

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

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

**City of Palmer, Alaska**  
**Special City Council Meeting**  
**September 25, 2018, at 6 PM**  
City Council Chambers  
231 W. Evergreen Avenue, Palmer  
[www.cityofpalmer.org](http://www.cityofpalmer.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 2017 Budget (note: action may be taken by the council following the committee of the whole)

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

**H. AUDIENCE PARTICIPATION**

**I. COUNCIL MEMBER COMMENTS**

**J. ADJOURNMENT**



## City of Palmer, Alaska

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

Year Ended December 31, 2017

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, 2017

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, 2017, 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.



### *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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 18, the budgetary comparison information on page 58, and the Schedules of Net Pension Liability and Pension Contributions on pages 59 and 60, 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, 2017 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, 2017 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, 2017 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, 2017.

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, 2016 (not presented herein), and have issued our report thereon dated July 21, 2017, 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, 2016 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 2016 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 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, 2016.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palmer's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 7, 2018

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## Management's Discussion and Analysis

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# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

December 31, 2017

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, 2017. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2017 fiscal year by \$96,284,490 (total net position). Of the total net position, \$616,718 is Unrestricted Net Position.
- As of December 31, 2017, the City's governmental funds reported combined ending fund balances of \$7,432,588, an increase of \$350,877.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$3,986,863 or 38% of total General Fund expenditures. The Nonspendable fund balance was \$1,913,071 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$366,946, 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. During 2017 the City drew down \$21,889 with \$14,503 forgiven, and \$305,948 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. As of 12/31/2017 the drawdown of the interim loan was \$2,319,714.
- At year end the City's outstanding loans and bonds payable totaled \$5,936,813, a net increase of \$2,060,702 from the previous year.

# CITY OF PALMER, ALASKA

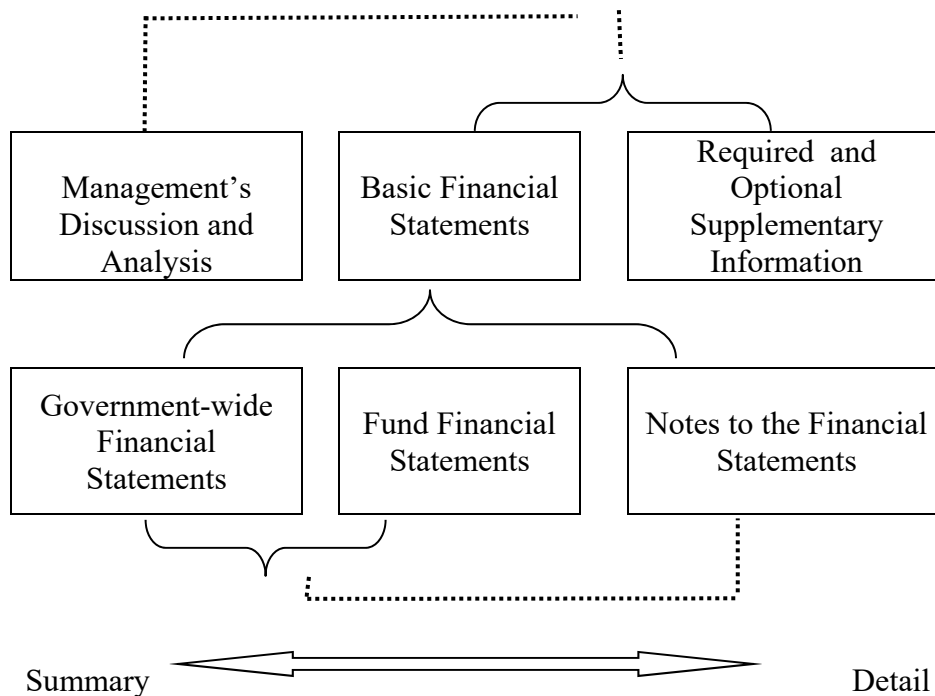
## Management's Discussion and Analysis

### 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 20-21 of this document.

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

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

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

### Fund Financial Statements

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

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

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

# CITY OF PALMER, ALASKA

## Management's Discussion and Analysis

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

The City of Palmer maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. The seven nonmajor governmental funds include Special Revenue Funds: Narcotics Grant, Police Grants, Neighborhood Parks Development, and Asset Forfeiture; and Capital Projects Funds: Capital Projects, Equipment and Road Improvements. The Governmental Funds financial statements are located at pages 22-25 of the report. The combining statements for the nonmajor funds can be found on pages 66-72 of this report.

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-56 of this report.

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

At the close of the 2017 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$96,284,490 (see Table A-1). Of this amount \$95,598,052, or 99.28%, represents the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. Because the City of Palmer uses these capital assets to provide services to the community, these assets are not available for future spending. The remaining amounts of net position are labeled as restricted or unrestricted. The unrestricted amount totals \$616,718 and is available to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Palmer is able to report positive balances in 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  
2017 and 2016**

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 8,244,280	7,888,813	1,391,623	3,179,216	9,635,903	11,067,534
Capital assets	21,013,322	21,595,329	82,099,014	70,229,295	103,112,336	91,824,624
Deferred outflows	<u>513,237</u>	<u>1,508,835</u>	<u>41,795</u>	<u>141,561</u>	<u>555,032</u>	<u>1,650,396</u>
Total assets and Deferred outflows	<u>29,770,839</u>	<u>30,992,482</u>	<u>83,532,432</u>	<u>73,550,072</u>	<u>113,303,271</u>	<u>104,542,554</u>
Long-term liabilities outstanding	7,410,992	9,253,433	5,664,643	3,728,001	13,075,635	12,981,434
Other liabilities	<u>1,182,580</u>	<u>1,052,437</u>	<u>1,892,758</u>	<u>1,465,601</u>	<u>3,075,338</u>	<u>2,518,038</u>
Total liabilities	<u>8,593,572</u>	<u>10,305,870</u>	<u>7,557,401</u>	<u>5,193,602</u>	<u>16,150,973</u>	<u>15,499,472</u>
Net position:						
Net investment in capital assets	\$19,925,192	20,853,626	75,672,860	67,154,548	95,598,052	88,008,174
Restricted	69,720	90,215	-	-	69,720	90,215
Unrestricted (deficit)	<u>393,926</u>	<u>(352,224)</u>	<u>222,792</u>	<u>1,192,589</u>	<u>616,718</u>	<u>840,365</u>
Total net position	<u>20,388,838</u>	<u>20,591,617</u>	<u>75,895,652</u>	<u>68,347,137</u>	<u>96,284,490</u>	<u>88,938,754</u>

As reflected in Table A-2, the City's net position increased by \$7,345,736 as a result of current year activity. Expenditures and transfers exceeded revenues in the governmental activities by \$202,779 and in the business-type activities revenues exceeded expenses by \$7,548,515.

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

	Governmental Activities		Business-type Activities		Total Activities	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for service	\$ 2,326,135	2,893,432	4,388,817	4,264,855	6,714,952	7,158,287
Operating grants and contributions	255,474	300,969	19,178	15,462	274,652	316,431
Capital grants and contributions	369,017	456,132	9,231,648	3,288,103	9,600,665	3,744,235
General revenues:						
Property taxes	1,302,296	1,215,467	-	-	1,302,296	1,215,467
Sales taxes	6,999,693	6,583,847	-	-	6,999,693	6,583,847
Other	<u>809,998</u>	<u>566,128</u>	<u>-</u>	<u>-</u>	<u>809,998</u>	<u>566,128</u>
Total revenues	<u>12,062,613</u>	<u>12,015,975</u>	<u>13,639,643</u>	<u>7,568,420</u>	<u>25,702,256</u>	<u>19,584,395</u>

**CITY OF PALMER, ALASKA**

Management's Discussion and Analysis

**Government-wide Financial Analysis, continued**

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Expenses:						
General government	\$ 2,661,221	3,187,764	-	-	2,661,221	3,187,764
Public safety	3,731,778	5,358,431	-	-	3,731,778	5,358,431
Public works	3,755,996	3,191,984	-	-	3,755,996	3,191,984
Community services	1,866,021	1,665,333	-	-	1,866,021	1,665,333
Water and sewer utility	-	-	3,968,372	3,763,660	3,968,372	3,763,660
Airport	-	-	913,683	902,023	913,683	902,023
Refuse	-	-	640,721	670,750	640,721	670,750
Golf Course	-	-	799,860	823,117	799,860	823,117
Interest expense	<u>18,868</u>	<u>20,368</u>	<u>-</u>	<u>-</u>	<u>18,868</u>	<u>20,368</u>
Total expenses	<u>12,033,884</u>	<u>13,423,880</u>	<u>6,322,636</u>	<u>6,159,550</u>	<u>18,356,520</u>	<u>19,583,430</u>
Increase (decrease) in net position before transfers	28,729	(1,407,905)	7,317,007	1,408,870	7,345,736	965
Transfers	<u>(231,508)</u>	<u>22,462</u>	<u>231,508</u>	<u>(22,462)</u>	<u>-</u>	<u>-</u>
Increase (decrease) net position	(202,779)	(1,385,443)	7,548,515	1,386,408	7,345,736	965
Beginning net position	<u>20,591,617</u>	<u>21,977,060</u>	<u>68,347,137</u>	<u>66,960,729</u>	<u>88,938,754</u>	<u>88,937,789</u>
Ending net position	\$ <u>20,388,838</u>	<u>20,591,617</u>	<u>75,895,652</u>	<u>68,347,137</u>	<u>96,284,490</u>	<u>88,938,754</u>

**Governmental Activities**

Governmental activities decreased the City of Palmer's net position by \$202,779. The decrease is primarily a result of decreased revenues in the current year, especially in charges for services. Property taxes increased by \$86,829 and sales tax collections increased by \$415,846. The City's expenses decreased in the amount of \$1,389,996. Much of this was the result of payroll expense. Net transfers into governmental activities was \$231,508.

**Business-Type Activities**

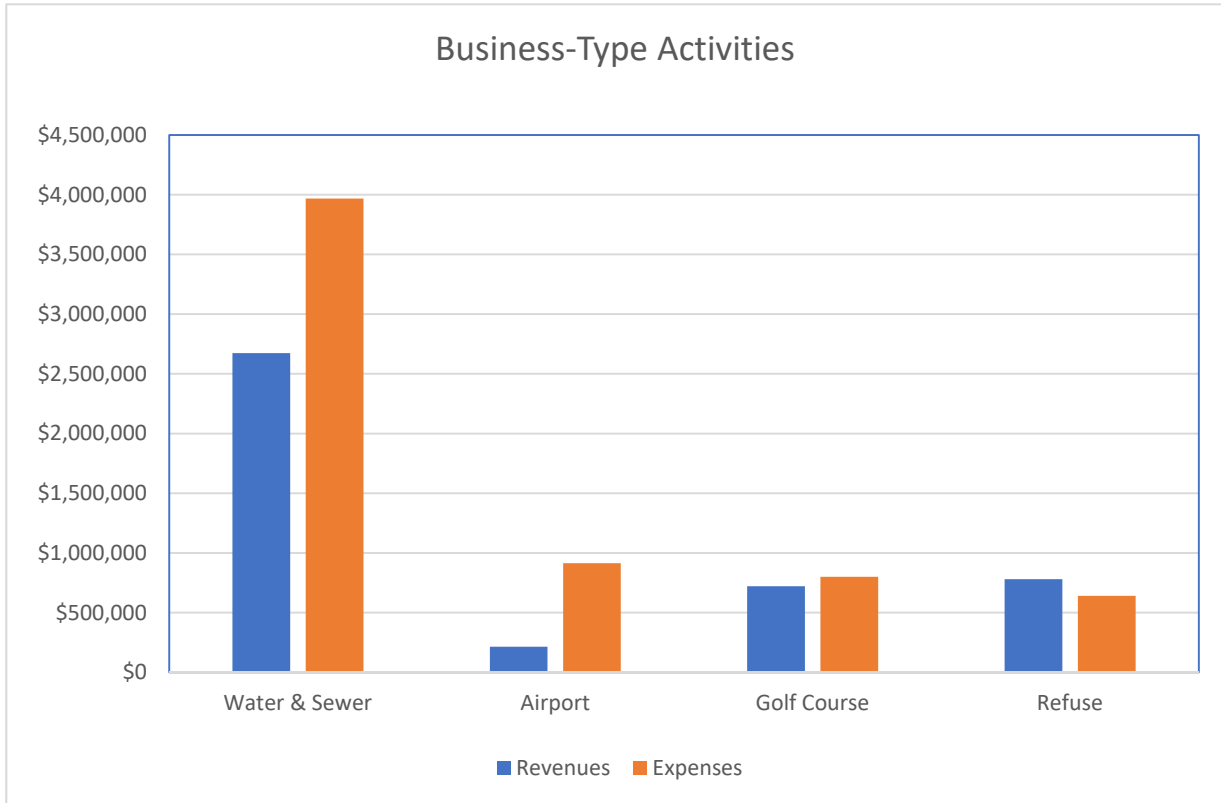
The City's business-type activities had an increase of \$7,548,515 in net position primarily as a result of the receipt of large capital grants. At the operating level expenses exceed operating revenue and basic charges for services.

The following graph shows expenses and operating revenues for all of the business-type activities in 2017. Not included in the revenues are capital grants, contributions, and investment earnings. As reflected in the graph, all funds had expenses in excess of service revenues. If depreciation expense were removed from the analysis, the Water and Sewer Fund, the Golf Course Fund, and the Refuse Fund operating revenues would exceed operating expenses; whereas the Airport Fund 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, 2017, the City's governmental funds reported combined ending fund balances of \$7,432,588, an increase of \$350,877. Of the ending balance, \$3,986,863, 53.6% is unassigned and available to the City for future spending. The remaining fund balance is nonspendable, restricted, committed or assigned. The increase of total fund balance during the year is 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 (a major fund) reported an overall decrease of fund balance in 2017 due to capital asset construction and acquisition.

## 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 \$42,603, a decrease of \$915,963. This is due to the increase in net position that was offset by the significant increase in capital assets.

The Refuse Fund unrestricted net position is \$639,642, a decrease of \$229,491 from that amount in 2016. This reduction is due to the purchase of a new garbage truck.

The Golf Course unrestricted net position shows a deficit of \$597,289 compared to a deficit of \$497,142 at the end of 2016. Operating revenues were below operating expense by \$79,280. Depreciation constitutes \$45,614 of those expenses.

The Airport Fund unrestricted net position shows a deficit of \$9,741 compared to a deficit of \$220,945 at the end of 2016. The decrease to the deficit is due to transfers in for the year.

The Land Development Fund unrestricted net position increased to \$232,783 an increase of \$64,600 over 2016. This is due to 1.34 acre of land sold along the Glenn Highway.

### **General Fund Budgetary Highlights**

The original adopted budget anticipated a net surplus of \$93,351. However, the final adopted budget projected an overall decrease to the fund balance of \$1,014,389.

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

- Transfers in were increased by \$243,842 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 \$2,028,638 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 \$40,458 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 decreased expenditures by \$636,598.

### **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, 2017, totals \$103,112,336 (net of accumulated depreciation). This amount represents a \$11,287,712 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$1,498,770	1,852,489	3,002,073	3,002,073	4,500,843	4,854,562
Buildings	2,214,454	2,541,180	83,138	96,846	2,297,592	2,638,026
Improvements other than buildings	13,371,064	13,714,061	59,675,193	59,981,617	73,046,257	73,695,678
Machinery and equipment	1,319,519	1,623,844	1,158,786	835,198	2,478,305	2,459,042
Construction work in progress	<u>2,609,515</u>	<u>1,863,755</u>	<u>18,179,824</u>	<u>6,313,561</u>	<u>20,789,339</u>	<u>8,177,316</u>
Total capital assets	<u>\$21,013,322</u>	<u>21,595,329</u>	<u>82,099,014</u>	<u>70,229,295</u>	<u>103,112,336</u>	<u>91,824,624</u>

Major capital events during the 2017 year included:

- Airport Runway Project 16/34
- Randy Thom Flight Service Station Repairs
- Sewer and Water Line Extensions
- Improvements to Public Works Storage Building
- Wastewater Treatment Plant Improvements

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

Long-term debt – The following table summarizes the City's long-term debt at December 31, 2017.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
GO Bonds	\$ 714,182	801,364	-	-	714,182	801,364
Loans payable	<u>-</u>	<u>-</u>	<u>5,222,631</u>	<u>3,074,747</u>	<u>5,222,631</u>	<u>3,074,747</u>
Total	<u>714,182</u>	<u>801,364</u>	<u>5,222,631</u>	<u>3,074,747</u>	<u>5,936,813</u>	<u>3,876,111</u>
Compensated Absences	366,946	386,541	58,347	48,364	425,293	434,905
Capital Lease Payable	425,654	-	-	-	425,654	-
Net pension liability	<u>6,456,664</u>	<u>8,527,069</u>	<u>623,330</u>	<u>832,470</u>	<u>7,079,994</u>	<u>9,359,539</u>
Total long-term debt	<u>\$7,963,446</u>	<u>9,714,974</u>	<u>5,904,308</u>	<u>3,995,581</u>	<u>13,867,754</u>	<u>13,670,555</u>

## CITY OF PALMER, ALASKA

### Management's Discussion and Analysis

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

In 2017 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. During 2017 the City drew down \$21,889 with \$14,503 forgiven, and \$305,948 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. As of 12/31/2017 the drawdown of the interim loan was \$2,319,714.

