
Machinery and equipment	411,299	411,299
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,877,712	2,877,712
Less accumulated depreciation	(1,033,174)	(985,656)
<b>Net Property, Plant and Equipment</b>	<b>1,844,538</b>	<b>1,892,056</b>
<b>Total Assets</b>	<b>\$ 1,848,395</b>	<b>\$ 1,911,700</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 711	\$ 718
Unearned revenue	27,879	24,982
<b>Total Current Liabilities</b>	<b>28,590</b>	<b>25,700</b>
<b>Long-term Liabilities</b>		
Advance from other fund	621,858	591,233
<b>Total Liabilities</b>	<b>650,448</b>	<b>616,933</b>
<b>Net Position</b>		
Net investment in capital assets	1,844,538	1,892,056
Unrestricted (deficit)	(646,591)	(597,289)
<b>Total Net Position</b>	<b>1,197,947</b>	<b>1,294,767</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,848,395</b>	<b>\$ 1,911,700</b>

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

<i>Years Ended December 31,</i>	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Golf course fees:				
Green fees	\$ 353,000	\$ 351,682	\$ (1,318)	\$ 315,222
Driving range fees	32,000	26,515	(5,485)	26,157
Golf cart rentals and trail fees	113,800	110,103	(3,697)	98,011
Golf club rentals	6,800	5,670	(1,130)	6,864
Clubhouse revenues:				
Beer and wine sales	48,000	49,406	1,406	40,585
Snack bar	69,000	62,140	(6,860)	61,377
Merchandise sales	184,668	184,668	-	171,895
Miscellaneous	1,885	447	(1,438)	469
<b>Total Operating Revenues</b>	<b>809,153</b>	<b>790,631</b>	<b>(18,522)</b>	<b>720,580</b>
<b>Operating Expenses Excluding Depreciation</b>				
Golf management contract	650,000	650,000	-	650,000
Audit	3,122	3,122	-	2,733
Services	16,633	16,633	-	14,569
Power	24,944	24,944	-	14,232
Heat	1,516	1,516	-	1,719
Water and sewer	3,041	3,041	-	1,737
Rental and lease	9,118	9,118	-	8,496
Insurance	8,120	8,120	-	10,535
Vehicle insurance	225	225	-	300
Operating supplies	22,057	22,057	-	19,335
Repairs and maintenance	18,429	18,428	1	14,412
Merchandise	-	16,487	(16,487)	13,228
Equipment	21,796	21,795	1	2,950
<b>Total Operating Expenses Excluding Depreciation</b>	<b>779,001</b>	<b>795,486</b>	<b>(16,485)</b>	<b>754,246</b>
<b>Operating Income (Loss) Before Depreciation</b>	<b>30,152</b>	<b>(4,855)</b>	<b>(35,007)</b>	<b>(33,666)</b>



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

<i>Years Ended December 31,</i>	2018		Variance with Budget	2017
	Budget	Actual		Actual
Depreciation	\$ -	\$ 47,518	\$ (47,518)	\$ 45,614
Operating Income (Loss) Before Transfers	30,152	(52,373)	(82,525)	(79,280)
Transfers out	(44,447)	(44,447)	-	(40,773)
Change in Net Position	<u>\$ (14,295)</u>	(96,820)	<u>\$ (82,525)</u>	(120,053)
Net Position, beginning		<u>1,294,767</u>		<u>1,414,820</u>
Net Position, ending		<u>\$ 1,197,947</u>		<u>\$ 1,294,767</u>

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

<i>Years Ended December 31,</i>	2018	2017
<b>Cash Flows from (for) Operating Activities</b>		
Cash receipts from customers and users	\$ 793,528	\$ 720,212
Payments to suppliers	(779,706)	(741,083)
<b>Net cash flows from (for) operating activities</b>	<b>13,822</b>	<b>(20,871)</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Increase in advance from General Fund	30,625	-
Transfers out	(44,447)	(40,773)
<b>Net cash flows for noncapital financing activities</b>	<b>(13,822)</b>	<b>(40,773)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	-	(25,708)
Increase in advance from General Fund	-	87,352
<b>Net cash flows from capital and related financing activities</b>	<b>-</b>	<b>61,644</b>
<b>Net Increase in Cash and Investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Loss to Net</b>		
<b>Cash Flows from (for) Operating Activities</b>		
Operating loss	\$ (52,373)	\$ (79,280)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	47,518	45,614
(Increase) decrease in assets:		
Prepaid expenses	(700)	600
Inventories - materials and supplies	16,487	13,228
Increase (decrease) in liabilities:		
Accounts payable	(7)	(665)
Unearned revenue	2,897	(368)
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 13,822</b>	<b>\$ (20,871)</b>