The City of Palmer issues bonded debt through the State of Alaska Municipal Bond Bank. As of July 2017, State of Alaska bond bank credit ratings were: Fitch AA, Standard and Poors AA.

Additional information on the City's long-term debt can be found in note 7 on pages 42-45 of this report.

#### **Economic Factors and Next Year's Budgets (2018) and Rates**

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 64% of total budgeted revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with 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 2018 the City employees began contributing 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 2018 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2018 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 2017 at 3%.
- Budgeted expenditures in the General Fund decreased by \$326,067 over 2017 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)

## Basic Financial Statements

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

<i>December 31, 2017</i>	Governmental Activities	Business-type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Cash and investments	\$ 5,026,148	\$ 1,641,413	\$ 6,667,561
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	193,411	619,964	813,375
Sales taxes	699,081	-	699,081
Property taxes	227,006	-	227,006
Accounts	46,172	441,433	487,605
Assessments	139,391	-	139,391
Prepaid insurance	196,146	-	196,146
Internal balances	1,703,822	(1,703,822)	-
Inventories	13,103	175,221	188,324
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	4,108,285	21,181,897	25,290,182
Capital assets, net of accumulated depreciation	16,905,037	60,917,117	77,822,154
<b>Total Assets</b>	<b>29,257,602</b>	<b>83,490,637</b>	<b>112,748,239</b>
<b>Deferred Outflows of Resources</b>			
Unamortized loss on refunding	51,706	-	51,706
Related to pensions	461,531	41,795	503,326
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 29,770,839</b>	<b>\$ 83,532,432</b>	<b>\$ 113,303,271</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 317,451	\$ 106,210	\$ 423,661
Capital related accounts payable	-	1,203,523	1,203,523
Accrued payroll and employee benefits	235,679	223	235,902
Customer deposits	7,841	225,744	233,585
Accrued interest payable	10,017	21,693	31,710
Unearned revenue	59,138	95,700	154,838
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	366,946	58,347	425,293
Bonds and loans	80,000	181,318	261,318
Capital lease, current portion	105,508	-	105,508
Due in more than one year:			
Loans payable	-	5,041,313	5,041,313
Capital lease, long-term portion	320,146	-	320,146
General obligation bonds, including unamortized premium	634,182	-	634,182
Net pension liability	6,456,664	623,330	7,079,994
<b>Total Liabilities</b>	<b>8,593,572</b>	<b>7,557,401</b>	<b>16,150,973</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>788,429</b>	<b>79,379</b>	<b>867,808</b>
<b>Net Position</b>			
Net investment in capital assets	19,925,192	75,672,860	95,598,052
Restricted	69,720	-	69,720
Unrestricted (deficit)	393,926	222,792	616,718
<b>Total Net Position</b>	<b>20,388,838</b>	<b>75,895,652</b>	<b>96,284,490</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 29,770,839</b>	<b>\$ 83,532,432</b>	<b>\$ 113,303,271</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		
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<i>December 31, 2017</i>							
<b>Governmental Activities</b>							
General government	\$ 2,661,221	\$ 766,422	\$ 166,378	\$ -	\$ (1,728,421)	\$ -	\$ (1,728,421)
Public safety	3,731,778	1,179,304	41,042	369,017	(2,142,415)	-	(2,142,415)
Public works	3,755,996	63,490	37,356	-	(3,655,150)	-	(3,655,150)
Community services	1,866,021	316,919	10,698	-	(1,538,404)	-	(1,538,404)
Unallocated interest	18,868	-	-	-	(18,868)	-	(18,868)
<b>Total Governmental Activities</b>	<b>12,033,884</b>	<b>2,326,135</b>	<b>255,474</b>	<b>369,017</b>	<b>(9,083,258)</b>	<b>-</b>	<b>(9,083,258)</b>
<b>Business-type Activities</b>							
Water and sewer	3,968,372	2,673,776	12,948	2,226,678	-	945,030	945,030
Airport	913,683	214,725	3,576	7,004,970	-	6,309,588	6,309,588
Refuse	640,721	779,736	2,654	-	-	141,669	141,669
Golf course	799,860	720,580	-	-	-	(79,280)	(79,280)
<b>Total Business-type Activities</b>	<b>6,322,636</b>	<b>4,388,817</b>	<b>19,178</b>	<b>9,231,648</b>	<b>-</b>	<b>7,317,007</b>	<b>7,317,007</b>
<b>Totals</b>	<b>\$ 18,356,520</b>	<b>\$ 6,714,952</b>	<b>\$ 274,652</b>	<b>\$ 9,600,665</b>	<b>(9,083,258)</b>	<b>7,317,007</b>	<b>(1,766,251)</b>
<b>General Revenues</b>							
Property taxes					1,302,296	-	1,302,296
Sales taxes					6,999,693	-	6,999,693
Grants and entitlements not restricted to a specific purpose					374,031	-	374,031
Investment income					22,760	-	22,760
Other					413,207	-	413,207
<b>Transfers</b>					<b>(231,508)</b>	<b>231,508</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>8,880,479</b>	<b>231,508</b>	<b>9,111,987</b>
<b>Change in Net Position</b>					<b>(202,779)</b>	<b>7,548,515</b>	<b>7,345,736</b>
<b>Net Position, beginning</b>					<b>20,591,617</b>	<b>68,347,137</b>	<b>88,938,754</b>
<b>Net Position, ending</b>					<b>\$ 20,388,838</b>	<b>\$ 75,895,652</b>	<b>\$ 96,284,490</b>

*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

Governmental Funds  
Balance Sheet

December 31, 2017	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Capital Projects		
<b>Assets</b>				
Cash and investments	\$ 3,968,843	\$ 294,434	\$ 762,871	\$ 5,026,148
Receivables, net of allowance for uncollectibles:				
Grants and shared revenues	-	64,952	128,459	193,411
Sales taxes	699,081	-	-	699,081
Property taxes	227,006	-	-	227,006
Accounts	46,172	-	-	46,172
Assessments	139,391	-	-	139,391
Prepaid insurance	196,146	-	-	196,146
Inventory	13,103	-	-	13,103
Advances to other funds	1,703,822	-	-	1,703,822
<b>Total Assets</b>	<b>\$ 6,993,564</b>	<b>\$ 359,386</b>	<b>\$ 891,330</b>	<b>\$ 8,244,280</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 232,443	\$ 74,404	\$ 10,604	\$ 317,451
Accrued payroll and employee benefits	235,679	-	-	235,679
Deposits	7,841	-	-	7,841
Unearned revenue	59,138	-	-	59,138
<b>Total Liabilities</b>	<b>535,101</b>	<b>74,404</b>	<b>10,604</b>	<b>620,109</b>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	52,192	-	-	52,192
Deferred assessments	139,391	-	-	139,391
<b>Total Deferred Inflows of Resources</b>	<b>191,583</b>	<b>-</b>	<b>-</b>	<b>191,583</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>726,684</b>	<b>74,404</b>	<b>10,604</b>	<b>811,692</b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid insurance and inventory	209,249	-	-	209,249
Advances to other funds	1,703,822	-	-	1,703,822
Restricted for public safety	-	-	69,720	69,720
Committed:				
Capital projects and equipment	-	284,982	750,767	1,035,749
Public safety	-	-	31,502	31,502
Parks	-	-	28,737	28,737
Assigned - vested unpaid vacation and sick leave	366,946	-	-	366,946
Unassigned	3,986,863	-	-	3,986,863
<b>Total Fund Balances</b>	<b>6,266,880</b>	<b>284,982</b>	<b>880,726</b>	<b>7,432,588</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,993,564</b>	<b>\$ 359,386</b>	<b>\$ 891,330</b>	<b>\$ 8,244,280</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, 2017**

Total fund balances for governmental funds		\$ 7,432,588
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	\$ 1,498,770	
Construction in progress	2,609,515	
Buildings	10,802,901	
Improvements other than buildings	23,285,585	
Machinery and equipment	7,872,615	
Accumulated depreciation	<u>(25,056,064)</u>	
Total capital assets		21,013,322
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	139,391	
Delinquent property taxes receivable	<u>52,192</u>	
Total long-term assets		191,583
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	(635,000)	
Capital lease payable	(425,654)	
Unamortized premium	(79,182)	
Accrued interest	(10,017)	
Vested unpaid vacation and sick leave	(366,946)	
Net pension liability	<u>(6,456,664)</u>	
Total long-term liabilities		(7,973,463)
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.		
		51,706
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	461,531	
Deferred inflows of resources related to pensions	<u>(788,429)</u>	
Total deferred pension items		<u>(326,898)</u>
<b>Total Net Position of Governmental Activities</b>		<b><u>\$ 20,388,838</u></b>

*See accompanying notes to basic financial statements.*

## City of Palmer, Alaska

## Governmental Funds

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

Year Ended December 31, 2017	Major Funds			Total Governmental Funds
	General	Capital Projects	Nonmajor Funds	
<b>Revenues</b>				
Taxes	\$ 8,301,989	\$ -	\$ -	\$ 8,301,989
Licenses and permits	156,811	-	-	156,811
Fines and forfeitures	80,874	-	-	80,874
Intergovernmental	593,068	171,129	202,430	966,627
Special assessments	34,955	-	-	34,955
Charges for services	1,997,781	-	-	1,997,781
Miscellaneous	435,967	7,450	82,909	526,326
<b>Total Revenues</b>	<b>11,601,445</b>	<b>178,579</b>	<b>285,339</b>	<b>12,065,363</b>
<b>Expenditures</b>				
Current:				
General government	2,695,819	-	-	2,695,819
Public safety	4,450,255	9,904	36,812	4,496,971
Public works	1,754,434	-	-	1,754,434
Community services	1,492,546	-	-	1,492,546
Debt service	106,550	-	-	106,550
Capital outlay	-	509,639	852,673	1,362,312
<b>Total Expenditures</b>	<b>10,499,604</b>	<b>519,543</b>	<b>889,485</b>	<b>11,908,632</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,101,841</b>	<b>(340,964)</b>	<b>(604,146)</b>	<b>156,731</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	243,843	125,000	380,000	748,843
Transfers out	(949,346)	(31,005)	-	(980,351)
Proceeds from capital lease	-	-	425,654	425,654
<b>Net Other Financing Sources (Uses)</b>	<b>(705,503)</b>	<b>93,995</b>	<b>805,654</b>	<b>194,146</b>
<b>Net Change in Fund Balances</b>	<b>396,338</b>	<b>(246,969)</b>	<b>201,508</b>	<b>350,877</b>
<b>Fund Balances, beginning</b>	<b>5,870,542</b>	<b>531,951</b>	<b>679,218</b>	<b>7,081,711</b>
<b>Fund Balances, ending</b>	<b>\$ 6,266,880</b>	<b>\$ 284,982</b>	<b>\$ 880,726</b>	<b>\$ 7,432,588</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, 2017**

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Net change in fund balances - total governmental funds	\$ 350,877
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation expense (\$1,533,393) exceeds net capital outlays (\$951,386).	
	(582,007)
The issuance of capital lease provides current financial resources to governmental funds. This transaction, however, does not have any effect on net position. This is the amount of funds obtained through capital lease for acquisition of capital assets.	
	(425,654)
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.	
	(34,645)
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 (\$4,227) in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
	79,227
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the decreases in:	
Accrued interest	500
Vested unpaid vacation and sick leave	19,595
Net pension liability and related accounts	389,328
	(202,779)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (202,779)</b>

*See accompanying notes to basic financial statements.*



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

<i>December 31, 2017</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Assets and Deferred Outflows of Resources</b>					
<b>Current Assets</b>					
Cash and investments	\$ 852,092	\$ 8,039	\$ -	\$ 781,282	\$ 1,641,413
Receivables:					
Accounts	311,483	6,452	-	123,498	441,433
Grants	348,894	271,070	-	-	619,964
Inventory	155,577	-	19,644	-	175,221
<b>Total Current Assets</b>	<b>1,668,046</b>	<b>285,561</b>	<b>19,644</b>	<b>904,780</b>	<b>2,878,031</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	254,559	52,667	877,051
Machinery and equipment	1,227,123	811,541	411,299	1,015,720	3,465,683
Improvements other than buildings	77,698,838	18,525,015	667,234	-	96,891,087
Construction work in progress	10,588,728	7,591,096	-	-	18,179,824
Total property, plant and equipment	89,619,920	28,849,699	2,877,712	1,068,387	122,415,718
Less accumulated depreciation	(23,633,844)	(15,222,397)	(985,656)	(474,807)	(40,316,704)
Net property, plant and equipment	65,986,076	13,627,302	1,892,056	593,580	82,099,014
<b>Total Noncurrent Assets</b>	<b>65,986,076</b>	<b>13,627,302</b>	<b>1,892,056</b>	<b>810,994</b>	<b>82,316,428</b>
<b>Total Assets</b>	<b>67,654,122</b>	<b>13,912,863</b>	<b>1,911,700</b>	<b>1,715,774</b>	<b>85,194,459</b>
Deferred Outflows of Resources - related to pensions	28,217	7,797	-	5,781	41,795
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 67,682,339</b>	<b>\$ 13,920,660</b>	<b>\$ 1,911,700</b>	<b>\$ 1,721,555</b>	<b>\$ 85,236,254</b>

*See accompanying notes to basic financial statements.*

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

<i>December 31, 2017</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 69,653	\$ 5,425	\$ 718	\$ 30,414	\$ 106,210
Capital related accounts payable	942,380	261,143	-	-	1,203,523
Accrued payroll and employee benefits	223	-	-	-	223
Vested unpaid vacation and sick leave	37,105	8,136	-	13,106	58,347
Current portion of loans payable -					
State of Alaska	181,318	-	-	-	181,318
Unearned revenue	-	70,718	24,982	-	95,700
Accrued interest payable	21,693	-	-	-	21,693
Customer deposits	225,744	-	-	-	225,744
<b>Total Current Liabilities</b>	<b>1,478,116</b>	<b>345,422</b>	<b>25,700</b>	<b>43,520</b>	<b>1,892,758</b>
<b>Long-term Liabilities, net of current portion</b>					
Loans payable	5,041,313	-	-	-	5,041,313
Advances from other fund	1,000,000	112,589	591,233	-	1,703,822
Net pension liability	330,856	91,422	-	201,052	623,330
<b>Total Long-term Liabilities</b>	<b>6,372,169</b>	<b>204,011</b>	<b>591,233</b>	<b>201,052</b>	<b>7,368,465</b>
<b>Total Liabilities</b>	<b>7,850,285</b>	<b>549,433</b>	<b>616,933</b>	<b>244,572</b>	<b>9,261,223</b>
Deferred Inflows of Resources - related to pensions	53,592	14,809	-	10,978	79,379
<b>Net Position</b>					
Net investment in capital assets	59,821,065	13,366,159	1,892,056	593,580	75,672,860
Unrestricted (deficit)	(42,603)	(9,741)	(597,289)	872,425	222,792
<b>Total Net Position</b>	<b>59,778,462</b>	<b>13,356,418</b>	<b>1,294,767</b>	<b>1,466,005</b>	<b>75,895,652</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 67,682,339</b>	<b>\$ 13,920,660</b>	<b>\$ 1,911,700</b>	<b>\$ 1,721,555</b>	<b>\$ 85,236,254</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, 2017</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Operating Revenues</b>	\$ 2,668,160	\$ 214,725	\$ 720,580	\$ 779,736	\$ 4,383,201
<b>Operating Expenses</b>					
Salaries and employee benefits	555,955	127,477	-	61,547	744,979
Administrative services	416,254	87,944	650,000	125,929	1,280,127
Other operating expenses	988,993	148,218	104,246	393,715	1,635,172
Depreciation	1,979,865	550,044	45,614	59,530	2,635,053
<b>Total Operating Expenses</b>	<b>3,941,067</b>	<b>913,683</b>	<b>799,860</b>	<b>640,721</b>	<b>6,295,331</b>
<b>Operating Income (Loss)</b>	<b>(1,272,907)</b>	<b>(698,958)</b>	<b>(79,280)</b>	<b>139,015</b>	<b>(1,912,130)</b>
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	12,948	3,576	-	2,654	19,178
Miscellaneous income	5,616	-	-	-	5,616
Interest expense	(27,305)	-	-	-	(27,305)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(8,741)</b>	<b>3,576</b>	<b>-</b>	<b>2,654</b>	<b>(2,511)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,281,648)</b>	<b>(695,382)</b>	<b>(79,280)</b>	<b>141,669</b>	<b>(1,914,641)</b>
Capital contributions	2,226,678	7,004,970	-	-	9,231,648
Transfers in	154,746	410,751	-	64,600	630,097
Transfers out	(160,950)	(154,746)	(40,773)	(42,120)	(398,589)
<b>Change in Net Position</b>	<b>938,826</b>	<b>6,565,593</b>	<b>(120,053)</b>	<b>164,149</b>	<b>7,548,515</b>
<b>Net Position, beginning</b>	<b>58,839,636</b>	<b>6,790,825</b>	<b>1,414,820</b>	<b>1,301,856</b>	<b>68,347,137</b>
<b>Net Position, ending</b>	<b>\$ 59,778,462</b>	<b>\$ 13,356,418</b>	<b>\$ 1,294,767</b>	<b>\$ 1,466,005</b>	<b>\$ 75,895,652</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2017</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Cash Flows from (for) Operating Activities</b>					
Cash receipts from customers and users	\$ 2,674,963	\$ 241,106	\$ 720,212	\$ 769,302	\$ 4,405,583
Payments to suppliers	(1,185,207)	(176,232)	(741,083)	(390,565)	(2,493,087)
Payments to employees	(512,579)	(129,695)	-	(112,872)	(755,146)
Payments for interfund services used	(416,254)	(87,944)	-	(125,929)	(630,127)
<b>Net cash flows from (for) operating activities</b>	<b>560,923</b>	<b>(152,765)</b>	<b>(20,871)</b>	<b>139,936</b>	<b>527,223</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>					
Increase (Decrease) in due to other funds	-	-	-	(49,231)	(49,231)
Transfers in	154,746	154,746	-	64,600	374,092
Transfers out	(160,950)	(154,746)	(40,773)	(42,120)	(398,589)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(6,204)</b>	<b>-</b>	<b>(40,773)</b>	<b>(26,751)</b>	<b>(73,728)</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>					
Capital contributions received	2,751,824	6,964,310	-	-	9,716,134
Purchase of capital assets	(6,420,441)	(7,105,813)	(25,708)	(388,570)	(13,940,532)
Proceeds from loans	2,327,100	-	-	-	2,327,100
Increase in interfund advance	1,000,000	-	87,352	-	1,087,352
Transfers in	-	256,005	-	-	256,005
Principal payments on loans payable -					
State of Alaska	(179,216)	-	-	-	(179,216)
Interest paid	(27,305)	-	-	-	(27,305)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>(548,038)</b>	<b>114,502</b>	<b>61,644</b>	<b>(388,570)</b>	<b>(760,462)</b>
<b>Net Increase (decrease) in Cash and Investments</b>	<b>6,681</b>	<b>(38,263)</b>	<b>-</b>	<b>(275,385)</b>	<b>(306,967)</b>
<b>Cash and Investments, beginning</b>	<b>845,411</b>	<b>46,302</b>	<b>-</b>	<b>1,056,667</b>	<b>1,948,380</b>
<b>Cash and Investments, ending</b>	<b>\$ 852,092</b>	<b>\$ 8,039</b>	<b>\$ -</b>	<b>\$ 781,282</b>	<b>\$ 1,641,413</b>

*See accompanying notes to basic financial statements.*

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

<i>Year Ended December 31, 2017</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities</b>					
Operating income (loss)	\$ (1,272,907)	\$ (698,958)	\$ (79,280)	\$ 139,015	\$ (1,912,130)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:					
Depreciation	1,979,865	550,044	45,614	59,530	2,635,053
Noncash expense - PERS relief	12,948	3,576	-	2,654	19,178
Other revenues	5,616	-	-	-	5,616
(Increase) decrease in assets and deferred outflows of resources:					
Accounts receivable	(21,533)	(6,452)	-	(10,434)	(38,419)
Prepaid expenses	-	-	600	-	600
Inventories	(17,390)	-	13,228	-	(4,162)
Deferred outflows of resources related to pensions	36,309	13,943	-	49,514	99,766
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	(178,824)	(28,014)	(665)	3,150	(204,353)
Vested unpaid vacation and sick leave	2,705	3,639	-	3,639	9,983
Unearned revenue	-	32,833	(368)	-	32,465
Customer deposits	22,720	-	-	-	22,720
Net pension liability	(59,085)	(36,793)	-	(113,262)	(209,140)
Deferred inflows of resources related to pensions	50,499	13,417	-	6,130	70,046
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 560,923</b>	<b>\$ (152,765)</b>	<b>\$ (20,871)</b>	<b>\$ 139,936</b>	<b>\$ 527,223</b>
<b>Noncash Capital and Related Financing Activities</b>					
Purchase of capital assets on account	\$ 942,380	\$ 261,143	\$ -	\$ -	\$ 1,203,523

*See accompanying notes to basic financial statements.*

# City of Palmer, Alaska

## Notes to Basic Financial Statements December 31, 2017

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### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

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

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

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

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

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

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

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

The City reports the following major funds:

Major governmental funds:

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

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

Major proprietary funds:

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

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

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

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

### *Investments*

Investments are stated at fair value.

### *Cash and Cash Equivalents*

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

### *Inventory*

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

### *Prepaid Items*

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

### *Land Held for Sale*

Land held for sale is valued at cost 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.



# City of Palmer, Alaska

## Notes to Basic Financial Statements

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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

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### *Grants and Other Intergovernmental Revenues*

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

### *Property Taxes*

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

### *Long-term Debt*

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

### *Fund Balances*

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

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

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

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

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

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

### *Encumbrances*

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

### *Compensated Absences*

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

### *Unearned Grant Revenue*

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### *Pensions*

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

### *Comparative Data*

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

### *Deferred Inflows/Outflows of Resources*

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

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

### *Budgetary Accounting*

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

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

- a. 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, 2017.

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Cash and cash equivalents	\$ 4,681,155
Investments	1,986,406
<b>Total Cash and Investments</b>	<b>\$ 6,667,561</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, 2017 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 1,986,406	\$ 1,986,406	\$ -
<b>Total Investments</b>	<b>\$ 1,986,406</b>	<b>\$ 1,986,406</b>	<b>\$ -</b>

*Credit Risk*

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

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

At December 31, 2017, 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	139,391
<b>Total Deferred Inflows of Resources</b>	<b>\$ 191,583</b>
Unearned revenue - grant drawdowns	\$ 59,138

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

### 5. Capital Assets

The following summarizes the changes in capital assets for the year ended December 31, 2017:

	Balance January 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2017
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,852,489	\$ -	\$ (353,719)	\$ 1,498,770
Construction in progress	1,863,755	978,029	(232,269)	2,609,515
<b>Total assets not being depreciated</b>	<b>3,716,244</b>	<b>978,029</b>	<b>(585,988)</b>	<b>4,108,285</b>
<i>Capital assets being depreciated:</i>				
Buildings	10,802,901	-	-	10,802,901
Improvements other than buildings	22,879,023	406,562	-	23,285,585
Machinery and equipment	7,719,832	152,783	-	7,872,615
<b>Total assets being depreciated</b>	<b>41,401,756</b>	<b>559,345</b>	<b>-</b>	<b>41,961,101</b>
Less accumulated depreciation for:				
Buildings	8,261,721	326,726	-	8,588,447
Improvements other than buildings	9,164,962	749,559	-	9,914,521
Machinery and equipment	6,095,988	457,108	-	6,553,096
<b>Total accumulated depreciation</b>	<b>23,522,671</b>	<b>1,533,393</b>	<b>-</b>	<b>25,056,064</b>
<b>Total capital assets being depreciated, net</b>	<b>17,879,085</b>	<b>(974,048)</b>	<b>-</b>	<b>16,905,037</b>
<b>Governmental Activity Capital Assets, net</b>	<b>\$ 21,595,329</b>	<b>\$ 3,981</b>	<b>\$ (585,988)</b>	<b>\$ 21,013,322</b>

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

	Balance January 1, 2017	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2017
<b>Business-type Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,002,073	\$ -	\$ -	\$ 3,002,073
Construction work in progress	6,313,561	14,004,098	(2,137,835)	18,179,824
<b>Total assets not being depreciated</b>	<b>9,315,634</b>	<b>14,004,098</b>	<b>(2,137,835)</b>	<b>21,181,897</b>
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	94,724,702	2,166,385	-	96,891,087
Machinery and equipment	3,237,012	472,124	(243,453)	3,465,683
<b>Total assets being depreciated</b>	<b>98,838,765</b>	<b>2,638,509</b>	<b>(243,453)</b>	<b>101,233,821</b>
Less accumulated depreciation for:				
Buildings	780,205	13,708	-	793,913
Improvements other than buildings	34,743,085	2,472,809	-	37,215,894
Machinery and equipment	2,401,814	148,536	(243,453)	2,306,897
<b>Total accumulated depreciation</b>	<b>37,925,104</b>	<b>2,635,053</b>	<b>(243,453)</b>	<b>40,316,704</b>
<b>Total capital assets being depreciated, net</b>	<b>60,913,661</b>	<b>3,456</b>	<b>-</b>	<b>60,917,117</b>
<b>Business-type Activity Capital Assets, net</b>	<b>\$ 70,229,295</b>	<b>\$ 14,007,554</b>	<b>\$ (2,137,835)</b>	<b>\$ 82,099,014</b>

Depreciation expense was charged to the functions as follows for the year ended December 31, 2017:

<b>Governmental Activities</b>	
General government	\$ 100,524
Public safety	308,189
Public works	721,953
Community services	402,727
<b>Total Governmental Activities</b>	<b>\$ 1,533,393</b>
<b>Business-type Activities</b>	
Water and sewer	\$ 1,979,865
Airport	550,044
Refuse	59,530
Golf course	45,614
<b>Total Business-type Activities</b>	<b>\$ 2,635,053</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, 2017. At year end the City's commitments with contractors totaled \$5,410,000.

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

A schedule of interfund balances and transfers as of and for the year ended December 31, 2017, follows:

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<b>Advance from the General Fund to:</b>	
Water and Sewer Enterprise Fund	\$ 1,000,000
Golf Course Enterprise Fund	591,233
Airport Enterprise Fund	112,589
<hr/>	
<b>Total Advances to Other Funds</b>	<b>\$ 1,703,822</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**

#### To General Fund from:

Water and Sewer Enterprise Fund for payment in lieu of tax	\$ 160,950
Golf Course Enterprise Fund for payment in lieu of tax	40,773
Nonmajor Enterprise Funds for payment in lieu of tax	42,120

#### From General Fund to:

Capital Projects Capital Project Fund to cover capital costs	125,000
Equipment Capital Project Fund to cover capital costs	330,000
Road Improvements Capital Project Fund to cover capital costs	50,000
Airport Enterprise Fund for return of capital	225,000
Airport Enterprise Fund to fund the transfer to Water and Sewer Enterprise Fund	154,746
Nonmajor Enterprise Funds for return of capital	64,600

From Capital Projects fund to Airport Enterprise Fund to cover capital costs	31,005
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From Airport Enterprise Fund to Water and Sewer Enterprise Fund to cover operations	154,746
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<b>Total Transfers to Other Funds</b>	<b>\$ 1,378,940</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, 2017, 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, 2017, \$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, 2017, \$1,214,226 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. At December 31, 2017, \$2,319,714 had been drawn on the loan. 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, 2017, follows:

	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
<b>Governmental Activities</b>					
<i>Bonds Payable:</i>					
\$865,000 refunding Ice Rink general obligation bonds, due in annual installments of \$106,850 to \$110,250, plus interest ranging from 2.0% to 5.0% through 2024	\$ 710,000	\$ -	\$ 75,000	\$ 635,000	\$ 80,000
Unamortized premium on Ice Rink GO bonds	91,364	-	12,182	79,182	-
Vested unpaid vacation and sick leave	386,541	403,965	423,560	366,946	366,946
Capital lease payable	-	425,654	-	425,654	105,508
Net pension liability	8,527,069	-	2,070,405	6,456,664	-
<b>Total Governmental Activities</b>	<b>\$ 9,714,974</b>	<b>\$ 829,619</b>	<b>\$ 2,581,147</b>	<b>\$ 7,963,446</b>	<b>\$ 552,454</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.

	Balance January 1, 2017	Additions	Retired	Balance December 31, 2017	Due Within One Year
<b>Business-type Activities</b>					
<i>Loans Payable:</i>					
\$222,857 State of Alaska Sewer Utility loan due in annual installments of \$14,120 including interest at 1.5% through 2019	\$ 41,121	\$ -	\$ 13,503	\$ 27,618	\$ 13,706
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	\$ 202,342	\$ -	\$ 21,167	\$ 181,175	\$ 21,484
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	256,240	-	30,386	225,854	30,842
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	430,100	-	39,100	391,000	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	890,457	-	75,060	815,397	76,186
\$1,071,429 State of Alaska Water Utility loan currently in drawdown phase. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	955,925	-	-	955,925	-
\$1,285,714 (\$964,286 forgiven) State of Alaska Water Utility loan currently in drawdown phase. Maximum repayment amount of \$321,428. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	298,562	7,386	-	305,948	-
\$4,816,000 interim loan, to be repaid with proceeds from Department of Agriculture Community Facilities Loans and Grants program in 2018	-	2,319,714	-	2,319,714	-
Vested unpaid vacation and sick leave	48,364	45,658	35,675	58,347	58,347
Net pension liability	832,470	-	209,140	623,330	-
<b>Total Business-type Activities</b>	<b>\$ 3,955,581</b>	<b>\$ 2,372,758</b>	<b>\$ 424,031</b>	<b>\$ 5,904,308</b>	<b>\$ 239,665</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
2018	\$ 80,000	\$ 30,050	\$ 110,050
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
2023-2024	205,000	15,500	220,500
<b>Total Governmental Activities General Obligation Bonds</b>	<b>\$ 635,000</b>	<b>\$ 128,850</b>	<b>\$ 763,850</b>

Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2018	\$ 181,318	\$ 24,616	\$ 205,934
2019	183,452	21,896	205,348
2020	171,497	19,144	190,641
2021	173,483	16,572	190,055
2022	175,498	13,969	189,467
2023-2027	755,796	31,649	787,445
	<b>\$ 1,641,044</b>	<b>\$ 127,846</b>	<b>\$ 1,768,890</b>
<b>Loans not in repayment status</b>	<b>3,581,587</b>		
<b>Total Business-type Activities Loans Payable</b>	<b>\$ 5,222,631</b>		

### *Debt Covenants*

All significant bond covenants have been complied with as of December 31, 2017. 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.

### *Capital Leases*

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.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

<i>December 31,</i>	2017
<b>Assets Held Under Capital Lease - Radio Equipment</b>	<b>\$ 659,048</b>

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The obligation under the capital lease is as follows:

<i>December 31,</i>	2017
Lease payable to lessor, payable in annual payments of \$114,206, including interest at a fixed rate of 3.47% per annum	\$ 425,654
Less current portion	(105,508)
<b>Long - term Portion</b>	<b>\$ 320,146</b>

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

<i>Year Ending December 31,</i>	
2018	\$ 114,206
2019	114,206
2020	114,206
2021	114,206
Total future minimum lease payments	456,824
Less amount representing interest	(31,170)
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 425,654</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, 2017 was \$295,598.

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:

	Major Funds		Capital Projects Capital Project	Nonmajor Funds	Totals
	General Fund	Fund	Fund	Funds	Totals
<b>Nonspendable:</b>					
Prepaid insurance and inventory	\$ 209,249	\$ -	\$ -	\$ -	209,249
Advances to other funds	1,703,822	-	-	-	1,703,822
<b>Total nonspendable</b>	<b>1,913,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,913,071</b>
Restricted for public safety	-	-	-	69,720	69,720
<b>Committed:</b>					
Public safety	-	-	-	31,502	31,502
Parks	-	-	-	28,737	28,737
Capital projects and equipment	-	284,982	-	750,767	1,035,749
<b>Total committed</b>	<b>-</b>	<b>284,982</b>	<b>-</b>	<b>811,006</b>	<b>1,095,988</b>
Assigned - vested unpaid vacation and sick leave	366,946	-	-	-	366,946
Unassigned	3,986,863	-	-	-	3,986,863
<b>Total Fund Balances</b>	<b>\$ 6,266,880</b>	<b>\$ 284,982</b>	<b>\$ 880,726</b>	<b>\$ 7,432,588</b>	<b>\$ 7,432,588</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 10. Defined Benefit (DB) Pension Plan

#### General Information About the Plan

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

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

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

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

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

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

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

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

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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### *Employee Contribution Rates*

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

### *Employer and Other Contribution Rates*

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

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

*ARM Board Adopted Rate:* This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates 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 proprietary 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 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 FY17, the rate uses an 8% pension discount rate and a 4.3% 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.

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

Contribution rates for the years ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2014 and June 30, 2015 actuarial valuations, respectively. City contribution rates for the 2017 calendar year were as follows:

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Other postemployment benefits (see Note 12)	7.04%	5.80%	0.00%	56.64%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>26.14%</b>	<b>4.14%</b>	<b>81.13%</b>

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	24.49%
Other postemployment benefits (see Note 12)	4.88%	3.11%	0.00%	56.64%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>25.01%</b>	<b>3.01%</b>	<b>81.13%</b>

In 2017, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	City Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 481,100	\$ 521,201
Nonemployer contributions (on-behalf)	197,895	174,305
<b>Total Contributions</b>	<b>\$ 678,995</b>	<b>\$ 695,507</b>

In addition, employee contributions to the Plan totaled \$123,715 during the City's fiscal year.

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# City of Palmer, Alaska

## Notes to Basic Financial Statements

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

At December 31, 2017, 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:

	2017
City proportionate share of NPL	\$ 7,079,994
State's proportionate share of NPL associated with the City	2,638,507
<b>Total Net Pension Liability</b>	<b>\$ 9,718,501</b>

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2017 measurement date, the City's proportion was 0.13696 percent, which was a decrease of 0.03048 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$301,966. Of this amount, \$174,305 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2017, 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	\$ -	\$ (127,290)
Net difference between projected and actual earnings on pension plan investments	189,910	-
Changes in proportion and differences between City contributions and proportionate share of contributions	29,489	(740,518)
City contributions subsequent to the measurement date	283,927	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 503,326</b>	<b>\$ (867,808)</b>

# City of Palmer, Alaska

## Notes to Basic Financial Statements

The \$283,927 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, 2018. 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 Ending December 31,*

2018	\$ (825,072)
2019	197,754
2020	88,775
2021	(109,867)

### *Actuarial Assumptions*

The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2016 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, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry age normal; level dollar normal cost basis
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 age and service, from 8.55% to 4.34% for all others
Allocation Methodology	Amounts for FY17 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 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.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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 real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Long-term Expected Real Rate of Return
Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

### *Discount Rate*

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

### *Discount Rate Sensitivity*

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.136958%	\$ 9,300,225	\$ 7,079,994	\$ 5,205,094

### *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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### 11. Defined Contribution (DC) Pension Plan

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

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

#### *Benefit Terms*

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

#### *Employee Contribution Rate*

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

#### *Employer Contribution Rate*

For the year ended December 31, 2017, 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, 2017 were \$132,792 and \$212,467, respectively. The City contribution amount was recognized as pension expense/expenditures.