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

<i>Years Ended December 31,</i>	2018	2017
<b>Assets</b>		
Cash and investments	\$ 369	\$ 15,369
Land held for sale	217,414	217,414
<b>Total Assets</b>	<b>\$ 217,783</b>	<b>\$ 232,783</b>
<b>Liabilities and Net Position</b>		
Net Position - Unrestricted	217,783	232,783
<b>Total Liabilities and Net Position</b>	<b>\$ 217,783</b>	<b>\$ 232,783</b>

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

<i>Years Ended December 31,</i>	2018		2017	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues - land sales</b>	\$ 15,000	\$ -	\$ (15,000)	\$ -
<b>Income (Loss) Before Transfers</b>	15,000	-	(15,000)	-
<b>Transfers out</b>	-	(15,000)	(15,000)	\$ 64,600
<b>Change in Net Position</b>	<u>\$ 15,000</u>	(15,000)	<u>\$ (30,000)</u>	64,600
<b>Net Position, beginning</b>		<u>232,783</u>		<u>168,183</u>
<b>Net Position, ending</b>		<u>\$ 217,783</u>		<u>\$ 232,783</u>

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

<i>Years Ended December 31,</i>	2018	2017
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers in (out)	\$ (15,000)	\$ 64,600
Decrease in due to other funds	-	(49,231)
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(15,000)</b>	<b>15,369</b>
<b>Cash and Investments, beginning</b>	<b>15,369</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ 369</b>	<b>\$ 15,369</b>

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## Schedule of Federal Expenditures

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**City of Palmer, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**for the Year Ended December 31, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expend- itures
<b>Department of Transportation</b>				
Airport Improvement Program 2015	20.106		\$ -	\$ 2,618
Airport Improvement Program 2017	20.106		-	298,145
Airport Improvement Program 2018	20.106		-	<u>496,562</u>
Total CFDA 20.106				<u>797,325</u>
Passed through State of Alaska Department of Transportation- Highway Safety Cluster - National Priority Safety Program				
ASTEP DUI Enforcement	20.616	405d M5HVE-18-01-0F(A)-11	-	11,245
Total Department of Transportation				<u>808,570</u>
<b>Public Safety Partnership and Community Policing Grants</b>				
DEA Opiate Task Force (Overtime) 2018	16.710		-	7,701
DEA Opiate Task Force (Overtime) 2019	16.710		-	<u>3,969</u>
Total Department of Justice				<u>11,670</u>
<b>Department of Agriculture</b>				
Passed through State of Alaska Department of Natural Resources - Cooperative Forestry Assistance				
Water and Waste Proposal System for Rural Communities	10.664	N/A	-	7,500
	10.760	N/A	-	<u>5,183,920</u>
Total Department of Agriculture				<u>5,191,420</u>
<b>Environmental Protection Agency</b>				
Passed through State of Alaska Department of Environmental Conservation - Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water				
State Revolving Funds - Federal Subsidy	66.458	N/A	-	1,500
Capitalization Grants for Clean Water				
State Revolving Funds - Loan	66.458	N/A	-	<u>500</u>
Total Environmental Protection Agency				<u>2,000</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 6,013,660</u>

*See accompanying notes to Schedule of Expenditures of Federal Awards.*



# City of Palmer, Alaska

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Palmer under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Palmer, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Palmer.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

### 3. Drinking Water Revolving Loan

The Drinking Water Revolving Loan is a program that is funded through a mix of federal and state funding. This loan was offered with a subsidized portion not to exceed \$964,286.

### 4. Indirect Cost Rate

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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## Single Audit Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palmer, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Palmer's basic financial statements, and have issued our report thereon dated September 3, 2019

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*BDO USA, LLP*

Anchorage, Alaska  
September 3, 2019



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## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

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

We have audited City of Palmer's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of City of Palmer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Palmer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, City of Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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## Report on Internal Control Over Compliance

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

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

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

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

*BDO USA, LLP*

Anchorage, Alaska  
September 3, 2019

# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2018

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

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were presented in accordance with GAAP:

Unmodified

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

***Federal Awards***

Internal control over major federal programs:		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	<u>X</u> no
--	---------	-------------

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
10.760	Water and Waste Disposal System for Rural Communities	Department of Agriculture

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no
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# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs, continued

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### Section II - Financial Statement Findings

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

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

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516 (a)) that are required to be reported.