### 12. Other Post-Employment Benefit (OPEB) Plans

#### *Defined Benefit OPEB Plan*

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

# City of Palmer, Alaska

## Notes to Basic Financial Statements

### *Employer Contribution Rate*

For the year ended December 31, 2017, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

### *Annual Postemployment Healthcare Cost*

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. On-behalf contributions to the OPEB Plan in 2017, 2016, and 2015, were zero, \$41,933, and \$34,833, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 192,592	\$ 192,592	100 %
2016	262,167	262,167	100 %
2015	345,813	345,813	100 %

### *Defined Contribution OPEB Plan*

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

### *Employer Contribution Rates*

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2017 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>1.19%</b>	<b>1.46%</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, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

### *Annual Postemployment Healthcare Cost*

In 2017, the City contributed \$125,057 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 13. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. APEI provides the City coverage for automobiles, casualty, including general liability, earthquake/flood, property, public officials and employee liability, law enforcement professional liability, employee benefit liability; and workers' compensation. Another insurance company provides the City coverage for airport liability. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. Coverage limits and the deductibles on the policies are relatively consistent with prior years. APEI made no supplemental assessments during the year ended December 31, 2017.

### 14. Grants

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

### 15. Contingencies

#### *Litigation*

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

#### *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.

# City of Palmer, Alaska

## Notes to Basic Financial Statements

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### 16. Subsequent Events

In April 2018, the City obtained funding from the U.S. Department of Agriculture through the Community Facilities Loans and Grants program to repay the interim utility revenue bond.

### 17. New Accounting Pronouncements

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

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

*GASB 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 85 - Omnibus 2017* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

*GASB 86 - Certain Debt Extinguishment Issues* - Effective for year-end December 31, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for insubstance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

*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. It 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.

## 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, 2017</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,460,000	\$ 8,376,333	\$ 8,301,989	\$ (74,344)
Licenses and permits	223,400	156,781	156,811	30
Fines and forfeitures	89,000	80,309	80,874	565
Intergovernmental	605,922	572,941	593,068	20,127
Special assessments	270,700	30,829	34,955	4,126
Charges for services	1,769,558	1,996,759	1,997,781	1,022
Miscellaneous	125,214	370,300	435,967	65,667
<b>Total Revenues</b>	<b>11,543,794</b>	<b>11,584,252</b>	<b>11,601,445</b>	<b>17,193</b>
<b>Expenditures</b>				
General government	3,328,816	2,839,862	2,695,819	144,043
Public safety	4,847,125	4,474,664	4,450,255	24,409
Public works	2,542,184	1,822,134	1,754,434	67,700
Community services	732,318	1,570,635	1,492,546	78,089
Debt service	-	106,550	106,550	-
<b>Total Expenditures</b>	<b>11,450,443</b>	<b>10,813,845</b>	<b>10,499,604</b>	<b>314,241</b>
<b>Excess of Revenues Over Expenditures</b>	<b>93,351</b>	<b>770,407</b>	<b>1,101,841</b>	<b>331,434</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	243,842	243,843	1
Transfers out	-	(2,028,638)	(949,346)	1,079,292
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,784,796)</b>	<b>(705,503)</b>	<b>1,079,293</b>
<b>Net Change in Fund Balance</b>	<b>\$ 93,351</b>	<b>\$ (1,014,389)</b>	<b>396,338</b>	<b>\$ 1,410,727</b>
Fund Balance, beginning			<u>5,870,542</u>	
Fund Balance, ending			<u>\$ 6,266,880</u>	

*See accompanying notes to Required Supplementary Information.*

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

<i>Years Ended December 31,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2008	*	\$ *	\$ *	\$ *	\$ *	*	*
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	0.15223%	7,383,004	1,977,456	9,360,460	4,476,197	164.94%	63.96%
2016	0.16745%	9,359,539	1,181,359	10,540,898	4,413,785	212.05%	59.55%
2017	0.13696%	7,079,994	2,638,507	9,718,501	4,418,351	160.24%	63.37%

\*Information not available

*See accompanying notes to Required Supplementary Information.*

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

<i>Years Ended December 31,</i>	Contributions Relative to the		Contribution	City's	Contributions as a
	Contractually Required Contribution	Contractually Required Contribution	Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll
2008	\$ *	\$ *	\$ *	\$ *	*
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	446,116	446,116	-	4,406,408	10.12%
2016	467,070	467,070	-	4,418,334	10.57%
2017	521,201	521,201	-	4,418,368	11.80%

\*Information not available

*See accompanying notes to Required Supplementary Information.*

# City of Palmer, Alaska

## Notes to Required Supplementary Information December 31, 2017

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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 schedules

- 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. Pension Disclosures

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

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

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

- This table is presented based on the Plan measurement date. For December 31, 2017, the Plan measurement date is June 30, 2017.
- 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.

#### *Schedule of City 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.

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## 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, 2017</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
<b>Assets</b>							
Cash and investments	\$ 26,705	\$ 4,797	\$ 28,737	\$ 69,720	\$ 501,174	\$ 131,738	\$ 762,871
Grants receivable	-	-	-	-	128,459	-	128,459
<b>Total Assets</b>	<b>\$ 26,705</b>	<b>\$ 4,797</b>	<b>\$ 28,737</b>	<b>\$ 69,720</b>	<b>\$ 629,633</b>	<b>\$ 131,738</b>	<b>\$ 891,330</b>
<b>Liabilities - accounts payable</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,604</b>	<b>\$ -</b>	<b>\$ 10,604</b>
<b>Fund Balances</b>							
Restricted for public safety	-	-	-	69,720	-	-	69,720
Committed:							
Capital projects and equipment	-	-	-	-	619,029	131,738	750,767
Public safety	26,705	4,797	-	-	-	-	31,502
Parks	-	-	28,737	-	-	-	28,737
<b>Total Fund Balances</b>	<b>\$ 26,705</b>	<b>\$ 4,797</b>	<b>\$ 28,737</b>	<b>\$ 69,720</b>	<b>\$ 619,029</b>	<b>\$ 131,738</b>	<b>\$ 880,726</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,705</b>	<b>\$ 4,797</b>	<b>\$ 28,737</b>	<b>\$ 69,720</b>	<b>\$ 629,633</b>	<b>\$ 131,738</b>	<b>\$ 891,330</b>

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

<i>Year Ended December 31, 2017</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
<b>Revenues</b>							
Federal government	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ -	\$ 125,000
State of Alaska	-	-	-	4,542	72,888	-	77,430
Miscellaneous	-	11,775	2,100	-	69,034	-	82,909
<b>Total Revenues</b>	-	11,775	2,100	4,542	266,922	-	285,339
<b>Expenditures</b>							
Public safety	-	11,775	-	25,037	-	-	36,812
Capital outlay	-	-	-	-	852,673	-	852,673
<b>Total Expenditures</b>	-	11,775	-	25,037	852,673	-	889,485
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	2,100	(20,495)	(585,751)	-	(604,146)
<b>Other Financing Sources</b>							
Transfers in	-	-	-	-	330,000	50,000	380,000
Proceeds from capital lease	-	-	-	-	425,654	-	425,654
<b>Net Other Financing Sources</b>	-	-	-	-	755,654	50,000	805,654
<b>Net Change in Fund Balances</b>	-	-	2,100	(20,495)	169,903	50,000	201,508
<b>Fund Balances, beginning</b>	26,705	4,797	26,637	90,215	449,126	81,738	679,218
<b>Fund Balances, ending</b>	\$ 26,705	\$ 4,797	\$ 28,737	\$ 69,720	\$ 619,029	\$ 131,738	\$ 880,726

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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, 2017</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and investments	\$ 765,913	\$ 15,369	\$ 781,282
Accounts receivable	123,498	-	123,498
<b>Total Current Assets</b>	<b>889,411</b>	<b>15,369</b>	<b>904,780</b>
<b>Land Held for Sale</b>	<b>-</b>	<b>217,414</b>	<b>217,414</b>
<b>Property, Plant and Equipment</b>			
Buildings	52,667	-	52,667
Machinery and equipment	1,015,720	-	1,015,720
Total property, plant and equipment	1,068,387	-	1,068,387
Less accumulated depreciation	(474,807)	-	(474,807)
<b>Net Property, Plant and Equipment</b>	<b>593,580</b>	<b>-</b>	<b>593,580</b>
<b>Total Assets</b>	<b>1,482,991</b>	<b>232,783</b>	<b>1,715,774</b>
<b>Deferred Outflows of Resources - related to pensions</b>	<b>5,781</b>	<b>-</b>	<b>5,781</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,488,772</b>	<b>\$ 232,783</b>	<b>\$ 1,721,555</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 30,414	\$ -	\$ 30,414
Vested unpaid vacation and sick leave	13,106	-	13,106
<b>Total Current Liabilities</b>	<b>43,520</b>	<b>-</b>	<b>43,520</b>
<b>Long-term Liabilities - net pension liability</b>	<b>201,052</b>	<b>-</b>	<b>201,052</b>
<b>Total Liabilities</b>	<b>244,572</b>	<b>-</b>	<b>244,572</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>10,978</b>	<b>-</b>	<b>10,978</b>
<b>Net Position</b>			
Net investment in capital assets	593,580	-	593,580
Unrestricted	639,642	232,783	872,425
<b>Total Net Position</b>	<b>1,233,222</b>	<b>232,783</b>	<b>1,466,005</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,488,772</b>	<b>\$ 232,783</b>	<b>\$ 1,721,555</b>

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

<i>Year Ended December 31, 2017</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>	\$ 779,736	\$ -	\$ 779,736
<b>Operating Expenses</b>			
Salaries and employee benefits	61,547	-	61,547
Administrative services	125,929	-	125,929
Other operating expenses	393,715	-	393,715
Depreciation	59,530	-	59,530
<b>Total Operating Expenses</b>	640,721	-	640,721
<b>Operating Income</b>	139,015	-	139,015
<b>Nonoperating Revenues</b>			
State PERS relief	2,654	-	2,654
<b>Income Before Transfers</b>	141,669	-	141,669
Transfers in	-	64,600	64,600
Transfers out	(42,120)	-	(42,120)
<b>Change in Net Position</b>	99,549	64,600	164,149
<b>Net Position, beginning</b>	1,133,673	168,183	1,301,856
<b>Net Position, ending</b>	\$ 1,233,222	\$ 232,783	\$ 1,466,005

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

<i>Year Ended December 31, 2017</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers and users	\$ 769,302	\$ -	\$ 769,302
Payments to suppliers	(390,565)	-	(390,565)
Payments to employees	(112,872)	-	(112,872)
Payments for interfund services used	(125,929)	-	(125,929)
<b>Net cash flows from operating activities</b>	<b>139,936</b>	<b>-</b>	<b>139,936</b>
<b>Cash Flows for Noncapital Financing Activities</b>			
Transfers in	-	64,600	64,600
Transfers out	(42,120)	-	(42,120)
Decrease in due to other funds	-	(49,231)	(49,231)
<b>Net cash flows for noncapital financing activities</b>	<b>(42,120)</b>	<b>15,369</b>	<b>(26,751)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>			
Purchase of property, plant and equipment	(388,570)	-	(388,570)
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(290,754)</b>	<b>15,369</b>	<b>(275,385)</b>
<b>Cash and Investments, beginning</b>	<b>1,056,667</b>	<b>-</b>	<b>1,056,667</b>
<b>Cash and Investments, ending</b>	<b>\$ 765,913</b>	<b>\$ 15,369</b>	<b>\$ 781,282</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>			
Operating income	\$ 139,015	\$ -	\$ 139,015
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	59,530	-	59,530
Noncash expense - PERS relief	2,654	-	2,654
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	(10,434)	-	(10,434)
Deferred outflows of resources related to pensions	49,514	-	49,514
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	3,150	-	3,150
Vested unpaid vacation and sick leave	3,639	-	3,639
Net pension liability	(113,262)	-	(113,262)
Deferred inflows of resources related to pensions	6,130	-	6,130
<b>Net Cash from Operating Activities</b>	<b>\$ 139,936</b>	<b>\$ -</b>	<b>\$ 139,936</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>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 3,968,843	\$ 4,538,601
Receivables, net of allowance for uncollectibles:		
Sales taxes	699,081	654,655
Property taxes	227,006	220,530
Accounts	46,172	11,385
Assessments:		
Current	15,194	18,206
Delinquent	35,702	42,079
Deferred	88,495	113,751
Prepaid insurance	196,146	343,117
Inventory	13,103	4,724
Due from other funds	-	49,231
Advances to other funds	1,703,822	616,470
<b>Total Assets</b>	<b>\$ 6,993,564</b>	<b>\$ 6,612,749</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 232,443	\$ 205,064
Accrued payroll and employee benefits	235,679	249,870
Deposits	7,841	8,796
Unearned revenue	59,138	52,249
<b>Total Liabilities</b>	<b>535,101</b>	<b>515,979</b>
<b>Deferred Inflows of Resources</b>		
Deferred property taxes	52,192	52,192
Deferred assessments	139,391	174,036
<b>Total Deferred Inflows of Resources</b>	<b>191,583</b>	<b>226,228</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>726,684</b>	<b>742,207</b>
<b>Fund Balance</b>		
Nonspendable:		
Prepaid insurance and inventory	209,249	347,841
Advances to other funds	1,703,822	616,470
Assigned for vested unpaid vacation and sick leave	366,946	386,541
Unassigned	3,986,863	4,519,690
<b>Total Fund Balance</b>	<b>6,266,880</b>	<b>5,870,542</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 6,993,564</b>	<b>\$ 6,612,749</b>

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

<i>Years Ended December 31,</i>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Taxes:				
Sales taxes	\$ 7,066,333	\$ 6,999,693	\$ (66,640)	\$ 6,583,847
Real and personal property taxes	1,310,000	1,302,296	(7,704)	1,215,467
<b>Total taxes</b>	<b>8,376,333</b>	<b>8,301,989</b>	<b>(74,344)</b>	<b>7,799,314</b>
Licenses and permits:				
Business licenses	94,947	95,097	150	106,565
Permits	61,834	61,714	(120)	201,670
<b>Total licenses and permits</b>	<b>156,781</b>	<b>156,811</b>	<b>30</b>	<b>308,235</b>
<b>Fines and forfeitures</b>	<b>80,309</b>	<b>80,874</b>	<b>565</b>	<b>77,385</b>
Intergovernmental:				
State revenue sharing	230,289	230,289	-	245,387
Liquor licenses	12,500	12,500	-	14,800
Electric and telephone co-op tax	143,743	143,742	(1)	157,272
State PERS relief	138,221	158,349	20,128	188,046
Library grants	8,250	8,250	-	27,050
Public safety grants	7,500	7,500	-	6,576
Motor vehicle tax	32,438	32,438	-	42,655
<b>Total intergovernmental</b>	<b>572,941</b>	<b>593,068</b>	<b>20,127</b>	<b>681,786</b>
<b>Special assessments</b>	<b>30,829</b>	<b>34,955</b>	<b>4,126</b>	<b>152,508</b>
Charges for services:				
Administrative service charges - other funds	630,126	630,127	1	657,670
Grant administration fees	35,646	41,198	5,552	68,624
Fire protection	354,735	353,735	(1,000)	337,232
Community center fees	39,000	39,380	380	33,930
Library fees	21,350	18,385	(2,965)	20,782

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues, continued:</b>				
Charges for services, continued:				
Dispatch	\$ 546,543	\$ 546,543	\$ -	\$ 984,999
Ice rink revenues	258,000	257,054	(946)	277,272
Building rental	59,893	59,893	-	61,740
Planning and zoning	1,466	1,466	-	8,210
Public safety	50,000	50,000	-	50,000
<b>Total charges for services</b>	<b>1,996,759</b>	<b>1,997,781</b>	<b>1,022</b>	<b>2,500,459</b>
Miscellaneous:				
Investment income	22,761	22,760	(1)	30,524
Property and equipment sales	329,103	394,403	65,300	19,367
Police services	-	25	25	63
Insurance and state maintenance reimbursement	-	-	-	23,139
Other	18,436	18,779	343	90,376
<b>Total miscellaneous</b>	<b>370,300</b>	<b>435,967</b>	<b>65,667</b>	<b>163,469</b>
<b>Total Revenues</b>	<b>11,584,252</b>	<b>11,601,445</b>	<b>17,193</b>	<b>11,683,156</b>
<b>Expenditures</b>				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	234,889	234,232	657	238,010
Audit	37,860	37,860	-	34,746
Advertising	6,798	5,495	1,303	5,560
Dues and subscriptions	8,840	7,408	1,432	7,641
Travel	12,000	6,776	5,224	5,923
Education and training	5,255	2,919	2,336	3,507
Legal fees	35,000	29,418	5,582	44,036
Services	2,000	1,265	735	598
Telephone	9,750	8,772	978	9,507
Insurance	3,701	3,701	-	3,100
Operating supplies	3,314	1,803	1,511	4,405
Services - Sister City program	7,500	2,781	4,719	5,029
Council donations	12,500	10,304	2,196	10,410

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website and broadcasting	\$ 3,000	\$ 2,750	\$ 250	\$ 4,913
Computer services	6,565	6,565	-	2,703
Election	9,650	8,616	1,034	8,046
Office equipment	7,100	6,402	698	882
Codification consulting services	16,100	13,644	2,456	10,376
Repairs and maintenance	1,000	998	2	200
Office supplies	6,000	1,593	4,407	4,097
<b>Total Mayor/Council/Clerk</b>	<b>428,822</b>	<b>393,302</b>	<b>35,520</b>	<b>403,689</b>
Administration:				
Salaries and employee benefits	886,215	879,614	6,601	915,514
Advertising	1,010	1,009	1	-
Dues and subscriptions	690	666	24	731
Travel	990	973	17	3,005
Education and training	985	600	385	2,160
Legal fees	11,547	10,357	1,190	13,058
Services	8,000	7,954	46	6,584
Telephone	7,500	7,286	214	10,346
Insurance	7,503	7,503	-	5,617
Operating supplies	9,555	9,555	-	7,997
Repairs and maintenance	1,000	893	107	150
Office equipment	3,658	3,658	-	7,822
Computer services	76,998	59,901	17,097	88,178
Miscellaneous	-	-	-	62,000
<b>Total administration</b>	<b>1,015,651</b>	<b>989,969</b>	<b>25,682</b>	<b>1,123,162</b>
Buildings:				
Services	5,581	5,580	1	6,112
Power	18,939	18,939	-	19,359
Heat	2,449	2,449	-	1,873
Water and sewer	1,395	1,395	-	1,183

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Buildings, continued:				
Insurance	\$ 3,414	\$ 3,414	\$ -	\$ 3,411
Telephone	18,024	18,024	-	14,843
Operating supplies	930	779	151	925
Office supplies	9,665	9,664	1	7,140
Repairs and maintenance	13,981	13,342	639	11,302
Miscellaneous	4,340	2,200	2,140	7,065
<b>Total buildings</b>	<b>78,718</b>	<b>75,786</b>	<b>2,932</b>	<b>73,213</b>
City manager:				
Salaries and employee benefits	430,127	409,675	20,452	416,406
Advertising	27,400	23,375	4,025	16,461
Dues and subscriptions	3,485	3,484	1	3,338
Travel	5,500	4,944	556	5,667
Education and training	2,130	2,045	85	3,038
Legal fees	20,591	18,727	1,864	17,628
Services	32,642	24,516	8,126	6,245
Telephone	4,100	3,667	433	4,295
Insurance	5,693	5,693	-	4,286
Operating supplies	-	-	-	35
Small tools and equipment	2,600	848	1,752	16,653
Discretionary	10,000	7,517	2,483	1,422
Lobbying	2,000	-	2,000	1,604
Fuel	410	409	1	135
Repairs and maintenance	121,492	121,492	-	112,967
Office supplies	4,942	4,465	477	2,747
Board stipends	3,422	2,450	972	5,800
Miscellaneous	20,000	8,432	11,568	3
<b>Total city manager</b>	<b>696,534</b>	<b>641,739</b>	<b>54,795</b>	<b>618,730</b>
Community development:				
Salaries and employee benefits	531,551	509,019	22,532	464,612
Advertising	1,420	1,299	121	2,079
Dues and subscriptions	2,512	2,510	2	2,065

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
General government, continued:				
Community development, continued:				
Travel	\$ 1,200	\$ 1,139	\$ 61	\$ 2,300
Education and training	1,590	1,585	5	2,574
Legal fees	12,900	12,893	7	19,531
Services	4,920	4,164	756	4,870
Telephone	2,236	2,207	29	2,203
Power	7,968	7,967	1	7,285
Heat	3,030	3,029	1	2,741
Water and sewer	1,672	1,672	-	1,387
Insurance	6,208	6,208	-	4,572
Operating supplies	531	530	1	496
Equipment	16,600	15,559	1,041	2,537
Fuel	1,390	1,377	13	934
Repairs and maintenance	2,562	2,561	1	1,193
Annexation and community planning	6,625	6,220	405	29
Rental and lease	4,620	4,620	-	3,858
Office supplies	4,536	4,446	90	4,551
Board stipends	3,300	3,300	-	3,800
Miscellaneous	2,766	2,718	48	4,301
Total community development	620,137	595,023	25,114	537,918
Total general government	2,839,862	2,695,819	144,043	2,756,712
Public safety:				
Police department:				
Salaries and employee benefits	3,278,094	3,271,719	6,375	3,366,734
Advertising	1,702	1,202	500	124
Dues and subscriptions	300	250	50	304
Travel	20,934	20,658	276	15,802
Education and training	9,000	8,599	401	3,258
Legal fees	7,500	6,477	1,023	6,076
Services	55,073	52,505	2,568	58,789
Telephone	18,800	18,376	424	23,501
Power	38,130	37,796	334	35,798

**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>	2017		Variance with Budget	2016	
	Budget	Actual	Budget	Actual	Actual
<b>Expenditures, continued:</b>					
Public safety, continued:					
Police department, continued:					
Heat	\$ 18,149	\$ 18,142	\$ 7	\$ 15,318	
Water and sewer	11,908	11,640	268	10,585	
Fuel	24,500	24,491	9	18,829	
Insurance	40,600	40,580	20	34,998	
Vehicle insurance	23,704	23,704	-	19,777	
Office supplies	11,085	11,051	34	7,849	
Vehicle supplies	200	155	45	160	
Uniform purchases and allowances	26,551	26,318	233	13,658	
Operating supplies	12,900	12,375	525	15,961	
Repairs and maintenance	13,300	11,059	2,241	13,985	
Community planning	2,755	2,755	-	965	
Janitorial supplies	3,538	3,520	18	4,862	
Equipment	33,785	32,518	1,267	150,138	
Rowland Memorial Fund	1,000	1,000	-	2,000	
Miscellaneous	2,935	2,932	3	444	
<b>Total police department</b>	<b>3,656,443</b>	<b>3,639,822</b>	<b>16,621</b>	<b>3,819,915</b>	
Fire department:					
Salaries and employee benefits	330,760	330,759	1	320,361	
Volunteer firemen salaries and benefits	223,215	223,212	3	196,406	
Dues and subscriptions	2,965	2,964	1	2,131	
Education and training	18,735	18,299	436	20,728	
Services	30,555	29,397	1,158	19,795	
Telephone	8,865	8,864	1	7,720	
Power	9,000	8,912	88	8,714	
Heat	6,725	6,641	84	5,137	
Water and sewer	2,367	2,367	-	2,131	
Fuel	21,100	20,723	377	16,183	
Legal	802	779	23	15,959	
Rental and lease	11,588	11,588	-	11,588	
Insurance	7,137	7,131	6	5,373	
Vehicle insurance	16,253	16,252	1	11,025	
Office supplies	1,940	1,480	460	3,126	

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 31,998	\$ 31,996	\$ 2	\$ 23,083
Uniform purchases and allowances	2,400	2,109	291	1,171
Operating supplies	3,000	2,713	287	2,633
Repairs and maintenance	24,415	23,007	1,408	24,187
Small tools	23,300	23,230	70	13,181
Janitorial supplies	200	148	52	935
Equipment	40,901	37,862	3,039	15,339
Total fire department	818,221	810,433	7,788	726,906
Total public safety	4,474,664	4,450,255	24,409	4,546,821
Public works:				
Administration:				
Salaries and employee benefits	669,379	662,326	7,053	677,251
Advertising	1,000	173	827	174
Travel	1,000	-	1,000	51
Education and training	1,500	1,054	446	1,350
Legal fees	2,000	759	1,241	7,744
Services	22,185	22,181	4	40,195
Telephone	7,500	6,932	568	10,783
Power	16,700	16,372	328	16,166
Heat	19,035	19,032	3	15,861
Water and sewer	10,240	10,238	2	9,651
Insurance	18,547	18,547	-	16,138
Vehicle insurance	14,947	14,947	-	12,650
Repairs and maintenance	12,500	11,148	1,352	7,010
Small tools	975	929	46	1,879
Janitorial supplies	2,000	1,412	588	1,477
Equipment	14,800	11,547	3,253	16,106
Office supplies	3,000	2,118	882	5,149
Christmas lighting	9,288	9,288	-	2,104
Miscellaneous	2,000	-	2,000	2,927
Total administration	828,596	809,003	19,593	844,666



**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>	2017			2016	
	Budget	Actual	Variance with Budget	Actual	
<b>Expenditures, continued:</b>					
Public works, continued:					
Roads:					
Salaries and employee benefits	\$ 332,823	\$ 325,085	\$ 7,738	\$ 352,988	
Services	48,200	48,195	5	42,952	
Operating supplies	8,600	8,018	582	8,965	
Repairs and maintenance	15,250	15,241	9	31,836	
Rental and lease	7,100	7,100	-	8,100	
Dust control and chemicals	10,000	9,580	420	10,464	
Road salt and sand	83,850	81,783	2,067	85,708	
Crack sealing	24,650	24,593	57	24,593	
Safety equipment	700	632	68	1,790	
<b>Total roads</b>	<b>531,173</b>	<b>520,227</b>	<b>10,946</b>	<b>567,396</b>	
Engineering	12,852	7,481	5,371	-	
Highway maintenance	6,150	5,795	355	-	
Street lighting:					
Power	112,280	112,278	2	120,194	
Operating supplies	2,000	1,957	43	1,357	
Repairs and maintenance	50,000	40,668	9,332	40,681	
<b>Total street lighting</b>	<b>164,280</b>	<b>154,903</b>	<b>9,377</b>	<b>162,232</b>	
Motor vehicle maintenance:					
Salaries and employee benefits	154,283	134,051	20,232	167,179	
Fuel	32,000	31,761	239	20,284	
Vehicle supplies	20,500	20,115	385	11,498	
Repairs and maintenance	47,000	46,252	748	35,473	
Small tools and equipment	25,300	24,846	454	17,448	
<b>Total motor vehicle maintenance</b>	<b>279,083</b>	<b>257,025</b>	<b>22,058</b>	<b>251,882</b>	
<b>Total public works</b>	<b>1,822,134</b>	<b>1,754,434</b>	<b>67,700</b>	<b>1,826,176</b>	

**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>	2017		Variance with Budget	2016	
	Budget	Actual		Budget	Actual
<b>Expenditures, continued:</b>					
Community services:					
Tourist center:					
Services	\$ 169,030	\$ 169,030	\$ -	\$ 154,940	
Telephone	2,230	2,225	5	4,466	
Fuel	2,667	2,667	-	2,162	
Power	3,965	3,965	-	3,571	
Water and sewer	1,491	1,490	1	1,360	
Insurance	1,547	1,547	-	1,259	
Repairs and maintenance	-	-	-	4,351	
Janitorial supplies	1,105	1,104	1	-	
Equipment	1,705	1,140	565	-	
<b>Total tourist center</b>	<b>183,740</b>	<b>183,168</b>	<b>572</b>	<b>172,109</b>	
Community center building:					
Services	1,000	-	1,000	-	
Power	5,723	5,722	1	3	
Heat	5,250	5,248	2	4,174	
Water and sewer	2,540	2,539	1	2,501	
Insurance	574	574	-	330	
Operating supplies	13,415	12,063	1,352	4,244	
Rental and lease	500	500	-	500	
Repairs and maintenance	9,250	9,245	5	5,301	
<b>Total community center building</b>	<b>38,252</b>	<b>35,891</b>	<b>2,361</b>	<b>17,053</b>	
Parks and recreation:					
Salaries and employee benefits	78,461	77,022	1,439	72,433	
Fuel	2,375	2,368	7	2,259	
Operating supplies	10,800	10,391	409	11,009	
Power	200	197	3	-	
Water, sewer and garbage	560	560	-	-	
Repairs and maintenance	7,145	5,560	1,585	6,466	
<b>Total parks and recreation</b>	<b>99,541</b>	<b>96,098</b>	<b>3,443</b>	<b>92,167</b>	
Arena:					
Salaries and employee benefits	254,654	253,262	1,392	266,373	
Advertising	1,625	1,126	499	482	
Services	5,248	4,465	783	2,472	

**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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Arena, continued:				
Telephone	\$ 3,360	\$ 3,360	\$ -	\$ 3,134
Power	113,972	113,972	-	67,965
Heat	45,033	45,033	-	38,440
Water and sewer	18,001	17,473	528	13,111
Rental and lease	2,000	1,608	392	1,362
Fuel	4,000	3,548	452	3,715
Insurance	4,794	4,794	-	4,203
Operating supplies	9,410	8,997	413	11,401
Janitorial supplies	4,000	3,309	691	3,999
Learn to skate	3,000	3,000	-	2,490
Education and training	940	940	-	595
Small tools and equipment	12,685	352	12,333	1,672
Repairs and maintenance	56,250	54,072	2,178	43,198
Legal fees	205	205	-	-
<b>Total arena</b>	<b>539,177</b>	<b>519,516</b>	<b>19,661</b>	<b>464,612</b>
Library:				
Salaries and employee benefits	490,762	445,190	45,572	431,754
Subscriptions and dues	509	449	60	59
Travel	3,650	3,232	418	1,574
Education and training	1,850	1,482	368	1,890
Services	35,961	34,660	1,301	31,327
Telephone	7,081	6,309	772	8,201
Power	39,246	39,244	2	34,585
Heat	8,585	7,011	1,574	7,903
Water and sewer	3,985	3,974	11	3,531
Rental and lease	720	702	18	-
Insurance	6,632	6,628	4	5,128
Books and subscriptions	44,600	44,112	488	42,781

**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>	2017		Variance with Budget	2016
	Budget	Actual	Budget	Actual
<b>Expenditures, continued:</b>				
Community services, continued:				
Library, continued:				
Operating supplies	\$ 22,665	\$ 23,588	\$ (923)	\$ 21,323
Repairs and maintenance	20,200	20,195	5	12,047
Equipment	19,429	17,099	2,330	8,727
Miscellaneous	4,050	3,998	52	4,000
<b>Total library</b>	<b>709,925</b>	<b>657,873</b>	<b>52,052</b>	<b>614,830</b>
<b>Total community services</b>	<b>1,570,635</b>	<b>1,492,546</b>	<b>78,089</b>	<b>1,365,729</b>
Debt service on bonds:				
Principal	75,000	75,000	-	75,000
Interest	31,550	31,550	-	34,550
<b>Total debt service on bonds</b>	<b>106,550</b>	<b>106,550</b>	<b>-</b>	<b>109,550</b>
<b>Total Expenditures</b>	<b>10,813,845</b>	<b>10,499,604</b>	<b>314,241</b>	<b>10,604,988</b>
<b>Excess of Revenues Over Expenditures</b>	<b>770,407</b>	<b>1,101,841</b>	<b>331,434</b>	<b>1,078,168</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	243,842	243,843	1	349,578
Transfers out	(2,028,638)	(949,346)	1,079,292	(445,394)
<b>Net Other Financing Sources (Uses)</b>	<b>(1,784,796)</b>	<b>(705,503)</b>	<b>1,079,293</b>	<b>(95,816)</b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (1,014,389)</u></b>	<b>396,338</b>	<b><u>\$ 1,410,727</u></b>	<b>982,352</b>
<b>Fund Balance, beginning</b>		<b><u>5,870,542</u></b>		<b><u>4,888,190</u></b>
<b>Fund Balance, ending</b>		<b><u>\$ 6,266,880</u></b>		<b><u>\$ 5,870,542</u></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>	2017	2016
<b>Assets</b>		
Cash and Investments	\$ 26,705	\$ 26,705
<b>Fund Balance</b>		
Committed for public safety	\$ 26,705	\$ 26,705

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

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<i>Years Ended December 31,</i>	2017	2016
Net Change in Fund Balance	\$ -	\$ -
Fund Balance, beginning	26,705	26,705
Fund Balance, ending	\$ 26,705	\$ 26,705



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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 4,797	\$ 4,797
<b>Fund Balance</b>		
Committed for public safety	\$ 4,797	\$ 4,797

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

<i>Years Ended December 31,</i>	2017			2016
	Budget	Actual	Variance with Budget	Actual
<b>Revenues - miscellaneous</b>	\$ 24,000	\$ 11,775	\$ (12,225)	11,247
<b>Expenditures - public safety:</b>				
Salaries and employee benefits	22,500	10,839	11,661	10,359
Fuel	1,500	936	564	888
<b>Total Expenditures</b>	24,000	11,775	12,225	11,247
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
<b>Fund Balance, beginning</b>		<u>4,797</u>		<u>4,797</u>
<b>Fund Balance, ending</b>		<u>\$ 4,797</u>		<u>\$ 4,797</u>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 28,737	\$ 26,637
<b>Fund Balance</b>		
Committed for parks	\$ 28,737	\$ 26,637

**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>	2017	2016
Revenues - development fees	\$ 2,100	\$ 1,800
Expenditures	-	-
Net Change in Fund Balance	2,100	1,800
Fund Balance, beginning	26,637	24,837
Fund Balance, ending	\$ 28,737	\$ 26,637

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

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<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 69,720	\$ 90,215
<b>Fund Balance</b>		
Restricted for public safety	\$ 69,720	\$ 90,215