DEPARTMENT OF FINANCE

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City of Palmer, Alaska

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2018

**Financial Statement Findings Required to be Reported in Accordance with  
Government Auditing Standards**

**Finding 2017-001 Accounting for Interfund Loan - Material Weakness in  
Internal Control Over Financial Reporting**

Condition: The General Fund made a loan to the Water and Sewer Fund.  
The loan was incorrectly recorded as a transfer rather than an  
advance.

Status: Corrected

**Federal Award Findings and Questioned Costs**

There were no prior year audit findings.

**State Award Findings and Questioned Costs**

There were no prior year audit findings.

# AUDIT WRAP UP

December 31, 2018



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

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September 3, 2019

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

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On March 13, 2019 we presented an overview of our plan for the audit of the financial statements of City of Palmer (the City) as of and for the year ended December 31, 2018, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

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

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

Respectfully,

*BDO USA, LLP*

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# Discussion Outline

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Status of Our Audit.....	3
Results of Our Audit.....	4
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Other Required Communications .....	7
Independence Communication .....	8
GASB Standards Effective for fiscal years ending December 31, 2019.....	9
GASB Standards Effective for fiscal years ending December 31, 2020.....	10
Attachment.....	11

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# Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended December 31, 2018. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We have issued an unmodified opinion on the financial statements and on compliance and released our report on September 3<sup>rd</sup>, 2019.
- ▶ Our responsibility for other information in documents containing the City's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the City and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of City personnel throughout the course of our work.

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# Results of Our Audit

## ACCOUNTING PRACTICES, POLICIES, ESTIMATES AND SIGNIFICANT UNUSUAL TRANSACTIONS

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

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

- ▶ A summary of recently issued accounting pronouncements is included in Note 15 to the City's financial statements.
- ▶ The City adopted accounting pronouncement GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement requires the Government to recognize its proportional share of the net OPEB liability related to PERS participation in each of its full accrual financial statements (government-wide statements and enterprise funds statements). Additionally, the statement requires that operating net position be restated to reflect the adoption of this new statement.
- ▶ There were no other changes in significant accounting policies and practices during 2018.

The City's accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed below.

### Accounting estimates include:

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

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

- ▶ Management did not make any significant changes to the processes or assumptions used to develop the accounting estimates in 2018.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. As part of client assistance, we assisted with recording final capital asset and pension/OPEB related adjustments based on City provided information. None were considered audit adjustments.

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

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# Results of Our Audit

## QUALITY OF THE CITY'S FINANCIAL REPORTING

A Discussion will be held regarding the quality of the City's financial reporting, which will include the following:

- ▶ Qualitative aspects of significant accounting policies and practices
  - We concur with the City's interpretation and application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).
- ▶ Our conclusions regarding significant accounting estimates
  - The nature of the City's operations reduces the need for numerous significant estimates within the accounting records. See comment about estimates above. We believe the City's estimates are reasonable in the circumstances.
- ▶ Significant unusual transactions
  - There were no significant unusual transactions.
- ▶ Financial statement presentation
  - To our knowledge all necessary disclosures have been included in the footnotes to the financial statements.
- ▶ New accounting pronouncements
  - The City adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.
- ▶ Alternative accounting treatments
  - We did not identify any accounting treatments that did not comply with generally accepted principles and standards set by GASB.



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# Internal Control Over Financial Reporting

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

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

In conjunction with our audit of the financial statements, we noted no material weaknesses.

# Other Required Communications

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

Requirement	Discussion Points
<b>Significant changes to planned audit strategy or significant risks initially identified</b>	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
<b>Obtain information from those charged with governance relevant to the audit</b>	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the City's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
<b>Nature and extent of specialized skills or knowledge needed related to significant risks</b>	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
<b>Consultations with other accountants</b>	We are not aware of any consultations about significant accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent accountants on the application of generally accepted accounting principles.
<b>Our evaluation of the City's relationships and transactions with related parties and their impact on the financial statements</b>	We have evaluated the City's process to identify, authorize and approve, account for, and disclose its relationships and transactions with related parties and noted no significant issues.
<b>Disagreements with management</b>	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City's financial statements or to our auditor's report.
<b>Significant difficulties encountered during the audit</b>	There were no significant difficulties encountered during the audit.
<b>Other matters significant to the oversight of the City's financial reporting process, including complaints or concerns regarding accounting or auditing matters</b>	There are no other matters that we consider significant to the oversight of the City's financial reporting process that have not been previously communicated.
<b>Representations requested from management</b>	Please refer to the management representation letter.

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# Independence Communication

Our engagement letter to you dated March 13, 2019 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Government with respect to independence as agreed to by the City. Please refer to that letter for further information.

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# GASB Standards Effective for Reporting Periods Beginning After December 15, 2018 (commences with fiscal years ending December 31, 2019)

## **GASB STATEMENT NO. 84, FIDUCIARY ACTIVITIES**

- ▶ Establishes criteria for reporting fiduciary activities that focuses on whether the government controls the assets and the fiduciary relationship with the beneficiaries.
- ▶ The statement describes four fiduciary funds:
  1. Pension and OPEB trust funds
  2. Investment trust funds
  3. Private-purpose trust funds
  4. Custodial funds
- ▶ Custodial funds replace agency funds for activities that are not held in trust.
- ▶ For activities for which a trust agreement exists, an investment trust fund or private purpose trust fund will be used.
- ▶ Pension funds not held in trust would be classified as custodial funds.

## **GASB STATEMENT NO. 90, MAJORITY EQUITY INTERESTS, AN AMENDMENT OF GASB STATEMENTS NO. 14 AND NO. 61**

- ▶ Will report a majority equity interest in a legally separate organization as an investment if it meets the definition.
- ▶ Measured using the equity method, unless held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment/permanent fund. These funds would utilize fair value to measure the majority equity interest.
- ▶ For all other majority equity interests in a legally separate organization, report the legally separate organization as component unit and the fund that holds the equity interest should report an asset using the equity method.
- ▶ Acquisition of a component unit in which the government holds 100% interest would be measured using acquisition value.

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# GASB Standards Effective for Reporting Periods Beginning After December 15, 2019 (commences with fiscal years ending December 31, 2020)

## GASB STATEMENT NO. 87, LEASES

- ▶ This standard will require recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- ▶ Eliminates the distinction between operating and capital leases.
- ▶ Excludes short-term leases.
- ▶ Excludes leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- ▶ Lessors would recognize lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

## GASB STATEMENT NO. 89, ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD

- ▶ Upon implementation, in financial statements using the economic resources measurement focus (business-type activities and enterprise funds) interest incurred during construction should be recognized as an expense of the period.
  - ▶ Interest costs on construction-in-progress will be capitalized only to the implementation date of this Statement. The provisions of this Statement are to be applied prospectively and will therefore not require a restatement of any balances.
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- ▶ In financial statements using the current financial resources measurement focus, interest incurred during construction should be recognized as an expenditure (no change).
  - ▶ If a government has regulated operations as defined by paragraph 476 of GASB Statement No. 62, this Statement does not eliminate or remove the requirement to capitalize qualifying interest costs as a regulatory asset.

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# Attachment

- ▶ Management representation letter



Nathan E. Wallace  
City Manager

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September 3, 2019

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

Ladies and gentlemen:

We are providing this letter in connection with your audit(s) of the financial statements of City of Palmer (the City), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

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

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

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 13, 2019, for the preparation and fair presentation of the financial statements accordance with accounting principles generally accepted in the United States of America.

We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements include all properly classified funds and other financial

information of the primary City and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.

- (4) We have made available to you:
  - (a) All financial records, and related data and federal and state awards (including amendments, if any, and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities), as agreed upon in the terms of the aforementioned audit engagement letter.
  - (b) All additional information that you have requested from us for the purpose of the audit.
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - (d) Minutes of the meetings of City Council that were held from January 1, 2018 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- (6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or schedule of expenditures of federal awards (SEFA).
- (7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
  - (a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
  - (b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.
  - (c) Allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
  - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
- (8) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- (9) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:



- (a) The identity of related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
- (b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
- (c) Guarantees, whether written or oral, under which the City is contingently liable.
- (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.
- (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
  - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
  - Written or oral guarantees, endorsements, or unused letters of credit;
  - Unusual guarantees; or
  - Labor claims or negotiations.