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

<i>Years Ended December 31,</i>	2017	2016
<b>Revenues</b>		
Federal government	\$ -	\$ 34,314
State forfeiture funds	4,542	4,204
<b>Total Revenues</b>	4,542	38,518
<b>Expenditures - public safety:</b>		
Training	-	3,401
Equipment	25,037	24,935
<b>Total Expenditures</b>	25,037	28,336
<b>Net Change in Fund Balance</b>	(20,495)	10,182
<b>Fund Balance, beginning</b>	90,215	80,033
<b>Fund Balance, ending</b>	\$ 69,720	\$ 90,215

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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>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 294,434	\$ 577,291
Grants receivable	64,952	19,060
<b>Total Assets</b>	<b>\$ 359,386</b>	<b>\$ 596,351</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 74,404	\$ 19,400
Unearned revenue	-	45,000
<b>Total Liabilities</b>	<b>74,404</b>	<b>64,400</b>
<b>Fund Balance</b>		
Committed for capital projects	284,982	531,951
<b>Total Liabilities and Fund Balance</b>	<b>\$ 359,386</b>	<b>\$ 596,351</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>	2017			2016	
	Budget	Actual	Variance with Budget	Actual	
<b>Revenues</b>					
Intergovernmental:					
State of Alaska	\$ 393,408	\$ 161,225	\$ (232,183)	\$ 255,562	
Federal government	22,945	9,904	(13,041)	48,977	
Miscellaneous Income	7,450	7,450	-	-	
<b>Total Revenues</b>	<b>423,803</b>	<b>178,579</b>	<b>(245,224)</b>	<b>304,539</b>	
<b>Expenditures</b>					
General government - deferred maintenance	2,936	-	2,936	-	
Public safety - SAFER	22,945	9,904	13,041	48,977	
<b>Capital outlay:</b>					
Wayfinding and streetscapes	45,000	37,889	7,111	-	
Park improvements	65,379	15,175	50,204	-	
Mat Maid property	1,250	1,250	-	-	
Storm water master plan	-	-	-	2,597	
Storm water - Sherrod Phase 3	-	-	-	9,840	
Library boiler replacement	44,095	44,095	-	4,900	
LED street light upgrades	110,000	107,774	2,226	45,000	
Parking lot update	100,000	31,775	68,225	-	
Ice arena equipment	38,846	23,160	15,686	-	
Downtown master plan	50,000	-	50,000	-	
Depot expansion	555	-	555	19,445	
Mayor projects	500	-	500	-	
Fire station	-	-	-	562	
Tanker truck	-	-	-	12,144	
Flight service	31,005	-	31,005	-	
Depot sound baffles	15,000	15,000	-	-	
Palmer bike rack project	1,450	989	461	-	
Keep america beautiful	5,000	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>	2017			2016	
	Budget	Actual	Variance with Budget	Actual	
<b>Expenditures, continued</b>					
Capital outlay, continued:					
ADA sidewalk	\$ 104,197	\$ 104,197	\$ -	\$ -	
Property acquisition	97	-	97	-	
Palmer/Wasilla highway corridor	5,000	-	5,000	-	
Public safety building repair	193,408	52,338	141,070	65,374	
Public works storage building	150,000	70,671	79,329	-	
Regular benefits	-	326	(326)	-	
Depot safety improvements	-	-	-	174,885	
City hall office renovations	29,704	-	29,704	-	
Museum/VIC improvements	25,000	-	25,000	-	
<b>Total capital outlay</b>	<b>1,015,486</b>	<b>509,639</b>	<b>505,847</b>	<b>334,747</b>	
<b>Total Expenditures</b>	<b>1,041,367</b>	<b>519,543</b>	<b>521,824</b>	<b>383,724</b>	
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(617,564)	(340,964)	276,600	(79,185)	
<b>Other Financing Sources (Uses)</b>					
Transfers in	125,000	125,000	-	239,394	
Transfers out	-	(31,005)	(31,005)	(102,016)	
<b>Net Other Financing Sources (Uses)</b>	<b>125,000</b>	<b>93,995</b>	<b>(31,005)</b>	<b>137,378</b>	
<b>Net Change in Fund Balance</b>	<b>\$ (492,564)</b>	<b>(246,969)</b>	<b>\$ 245,595</b>	<b>58,193</b>	
Fund Balance, beginning		531,951		473,758	
Fund Balance, ending		<b>\$ 284,982</b>		<b>\$ 531,951</b>	

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 501,174	\$ 439,531
Grants receivable	128,459	9,595
<b>Total Assets</b>	<b>\$ 629,633</b>	<b>\$ 449,126</b>
<b>Liabilities</b>		
Accounts payable	\$ 10,604	\$ -
<b>Fund Balance</b>		
Committed for equipment replacement	619,029	449,126
<b>Total Liabilities and Fund Balance</b>	<b>\$ 629,633</b>	<b>\$ 449,126</b>

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

<i>Years Ended December 31,</i>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Revenues</b>				
Intergovernmental:				
State of Alaska	\$ 360,052	\$ 72,888	\$ (287,164)	\$ 151,593
Federal government	125,000	125,000	-	-
E911 revenue	69,034	69,034	-	-
<b>Total Revenues</b>	<b>554,086</b>	<b>266,922</b>	<b>(287,164)</b>	<b>151,593</b>
<b>Expenditures - capital outlay:</b>				
Administrative services	17,144	3,471	13,673	7,219
Dispatch equipment	99,721	-	99,721	-
Clerk/Council equipment	4,915	-	4,915	15,044
Police equipment	315,000	717,682	(402,682)	-
Public works equipment	122,542	62,103	60,439	55,563
Fire equipment	382,908	69,417	313,491	144,374
<b>Total Expenditures</b>	<b>942,230</b>	<b>852,673</b>	<b>89,557</b>	<b>222,200</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(388,144)</b>	<b>(585,751)</b>	<b>(197,607)</b>	<b>(70,607)</b>
<b>Other Financing Sources</b>				
Transfers in	330,000	330,000	-	-
Proceeds from capital lease	-	425,654	425,654	-
<b>Net Other Financing Sources</b>	<b>330,000</b>	<b>755,654</b>	<b>425,654</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (58,144)</b>	<b>169,903</b>	<b>\$ 228,047</b>	<b>(70,607)</b>
<b>Fund Balance, beginning</b>		<b>449,126</b>		<b>519,733</b>
<b>Fund Balance, ending</b>		<b>\$ 619,029</b>		<b>\$ 449,126</b>

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

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<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 131,738	\$ 81,738
<b>Fund Balance</b>		
Committed for roads and streets	\$ 131,738	\$ 81,738

**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>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay	\$ 131,739	\$ -	\$ 131,739	\$ -
Other Financing Sources (Uses) - transfers in (out)	50,000	50,000	-	(19,100)
Net Change in Fund Balance	<u>\$ (81,739)</u>	50,000	<u>\$ 131,739</u>	(19,100)
Fund Balance, beginning		<u>81,738</u>		<u>100,838</u>
Fund Balance, ending		<u>\$ 131,738</u>		<u>\$ 81,738</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>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 852,092	\$ 845,411
Receivables:		
Grants and loans	348,894	675,291
Accounts	311,483	289,950
Inventories - materials and supplies	155,577	138,187
<b>Total Current Assets</b>	<b>1,668,046</b>	<b>1,948,839</b>
<b>Noncurrent Assets</b>		
Assessments receivable	-	198,749
Property, plant and equipment:		
Land	45,164	45,164
Buildings	60,067	60,067
Machinery and equipment	1,227,123	1,169,277
Improvements other than buildings	77,698,838	75,561,003
Construction work in progress	10,588,728	5,859,491
Total property, plant and equipment	89,619,920	82,695,002
Less accumulated depreciation	(23,633,844)	(21,653,979)
Net property, plant and equipment	65,986,076	61,041,023
<b>Total Noncurrent Assets</b>	<b>65,986,076</b>	<b>61,239,772</b>
<b>Total Assets</b>	<b>67,654,122</b>	<b>63,188,611</b>
Deferred Outflows of Resources - related to pensions	28,217	64,526
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 67,682,339</b>	<b>\$ 63,253,137</b>

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

<i>December 31,</i>	2017	2016
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 69,653	\$ 55,807
Capital related accounts payable	942,380	437,903
Accrued payroll and employee benefits	223	223
Vested unpaid vacation and sick leave	37,105	34,400
Current portion of loans payable - State of Alaska	181,318	179,216
Accrued interest payable	21,693	21,693
Customer deposits	225,744	203,024
Civil penalty payable	-	192,670
<b>Total Current Liabilities</b>	<b>1,478,116</b>	<b>1,124,936</b>
<b>Long-term Liabilities, net of current portion</b>		
Loans payable	5,041,313	2,895,531
Advance from other fund	1,000,000	-
Net pension liability	330,856	389,941
<b>Total Liabilities</b>	<b>7,850,285</b>	<b>4,410,408</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>53,592</b>	<b>3,093</b>
<b>Net Position</b>		
Net investment in capital assets	59,821,065	57,966,276
Unrestricted (deficit)	(42,603)	873,360
<b>Total Net Position</b>	<b>59,778,462</b>	<b>58,839,636</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 67,682,339</b>	<b>\$ 63,253,137</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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Water sales	\$ 1,428,864	\$ 1,418,040	\$ (10,824)	\$ 1,364,154
Sewer services	1,192,290	1,188,516	(3,774)	1,104,278
Connection fees	36,600	34,660	(1,940)	39,545
Miscellaneous	26,950	26,944	(6)	26,348
<b>Total Operating Revenues</b>	<b>2,684,704</b>	<b>2,668,160</b>	<b>(16,544)</b>	<b>2,534,325</b>
<b>Operating Expenses Excluding Depreciation</b>				
Water:				
Salaries and employee benefits	253,604	258,187	(4,583)	284,757
Administrative services	193,342	193,342	-	201,006
Audit	10,372	10,372	-	7,812
Advertising	3,000	1,978	1,022	1,800
Education and training	5,000	2,728	2,272	563
Legal fees	5,000	-	5,000	27,545
Engineering	10,000	-	10,000	1,940
Services	42,698	25,614	17,084	48,866
Telephone	10,300	10,203	97	8,055
Power	114,500	114,461	39	103,552
Heat	10,340	10,336	4	9,643
Fuel	6,200	5,918	282	4,255
Equipment rental	348	-	348	1,818
Insurance	12,793	12,793	-	10,410
Office supplies	2,705	2,703	2	1,969
Operating supplies	3,000	1,716	1,284	2,761
Repairs and maintenance	53,000	34,630	18,370	25,137
Small tools	3,000	1,480	1,520	1,421
Chemicals	12,000	10,306	1,694	5,747
Permits	9,000	8,967	33	8,967
Equipment	46,475	120,731	(74,256)	60,875
Miscellaneous	7,371	207,245	(199,874)	6,879
<b>Total water</b>	<b>814,048</b>	<b>1,033,710</b>	<b>(219,662)</b>	<b>825,778</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>	2017		Variance	2016
	Budget	Actual	with	
			Budget	Actual
<b>Operating Expenses Excluding</b>				
<b>Depreciation, continued</b>				
Sewer:				
Salaries and employee benefits	\$ 289,560	\$ 297,768	\$ (8,208)	\$ 341,735
Administrative services	222,912	222,912	-	195,459
Audit	9,402	9,400	2	7,296
Education and training	1,610	1,267	343	732
Legal	28,810	28,809	1	30,150
Engineering	4,729	-	4,729	9,246
Services	42,500	39,064	3,436	65,703
Telephone	8,530	8,530	-	7,944
Power	216,165	216,161	4	194,936
Heat	8,205	8,205	-	7,483
Fuel	10,690	10,686	4	6,940
Equipment rental	2,200	1,970	230	2,088
Insurance	12,983	12,983	-	10,251
Office supplies	3,100	2,603	497	1,705
Operating supplies	15,000	14,955	45	57,214
Repairs and maintenance	33,904	26,320	7,584	34,962
Small tools	3,020	2,635	385	6,339
Equipment	22,000	10,600	11,400	5,000
Permits	9,500	8,967	533	8,967
Miscellaneous	3,500	3,657	(157)	3,340
<b>Total sewer</b>	<b>948,320</b>	<b>927,492</b>	<b>20,828</b>	<b>997,490</b>
<b>Total Operating Expenses Excluding</b>				
<b>Depreciation</b>	<b>1,762,368</b>	<b>1,961,202</b>	<b>(198,834)</b>	<b>1,823,268</b>
<b>Operating Income Before Depreciation</b>	<b>922,336</b>	<b>706,958</b>	<b>(215,378)</b>	<b>711,057</b>
Depreciation	-	1,979,865	(1,979,865)	1,909,761
<b>Operating Income (Loss)</b>	<b>922,336</b>	<b>(1,272,907)</b>	<b>(2,195,243)</b>	<b>(1,198,704)</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>	2017			2016	
	Budget	Actual	Variance with Budget	Actual	
<b>Nonoperating Revenues (Expenses)</b>					
State PERS relief	\$ 9,404	\$ 12,948	\$ 3,544	\$ 10,903	
Insurance reimbursement	-	-	-	51,266	
Miscellaneous income	5,616	5,616	-	16,941	
Interest expense	(94,686)	(27,305)	67,381	(29,961)	
Civil penalty expense	-	-	-	(670)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(79,666)</b>	<b>(8,741)</b>	<b>70,925</b>	<b>48,479</b>	
<b>Income (Loss) Before Contributions and Transfers</b>	<b>842,670</b>	<b>(1,281,648)</b>	<b>(2,124,318)</b>	<b>(1,150,225)</b>	
Capital contributions	2,481,857	2,226,678	(255,179)	2,887,901	
Transfers in	1,154,746	154,746	(1,000,000)	-	
Transfers out	(161,449)	(160,950)	499	(145,138)	
<b>Change In Net Position</b>	<b><u>\$ 4,317,824</u></b>	<b>938,826</b>	<b><u>\$ (3,378,998)</u></b>	<b>1,592,538</b>	
<b>Net Position, beginning</b>		<b><u>58,839,636</u></b>		<b><u>57,247,098</u></b>	
<b>Net Position, ending</b>		<b><u>\$ 59,778,462</u></b>		<b><u>\$ 58,839,636</u></b>	

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

<i>Years Ended December 31,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers and users	\$ 2,674,963	\$ 2,521,807
Payments to suppliers	(1,185,207)	(808,281)
Payments to employees	(512,579)	(529,945)
Payments for interfund services used	(416,254)	(396,465)
<b>Net cash flows from operating activities</b>	<b>560,923</b>	<b>787,116</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	154,746	-
Transfers out	(160,950)	(145,138)
<b>Net cash flows from for noncapital financing activities</b>	<b>(6,204)</b>	<b>(145,138)</b>
<b>Cash Flows for Capital and Related Financing Activities</b>		
Capital contributions received	2,751,824	2,571,726
Purchase of property, plant and equipment and construction work in progress	(6,420,441)	(2,846,624)
Proceeds from loans	2,327,100	-
Increase in interfund advance	1,000,000	-
Proceeds from insurance reimbursement	-	51,266
Principal payments on loans payable	(179,216)	(18,033)
Interest paid	(27,305)	(29,961)
<b>Net cash flows for capital and related financing activities</b>	<b>(548,038)</b>	<b>(271,626)</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>6,681</b>	<b>370,352</b>
<b>Cash and Investments, beginning</b>	<b>845,411</b>	<b>475,059</b>
<b>Cash and Investments, ending</b>	<b>\$ 852,092</b>	<b>\$ 845,411</b>
<b>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities</b>		
Operating loss	\$ (1,272,907)	(1,198,704)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,979,865	1,909,761
Noncash expense - PERS relief	12,948	10,903
Other revenues	5,616	16,271
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(21,533)	(36,269)
Inventories - materials and supplies	(17,390)	2,520
Deferred outflows of resources related to pensions	36,309	(16,669)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(178,824)	(10,490)
Vested unpaid vacation and sick leave	2,705	(18,777)
Customer deposits	22,720	7,480
Net pension liability	(59,085)	122,728
Deferred inflows of resources related to pensions	50,499	(1,638)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 560,923</b>	<b>\$ 787,116</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of capital assets on account	\$ 942,380	\$ 437,903

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

<i>December 31,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 8,039	\$ 46,302
Receivables:		
Accounts	6,452	-
Grants	271,070	230,410
<b>Total Current Assets</b>	<b>285,561</b>	<b>276,712</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	18,525,015	18,496,465
Construction work in progress	7,591,096	454,070
Total property, plant and equipment	28,849,699	21,684,123
Less accumulated depreciation	(15,222,397)	(14,672,353)
<b>Net Property, Plant and Equipment</b>	<b>13,627,302</b>	<b>7,011,770</b>
<b>Total Assets</b>	<b>13,912,863</b>	<b>7,288,482</b>
<b>Deferred Outflows of Resources - related to pensions</b>	<b>7,797</b>	<b>21,740</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 13,920,660</b>	<b>\$ 7,310,222</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,425	\$ 33,439
Capital related accounts payable	261,143	201,380
Vested unpaid vacation and sick leave	8,136	4,497
Unearned revenue	70,718	37,885
<b>Total Current Liabilities</b>	<b>345,422</b>	<b>277,201</b>
<b>Long-term Liabilities</b>		
Advance from other fund	112,589	112,589
Net pension liability	91,422	128,215
<b>Total Long-term Liabilities</b>	<b>204,011</b>	<b>240,804</b>
<b>Total Liabilities</b>	<b>549,433</b>	<b>518,005</b>
<b>Deferred Inflows of Resources - related to pensions</b>	<b>14,809</b>	<b>1,392</b>
<b>Net Position</b>		
Net investment in capital assets	13,366,159	7,011,770
Unrestricted (deficit)	(9,741)	(220,945)
<b>Total Net Position</b>	<b>13,356,418</b>	<b>6,790,825</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 13,920,660</b>	<b>\$ 7,310,222</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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues</b>				
Aviation fuel - revenue sharing	\$ 12,180	\$ 12,180	\$ -	\$ 7,736
Tiedown fees	25,357	25,282	(75)	28,346
Land leases	157,796	157,796	-	152,640
Agricultural land leases	2,942	2,942	-	5,082
Miscellaneous	16,526	16,525	(1)	4,768
<b>Total Operating Revenues</b>	<b>214,801</b>	<b>214,725</b>	<b>(76)</b>	<b>198,572</b>
<b>Operating Expenses Excluding Depreciation</b>				
Salaries and employee benefits	134,316	127,477	6,839	138,426
Administrative services	87,944	87,944	-	122,026
Audit	1,833	1,833	-	3,705
Advertising	1,657	1,652	5	1,912
Subscriptions and dues	275	275	-	334
Education and training	1,440	1,438	2	40
Legal fees	36,433	36,433	-	9,896
Services	25,245	11,633	13,612	18,150
Telephone	3,166	3,166	-	3,651
Power	15,087	15,087	-	16,680
Heat	3,225	3,182	43	2,004
Water, sewer and garbage	450	436	14	363
Fuel	5,525	5,500	25	1,232
Insurance	12,059	12,059	-	10,777
Operating supplies	1,250	1,098	152	1,208
Rental and lease	418	414	4	-
Repairs and maintenance	23,840	42,833	(18,993)	17,286
Building and improvements	5,000	4,850	150	-
Engineering	4,405	4,400	5	-
Office equipment	350	343	7	1,968
Small tools and equipment	500	486	14	1,092
Board stipends	1,100	1,100	-	1,950
<b>Total Operating Expenses Excluding Depreciation</b>	<b>365,518</b>	<b>363,639</b>	<b>1,879</b>	<b>352,700</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>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
Operating Loss Before Depreciation	\$ (150,717)	\$ (148,914)	\$ 1,803	\$ (154,128)
Depreciation	-	550,044	(550,044)	549,323
Operating Loss	(150,717)	(698,958)	(548,241)	(703,451)
Nonoperating Revenues - State PERS relief	2,597	3,576	979	2,510
Loss Before Contributions and Transfers	(148,120)	(695,382)	(547,262)	(700,941)
Capital contributions	-	7,004,970	7,004,970	400,202
Transfers in	298,638	410,751	112,113	260,500
Transfers out	(154,746)	(154,746)	-	(54,500)
Change in Net Position	<u>\$ (4,228)</u>	6,565,593	<u>\$ 6,569,821</u>	(94,739)
Net Position, beginning		<u>6,790,825</u>		<u>6,885,564</u>
Net Position, ending		<u>\$ 13,356,418</u>		<u>\$ 6,790,825</u>

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

<i>Years Ended December 31,</i>	2017	2016
<b>Cash Flows for Operating Activities</b>		
Cash receipts from customers and users	\$ 241,106	\$ 178,359
Payments to employees	(129,695)	(109,593)
Payments to suppliers	(176,232)	(18,465)
Payments for interfund services used	(87,944)	(122,026)
<b>Net cash flows for operating activities</b>	<b>(152,765)</b>	<b>(71,725)</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Decrease in due to other funds	-	(97,674)
Transfers in	154,746	-
Transfers out	(154,746)	(54,500)
<b>Net cash flows for noncapital financing activities</b>	<b>-</b>	<b>(152,174)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital contributions received	6,964,310	288,919
Transfers in	256,005	260,500
Purchase of property, plant and equipment and construction work in progress	(7,105,813)	(279,218)
<b>Net cash flows from capital and related financing activities</b>	<b>114,502</b>	<b>270,201</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(38,263)</b>	<b>46,302</b>
<b>Cash and Investments, beginning</b>	<b>46,302</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ 8,039</b>	<b>\$ 46,302</b>
<b>Reconciliation of Operating Loss to Net Cash Flows for Operating Activities</b>		
Operating loss	\$ (698,958)	\$ (703,451)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	550,044	549,323
Non-cash expense - PERS relief	3,576	2,510
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(6,452)	4,625
Prepaid expenses	-	49,360
Deferred outflows of resources related to pensions	13,943	(3,839)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(28,014)	24,423
Vested unpaid vacation and sick leave	3,639	2,277
Unearned revenue	32,833	(24,838)
Net pension liability	(36,793)	28,262
Deferred inflows of resources related to pensions	13,417	(377)
<b>Net Cash Flows for Operating Activities</b>	<b>\$ (152,765)</b>	<b>\$ (71,725)</b>
<b>Noncash Capital and Related Financing Activities</b>		
Purchase of capital assets on account	\$ 261,143	\$ 201,380

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

<i>December 31,</i>	2017	2016
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 765,913	\$ 1,056,667
Accounts receivable	123,498	113,064
<b>Total Current Assets</b>	<b>889,411</b>	<b>1,169,731</b>
<b>Property, Plant and Equipment</b>		
Buildings	52,667	52,667
Machinery and equipment	1,015,720	870,603
Total property, plant and equipment	1,068,387	923,270
Less accumulated depreciation	(474,807)	(658,730)
<b>Net Property, Plant and Equipment</b>	<b>593,580</b>	<b>264,540</b>
<b>Total Assets</b>	<b>1,482,991</b>	<b>1,434,271</b>
Deferred Outflows of Resources - related to pensions	5,781	55,295
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,488,772</b>	<b>\$ 1,489,566</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 30,414	\$ 27,264
Vested unpaid vacation and sick leave	13,106	9,467
<b>Total Current Liabilities</b>	<b>43,520</b>	<b>36,731</b>
Long-term Liabilities - net pension liability	201,052	314,314
<b>Total Liabilities</b>	<b>244,572</b>	<b>351,045</b>
Deferred Inflows of Resources - related to pensions	10,978	4,848
<b>Net Position</b>		
Net investment in capital assets	593,580	264,540
Unrestricted	639,642	869,133
<b>Total Net Position</b>	<b>1,233,222</b>	<b>1,133,673</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 1,488,772</b>	<b>\$ 1,489,566</b>

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

Years Ended December 31,	2017		2016	
	Budget	Actual	Variance with Budget	Actual
<b>Operating Revenues - solid waste collection fees</b>	\$ 773,681	\$ 779,736	\$ 6,055	\$ 675,213
<b>Operating Expenses Excluding Depreciation</b>				
Salaries and employee benefits	114,799	61,547	53,252	118,248
Administrative services	125,929	125,929	-	139,179
Audit	2,103	2,103	-	4,175
Services	353,310	353,310	-	340,132
Fuel	14,173	14,173	-	10,399
Insurance	6,393	6,393	-	4,974
Vehicle insurance	6,153	6,152	1	3,750
Operating supplies	3,514	3,153	361	3,929
Repairs and maintenance	8,900	2,068	6,832	6,893
Equipment	392,152	3,471	388,681	413
Travel	512	510	2	-
Miscellaneous	2,050	2,382	(332)	2,299
<b>Total Operating Expenses Excluding Depreciation</b>	1,029,988	581,191	448,797	634,391
<b>Operating Income (Loss) Before Depreciation</b>	(256,307)	198,545	454,852	40,822
<b>Depreciation</b>	-	59,530	(59,530)	36,359
<b>Operating Income (Loss)</b>	(256,307)	139,015	395,322	4,463
<b>Nonoperating Revenues</b>				
State PERS relief	1,927	2,654	727	2,049
<b>Income (Loss) Before Transfers</b>	(254,380)	141,669	396,049	6,512
<b>Transfers out</b>	(42,120)	(42,120)	-	(38,938)
<b>Change in Net Position</b>	<u>\$ (296,500)</u>	99,549	<u>\$ 396,049</u>	(32,426)
<b>Net Position, beginning</b>		<u>1,133,673</u>		<u>1,166,099</u>
<b>Net Position, ending</b>		<u>\$ 1,233,222</u>		<u>\$ 1,133,673</u>

## City of Palmer, Alaska

Refuse Enterprise Fund  
Statement of Cash Flows

<i>Years Ended December 31,</i>	2017	2016
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers and users	\$ 769,302	\$ 669,485
Payments to suppliers	(390,565)	(376,515)
Payments to employees	(112,872)	(95,471)
Payments for interfund services used	(125,929)	(139,179)
<b>Net cash flows from operating activities</b>	<b>139,936</b>	<b>58,320</b>
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers out	(42,120)	(38,938)
<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>(290,754)</b>	<b>19,382</b>
<b>Cash and Investments, beginning</b>	<b>1,056,667</b>	<b>1,037,285</b>
<b>Cash and Investments, ending</b>	<b>\$ 765,913</b>	<b>\$ 1,056,667</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>		
Operating income	\$ 139,015	\$ 4,463
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	59,530	36,359
Noncash expense - PERS relief	2,654	2,049
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(10,434)	(5,728)
Deferred outflows of resources related to pensions	49,514	(3,133)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	3,150	449
Vested unpaid vacation and sick leave	3,639	1,104
Net pension liability	(113,262)	23,065
Deferred inflows of resources related to pensions	6,130	(308)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 139,936</b>	<b>\$ 58,320</b>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Prepaid expenses	\$ -	\$ 600
Inventories - materials and supplies	19,644	32,872
<b>Total Current Assets</b>	<b>19,644</b>	<b>33,472</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	385,591
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,877,712	2,852,004
Less accumulated depreciation	(985,656)	(940,042)
<b>Net Property, Plant and Equipment</b>	<b>1,892,056</b>	<b>1,911,962</b>
<b>Total Assets</b>	<b>\$ 1,911,700</b>	<b>\$ 1,945,434</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 718	\$ 1,383
Unearned revenue	24,982	25,350
<b>Total Current Liabilities</b>	<b>25,700</b>	<b>26,733</b>
<b>Long-term Liabilities</b>		
Advance from other fund	591,233	503,881
<b>Total Liabilities</b>	<b>616,933</b>	<b>530,614</b>
<b>Net Position</b>		
Net investment in capital assets	1,892,056	1,911,962
Unrestricted (deficit)	(597,289)	(497,142)
<b>Total Net Position</b>	<b>1,294,767</b>	<b>1,414,820</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,911,700</b>	<b>\$ 1,945,434</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>	2017		Variance with	2016
	Budget	Actual	Budget	Actual
<b>Operating Revenues</b>				
Golf course fees:				
Green fees	\$ 380,582	\$ 315,222	\$ (65,360)	\$ 377,746
Driving range fees	32,039	26,157	(5,882)	29,970
Golf cart rentals and trail fees	114,562	98,011	(16,551)	112,438
Golf club rentals	6,796	6,864	68	6,600
Clubhouse revenues:				
Beer and wine sales	48,000	40,585	(7,415)	48,576
Snack bar	69,903	61,377	(8,526)	68,394
Merchandise sales	160,194	171,895	11,701	144,609
Miscellaneous	2,600	469	(2,131)	205
<b>Total Operating Revenues</b>	<b>814,676</b>	<b>720,580</b>	<b>(94,096)</b>	<b>788,538</b>
<b>Operating Expenses Excluding Depreciation</b>				
Golf management contract	650,000	650,000	-	650,000
Audit	2,733	2,733	-	9,266
Services	16,000	14,569	1,431	15,911
Power	14,500	14,232	268	13,479
Heat	1,720	1,719	1	1,349
Water and sewer	1,740	1,737	3	1,517
Rental and lease	8,500	8,496	4	7,735
Insurance	10,535	10,535	-	5,744
Vehicle insurance	300	300	-	300
Operating supplies	19,400	19,335	65	22,242
Repairs and maintenance	14,800	14,412	388	16,804
Merchandise	-	13,228	(13,228)	27,110
Equipment	28,658	2,950	25,708	3,862
Legal fees	388	-	388	-
<b>Total Operating Expenses Excluding Depreciation</b>	<b>769,274</b>	<b>754,246</b>	<b>15,028</b>	<b>775,319</b>
<b>Operating Income (Loss) Before Depreciation</b>	<b>45,402</b>	<b>(33,666)</b>	<b>(79,068)</b>	<b>13,219</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>	2017			2016
	Budget	Actual	Variance with Budget	Actual
Depreciation	\$ -	\$ 45,614	\$ (45,614)	\$ 47,798
Operating Income (Loss) Before Transfers	45,402	(79,280)	(124,682)	(34,579)
Transfers out	(40,845)	(40,773)	72	(44,386)
Change in Net Position	<u>\$ 4,557</u>	(120,053)	<u>\$ (124,610)</u>	(78,965)
Net Position, beginning		<u>1,414,820</u>		<u>1,493,785</u>
Net Position, ending		<u>\$ 1,294,767</u>		<u>\$ 1,414,820</u>



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

<i>Years Ended December 31,</i>	2017	2016
<b>Cash Flows from (for) Operating Activities</b>		
Cash receipts from customers and users	\$ 720,212	\$ 795,501
Payments to suppliers	(741,083)	(748,090)
<b>Net cash flows from (for) operating activities</b>	<b>(20,871)</b>	<b>47,411</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Transfers out	(40,773)	(44,386)
<b>Cash Flows for Capital and Related Financing Activities</b>		
Purchase of property, plant and equipment	(25,708)	(15,960)
Increase in advance from General Fund	87,352	12,935
<b>Net cash flows for capital and related financing activities</b>	<b>61,644</b>	<b>(3,025)</b>
<b>Net Increase in Cash and Investments</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, beginning</b>	<b>-</b>	<b>-</b>
<b>Cash and Investments, ending</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Loss to Net Cash Flows from (for) Operating Activities</b>		
Operating loss	\$ (79,280)	\$ (34,579)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	45,614	47,798
(Increase) decrease in assets:		
Prepaid expenses	600	(600)
Inventories - materials and supplies	13,228	27,110
Increase (decrease) in liabilities:		
Accounts payable	(665)	719
Unearned revenue	(368)	6,963
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ (20,871)</b>	<b>\$ 47,411</b>

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

<i>December 31,</i>	2017	2016
<b>Assets</b>		
Cash and investments	\$ 15,369	\$ -
Land held for sale	217,414	217,414
<b>Total Assets</b>	<b>\$ 232,783</b>	<b>\$ 217,414</b>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Due to other funds	\$ -	\$ 49,231
<b>Net Position</b>		
Unrestricted	232,783	168,183
<b>Total Liabilities and Net Position</b>	<b>\$ 232,783</b>	<b>\$ 217,414</b>

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

<i>Years Ended December 31,</i>	2017		2016	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - land sales	\$ 64,600	\$ -	\$ (64,600)	\$ -
Income (Loss) Before Transfers	64,600	-	(64,600)	-
Transfers in	-	64,600	\$ 64,600	\$ -
Change in Net Position	<u>\$ 64,600</u>	64,600	<u>\$ -</u>	-
Net Position, beginning		<u>168,183</u>		<u>168,183</u>
Net Position, ending		<u>\$ 232,783</u>		<u>\$ 168,183</u>

## City of Palmer, Alaska

### Land Development Enterprise Fund Statement of Cash Flows

<i>Years Ended December 31,</i>	2017	2016
<b>Cash Flows for Noncapital Financing Activities</b>		
Transfers in	\$ 64,600	\$ -
Decrease in due to other funds	(49,231)	-
<b>Net Increase in Cash and Investments</b>	<b>15,369</b>	<b>-</b>
Cash and Investments, beginning	-	-
<b>Cash and Investments, ending</b>	<b>\$ 15,369</b>	<b>\$ -</b>

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## Schedules of Federal and State Expenditures

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## City of Palmer, Alaska

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2017

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	N/A	\$ -	\$ 16,079
Airport Improvement Program 2017	20.106	N/A	-	6,811,547
Total Department of Transportation				6,827,626
<b>Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	N/A	-	3,576
<b>Department of Agriculture</b>				
Passed through State of Alaska Department of Natural Resources - Cooperative Forestry Assistance	10.664	N/A	-	7,500
Community Facilities Loans and Grants - Community Facilities Loans and Grants Cluster	10.780	N/A	-	3,114,283
Total Department of Agriculture				3,121,783
<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	-	11,383
Capitalization Grants for Clean Water State Revolving Funds - Loan	66.458	N/A	-	3,794
Total Environmental Protection Agency and Clean Water State Revolving Fund Cluster				15,177
<b>Institute of Museum and Library Services</b>				
Passed through State of Alaska Department of Education and Early Development - Grants to States	45.310	CED-17-759-01	-	1,250
<b>Department of Homeland Security</b>				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	9,904
Passed through State of Alaska Department of Military and Veterans Affairs Division of Homeland Security and Emergency Management - Rail and Transit Security Grant Program (ARRA)	97.067	2OSHSP-GY17	-	125,000
Total Department of Homeland Security				134,904
<b>Total Expenditures of Federal Awards</b>				<b>\$ 10,104,316</b>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**City of Palmer, Alaska**  
**Schedule of State Financial Assistance**  
**Year Ended December 31, 2017**

State Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>Department of Commerce, Community and Economic Development</b>			
* Community Assistance Program	N/A	\$ 230,289	\$ 230,289
Wayfind and Streetscapes Planning Phase 1	13-DC-206	45,000	37,889
* Waste Water Treatment Plant Property Acquisition	13-DC-527	2,500,000	1,684,578
Aerial Firefighting Apparatus and Equipment	14-DC-124	1,800,000	72,888
* Bogard Waterline Extension	14-DC-125	3,500,000	331,529
* Airport Pavement Repairs	15-DC-128	400,000	177,344
Public Safety Building Repair	15-DC-130	435,000	52,339
Public Works Storage Building Upgrade	15-DC-131	150,000	70,997
* Wastewater Treatment Plant Lab Replacement	15-DC-133	145,000	145,000
Total Department of Commerce, Community and Economic Development			<u>2,802,853</u>
<b>Department of Environmental Conservation</b>			
Palmer - Steel Water Replacement	67118	3,000,000	51,067
Drinking Water Revolving Loan - State Subsidy	671251	3,120	3,120
Total Department of Environmental Conservation			<u>54,187</u>
<b>Department of Revenue</b>			
* Electric & Telephone Cooperative	N/A	143,742	143,742
Liquor Licenses	N/A	12,500	12,500
Aviation Fuel Tax	N/A	2,003	2,003
Total Department of Revenue			<u>158,245</u>
<b>Department of Administration</b>			
* PERS Relief	N/A	174,305	174,305
<b>Department of Education and Early Development</b>			
Public Library Assistance Grant	PLA 17-759-57	6,900	3,393
<b>Total State Financial Assistance</b>			<u><u>\$ 3,192,983</u></u>

\* Major programs

*See accompanying notes to Schedule of State Financial Assistance.*



# City of Palmer, Alaska

## Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended December 31, 2017

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### 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal and state grant activity of City of Palmer under programs of the federal and state governments for the year ended December 31, 2017. The information in the Schedules 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) and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules present only a selected portion of the operations of City of Palmer, they are not intended to and do not present the financial position, changes in net position or cash flows of City of Palmer.