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

- (f) Commitments, such as:
    - Major capital asset purchase agreements;
    - More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
    - Deferred compensation, bonuses, pensions plans, or severance pay; or
    - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (10) There are no:
- (a) Violations or possible violations of budget ordinances, laws or regulations and provisions of

contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

- (b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
  - (c) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.
- (11) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
  - (12) Palmer has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  - (13) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
  - (14) We have complied with all aspects of contractual agreements, including debt covenants, that would have a material effect on the financial statements in the event of noncompliance.
  - (15) No discussions have taken place with your firm's personnel regarding employment with the City.
  - (16) We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
  - (17) Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
  - (18) Revenues are appropriately classified in the statement of activities within program revenues, contributions, and general revenues. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
  - (19) In regards to the financial statements drafting service performed by you, we have: (1) assumed all management responsibilities, (2) designated an individual within senior management with suitable skill, knowledge, or experience to oversee the services, (3) evaluated the adequacy and results of the services performed, and (4) accepted responsibility for the results of the services.
  - (20) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United State of America and we believe it is fairly presented. The methods of measurement and presentation of the supplementary information have not changed from the prior period and we have disclosed to you any significant assumptions underlying the measurement and presentation of the supplementary information.

- (21) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (22) With respect to our participation in multi-employer defined benefit pension (OPEB) plans:
- (a) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities for financial accounting and disclosure purposes are appropriate in the circumstances.
  - (b) We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.
  - (c) We agree with the findings of specialists in evaluating the net pension and OPEB liabilities and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- (23) With respect to federal award programs:
- (a) *We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, including requirements relating to the preparation of the schedule of expenditures of federal awards (SEFA).*
  - (b) We have, in accordance with the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, identified and disclosed to you in the SEFA, expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal awards and state awards, grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - (c) We acknowledge our responsibility for the preparation of the SEFA and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA below.
  - (d) We have notified you of federal awards and funding increments that were received for awards received before December 26, 2014 and differentiated those awards from awards received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
  - (e) We will include the auditor's report on the SEFA in any document that contains the SEFA and that indicates you have reported on such information.

- (f) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- (g) We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, subsequent to the date of the auditor's report as of which compliance was audited, no changes have occurred in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and material weaknesses in internal control over compliance as reported in the schedule of findings and questioned costs.
- (i) We have made available to you all federal award contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program and related activities that have taken place with federal and state agencies or pass-through entities.
- (j) We have received no requests from a federal and state agency to audit one or more specific programs as a major program.
- (k) We have complied, in all material respects, with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material requirements of federal and state awards, including the results of other audits or program reviews or confirmed that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- (l) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- (m) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the *Uniform Guidance* and *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and the State of Alaska Audit Guide*.
- (n) We have disclosed to you our interpretations of compliance requirements that are subject to varying interpretations, if any.
- (o) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program

financial reports and claims for advances and reimbursements.

- (p) We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
  - (q) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the SEFA.
  - (r) The copies of federal and state program financial reports provided to you are true copies of the reports submitted or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
  - (s) We have charged costs to federal awards in accordance with applicable cost principles.
  - (t) We are responsible for, and have accurately completed, the appropriate sections of the Data Collection Form as required by the Uniform Guidance. The final version of the applicable audit reporting package, which includes your signed auditor's reports, that we will submit to the Federal Audit Clearinghouse (FAC) will be identical to the final version of such documents that you provided to us.
  - (u) We have identified and disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, internal or external monitoring, and other studies directly related to the audit objectives of the compliance audit, including findings received and corrective actions taken from the end of the audit period covered by the compliance audit report to the date of the auditor's report.
  - (v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - (w) We have documented, and provided this documentation to you, that we have deferred implementation of the Uniform Guidance procurement policies and procedures as permitted under the Uniform Guidance grace period for procurement. We are in compliance with the pre-Uniform Guidance procurement standards.
- (24) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:
- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
  - If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.
  - We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
  - We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure

the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.

- If the electronic financial statements are generally made available to the public on our web site, we will include a notification to the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

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

Very truly yours,

  
\_\_\_\_\_  
Nathan Wallace, City Manager

  
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Gina Davis, Finance Director