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

### 2. PERS On-behalf

The City has recorded \$174,305 in PERS On-behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payments appropriated and transferred into the plan during calendar year 2017 and related to both pension and OPEB contributions.

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

However, in the full accrual financial statements (the government-wide and enterprise fund financial statements), GASB 68 provisions prescribe that on-behalf *pension* contributions in a special funding situation may only be recognized during the *measurement period* in which the plan recognizes the contributions. For the City of Palmer, the PERS plan measurement period is July 1, 2016 through June 30, 2017, creating a six-month timing difference between the cash contribution and revenue and expense recognition for the pension on-behalf by the City in those funds.

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

### 3. Drinking Water Revolving Loan

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

### 4. Indirect Cost Rate

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

**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, 2017, 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 7, 2018.

### 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

## 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*.

## City of Palmer's Response to Finding

City of Palmer's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Palmer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 7, 2018



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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, 2017. 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, 2017.

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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 7, 2018



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

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

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

We have audited City of Palmer's (the City's) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City's major state programs for the year ended December 31, 2017. The City's major state programs are identified in the accompanying schedule of state financial assistance.

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

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

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

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

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

### *Opinion on Each Major State Program*

In our opinion, City of Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

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

*BDO USA, LLP*

Anchorage, Alaska  
September 7, 2018



# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs Year Ended December 31, 2017

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

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
10.780	Community Facilities Loans and Grants	Department of Agriculture
20.106	Airport Improvement Program	Department of Transportation

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

Auditee qualified as low-risk auditee?  yes  no

***State Financial Assistance***

Internal control over major state programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)

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

Dollar threshold used to distinguish a state major program \$ 75,000

# City of Palmer, Alaska

## Schedule of Findings and Questioned Costs, continued

### Section II - 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

Criteria:                      Transactions should be recording in accordance with generally accepted accounting principles.

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.

Context:                      The loan was for \$1,000,000.

Effect:                        The net change in fund balance and fund balances in the General Fund and the Water and Sewer Fund were understated in the General Fund and overstated in the Water and Sewer Fund by \$1,000,000.

Cause:                        The Finance Director is new to her position and was unsure about the proper recording for the loan.

Recommendation:        Resources should be reviewed or consulted with to help determine the proper accounting for transactions when staff are unsure of the proper treatment.

*Views of Responsible  
Officials and Planned*

*Corrective Actions:*      Management concurs with the finding. See corrective action plan.

### 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.

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

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

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City of Palmer, Alaska  
Single Audit Responses (Unaudited)

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City of Palmer, Alaska

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2017

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

There were no prior year audit findings.

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

There were no prior year audit findings.

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

There were no prior year audit findings.



## DEPARTMENT OF FINANCE

Gina Davis  
Finance Director

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Palmer, Alaska 99645-6952  
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City of Palmer, Alaska

### Corrective Action Plan Year Ended December 31, 2017

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Name of Contact Person:

Gina Davis  
Finance Director  
(907) 761-1314

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

*Corrective Action  
Implementation*

Accounting for a short-term interfund loan to be paid back vs an interfund transfer determined not to be paid back are accounted for differently. Finance staff will consult with the City's auditors before booking advanced accounting transactions.

City of Palmer, Alaska

# AUDIT WRAP UP

December 31, 2017



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 7, 2018

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 February 6, 2018, 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, 2017, 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. Feel free to contact us to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

*BDO USA, LLP*



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# Discussion Outline

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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, 2017. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Controller 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 released our report on September 7, 2018.
- ▶ We have issued an unmodified opinion on compliance requirements that could have a direct and material effect on each major federal and state program.
- ▶ 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 Government and considered whether such information, or the manner of its presentation, is 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 17 to the City's financial statements.
- ▶ There were no changes in significant accounting policies and practices during 2017.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The Government's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed below.

### Significant accounting estimates include:

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

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

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

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- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2017.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

There were eight audit adjusting journal entries and nine client journal entries recorded to the trial balance given to us to perform the audit. Of the audit adjustments, five were capital asset and depreciation related. In addition, adjustments were made for certain grant revenues, interfund transfer, capital lease and net pension obligations.

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

# Results of Our Audit

There were three uncorrected misstatements as detailed below. We concur with management’s assessment that the effects of not recording such adjustments are, both individually and in the aggregate, immaterial to the consolidated financial statements taken as a whole, considering both qualitative and quantitative factors. None of the proposed adjustments could potentially cause future-period financial statement to be materially misstated.

Schedule of Uncorrected Misstatements			
Item #	Account Name and Adjustment Description	Debit	Credit
1	Bad Debt Expense - Current Year		\$ 198,749
	Bad Debt Expense - Prior Year	\$ 198,749	
	To adjust for bad debt expense related to special assessments in the water and sewer fund that should have been expensed in a prior year.		
2	Solid Waste Collection Revenue	5,467	
	Solid Waste Accounts Receivable		5,467
	To correct for billing lag		
3	Accounts Receivable -W&S	322,718	
	Revenue - W&S		322,718
	To record unbilled utility receivables for ½ of November 17 and all of December 17		

## QUALITY OF THE GOVERNMENT’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 did not adopt any new accounting pronouncements.
- 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 Government's financial statements will not be prevented, or detected and corrected on a timely basis.

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The following material weakness was identified:

Material Weakness	Comments
<b>Accounting for Interfund Loan</b>	The general fund loaned the Water & Sewer fund \$1,000,000. The transaction was incorrectly recorded as a transfer rather than an advance.

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# Other Required Communications

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

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the City's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about significant accounting or auditing matters between management and other accountants where we have identified a concern regarding such matters.
Our evaluation of the City's relationships and transactions with related parties and their impact on the financial statements	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.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Other matters significant to the oversight of the City's financial reporting process, including complaints or concerns regarding accounting or auditing matters	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.
Representations requested from management	Please refer to the management representation letter.

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# Independence Communication

Our engagement letter to you dated February 6, 2018, describes our responsibilities in accordance with professional standards, 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 City with respect to independence as agreed to by the City. Please refer to that letter for further information.

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# Significant Accounting and Reporting Matters

## GASB Standards Effective in 2018

### **GASB STATEMENT NO. 75, ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

- ▶ Establishes measurement criteria for the Other Postemployment Benefits (OPEB) liability of state and local governments and mirrors the requirements of GASB 68.
- ▶ For plans administered through a trust, governments must recognize the net OPEB liability.
- ▶ For plans not administered through a trust, the government must recognize the total OPEB liability.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.

### **GASB STATEMENT NO. 85, OMNIBUS 2017**

- ▶ Addresses several practice issues that have been identified during implementation of certain GASB Statements:
  1. Blending a component unit when the primary government is a business-type activity that reports in a single column.
  2. Reporting amounts previously reported as goodwill and negative goodwill.
  3. Classifying real estate held by insurance entities.
  4. Measuring certain money market instruments at amortized cost.
  5. Timing of the measurement of pension or OPEB liabilities and expenditures in governmental fund financial statements.
  6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
  7. Presenting payroll-related measures in Required Supplementary Information for OPEB plans and employers that provide OPEB.
  8. Classifying employer-paid member contributions for OPEB.
  9. Simplifying certain aspects of the alternative measurement method for OPEB.
  10. Accounting and reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.

### **GASB STATEMENT NO. 86, CERTAIN DEBT EXTINGUISHMENT ISSUES**

- ▶ Resolves issue of how to record in-substance defeasance of debt when only existing resources are used.
- ▶ Current standards only address reporting requirements when debt is extinguished using bond proceeds.
- ▶ When cash or other existing resources are placed in an irrevocable trust to extinguish debt, it is considered to be in-substance defeasance, assuming all criteria are met.
- ▶ The difference between the reacquisition price and the net carrying amount of the debt will be recognized as a separately identified gain or loss in the period of defeasance. This differs from current practice when debt is extinguished using bond proceeds, whereby the difference is deferred.
- ▶ Payments to the escrow agent from existing resources should be reported as debt service expenditures in governmental fund types.
- ▶ The pronouncement will be effective starting with years ending June 30, 2018.



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# Significant Accounting and Reporting Matters

## GASB Standards Effective in 2019

### GASB STATEMENT NO. 83, *CERTAIN ASSET RETIREMENT OBLIGATIONS*

- ▶ Establishes measurement criteria for recording a liability for the retirement or removal of certain assets such as:
  - ✓ Nuclear power plants
  - ✓ Sewage treatment facilities
  - ✓ Coal-fired power plant
  - ✓ Wind turbines
  - ✓ X-ray machines
- ▶ Governments with legal obligations to perform future asset retirement activities related to its tangible capital assets would be required to recognize a liability.
- ▶ A liability and corresponding deferred outflow is recorded when the liability is both incurred and reasonable estimable.
- ▶ The liability is based on the best estimate of the current value of outlays expected to be incurred.
- ▶ Must be both an external obligating event, such as a court judgment or federal, state or local law; and an internal obligating event, such as contamination or retirement.
- ▶ The pronouncement will be effective starting with years ending June 30, 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 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 is working on an Implementation Guide for which an Exposure Draft likely will be issued in December 2018.
- ▶ The pronouncement will be effective starting with years ending December 31, 2019.

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# Significant Accounting and Reporting Matters

## GASB Standards Effective in 2019

### *GASB STATEMENT 88, CERTAIN DISCLOSURES RELATED TO DEBT, INCLUDING DIRECT BORROWINGS AND DIRECT PLACEMENTS*

- ▶ Defines debt for purposes of disclosure as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as of the date the obligation is established.
- ▶ Would exclude pension and OPEB liabilities, leases and accounts payable as those should be disclosed in separate notes.
- ▶ Includes capital appreciation bonds and variable rate debt.
- ▶ Additional note disclosures required for unused lines of credit, assets pledged as collateral, specific debt agreement terms.
- ▶ The pronouncement will be effective starting with years ending June 30, 2019.

### *GASB EXPOSURE DRAFT, ACCOUNTING AND REPORTING FOR MAJORITY EQUITY INTERESTS*

- ▶ Will report majority equity interest 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, fiduciary fund or endowment/permanent fund. These funds would utilize fair value.
- ▶ For all other majority equity interests, report as component unit and fund that holds the equity interest reports an asset using the equity method.
- ▶ Acquisition of a component unit in which government holds 100% interest would be measured using acquisition value.
- ▶ Expected effective date: Years ending December 31, 2019.

### *GASB EXPOSURE DRAFT, ACCOUNTING FOR INTEREST COST DURING PERIOD OF CONSTRUCTION*

- ▶ In financial statements using the economic resources measurement focus, interest incurred during construction should be recognized as an expense of the period.
- ▶ In financial statements using the current financial resources measurement focus, interest incurred during construction should be recognized as an expenditure.
- ▶ Interest cost should not be capitalized.
- ▶ Interest does not meet the definition of an asset or a deferred outflow.
- ▶ Expected effective date: Years ending December 31, 2019.

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# Significant Accounting and Reporting Matters

## GASB Standards Effective in 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.
- ▶ Eliminates the distinction between operating and capital leases - all leases will be recorded on the statement of net position/balance sheet.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction.
- ▶ Excludes leases that transfer ownership under a bargain purchase option or 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. Short-term leases are excluded.
- ▶ 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.
- ▶ The pronouncement will be effective starting with years ending December 31, 2020.

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# Cybersecurity

The board's role in the oversight of organizational risk is increasingly complicated by cybersecurity concerns. Trustees need to maintain continual knowledge about evolving cyber issues and management's plans for allocating resources and otherwise responding to cyber risks. Such knowledge helps boards assess the priorities and investment decisions made by management in critical areas. Often, particularly in smaller organizations, those charged with governance oversee and monitor management's strategy for protecting its digital assets.

Building on the growing market demand for information about the effectiveness of an entity's cybersecurity risk management program and the auditing profession's long history and skills with respect to external reporting and auditing information technology controls, the American Institute of Certified Public Accountants (AICPA) has formed an initiative and is currently developing auditing standards and a consistent approach to cybersecurity attestation to assist boards, management, and other pertinent stakeholders. The subject matter of such a cybersecurity examination engagement will be composed of three key elements:

1. Management's narrative description of the entity's cybersecurity risk management program.
2. Management's written assertion that the controls implemented as part of the program were effective to achieve the entity's cybersecurity objectives.
3. Practitioner's examination report expressing an opinion about whether management's description of the entity's cybersecurity risk management program and the effectiveness of controls within that program achieve the entity's cybersecurity objectives.

In April 2018, the AICPA published the new [Cybersecurity Risk Management Framework](#) to its website.

Here are recent tools/materials for use by those charged with governance in this area:

Recommended Resources	Release Date
<a href="#">BDO Archived Webinar: What's on the Minds of Boards?</a>	November 2017
<a href="#">Are You Cyber Aware?: 10 Cybersecurity Questions for Senior Executives?</a>	October 2017
<a href="#">Cyber Risk Management: What You Need to Know Now</a>	October 2017
<a href="#">2017 BDO Cyber Governance Survey</a>	September 2017
<a href="#">Breaking Down the Equifax Data Breach</a>	September 2017
<a href="#">BDO Knows Cybersecurity: Petya Cyber Attack</a>	June 2017
<a href="#">BDO Highlights Important DHS - FBI Cyber Alert on North Korea - Hidden Cobra</a>	June 2017
<a href="#">Introducing SOC for Cybersecurity: Translating Cyber Risk For Every Stakeholder</a>	June 2017
<a href="#">The CPA's Role in Addressing Cybersecurity Risk</a>	May 2017
<a href="#">A Cybersecurity Attack of Unprecedented Scale (WannaCry)</a>	May 2017
<a href="#">Cybersecurity Officially Reaches the Board: 12 Questions Every Board Should Ask</a>	April 2017
<a href="#">BDO Knows: Cybersecurity - NY Department of Financial Services Final Cybersecurity Regulation</a>	February 2017

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# Attachment

- ▶ Management representation letter



Nathan E. Wallace  
City Manager

City of Palmer  
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September 7, 2018

BDO USA, LLP  
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Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of City of Palmer, Alaska (the Government), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2017, 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:

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 6, 2018, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United State of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
- (3) The financial statements included all properly classified funds and other financial information of the primary government required to be included in the financial reporting entity by accounting principles generally accepted in the United State 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 and state agencies or pass-through entities relevant to federal and state 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, 2017 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) and schedule of state financial assistance (SSFA). All financial statement misstatements relating to accounts and disclosures identified and discussed with us in the course of the audit (as listed in Attachment A) have been corrected, except for those listed in Attachment B. In our opinion, the effects of not correcting such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements of the Government, taken as a whole. We have evaluated the propriety of the corrected misstatements based on a review of both the applicable authoritative literature and the underlying supporting evidence from our files and confirm our responsibility for the decision to correct them.
- (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 Government received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
  - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.

- (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 Government is contingently liable.
  - (d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.
  - (e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
    - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
    - Written or oral guarantees, endorsements, or unused letters of credit;
    - Unusual guarantees; or
    - Labor claims or negotiations.

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

- (f) Commitments, such as:
- Major capital asset purchase agreements;
  - More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;



- Deferred compensation, bonuses, pensions plans, or severance pay; or
  - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (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) The Government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (13) We have appropriately disclosed the Government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
- (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. We have also complied with the SEC disclosure rules for reporting annual financial information and material events to repositories in accordance with SEC Rule N.240, 15c2-12.
- (15) No discussions have taken place with your firm's personnel regarding employment with the Government.
- (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 federal and state 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) and schedule of state financial assistance (SSFA).
  - (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 and SSFA, expenditures made during the audit period for all government programs and related activities provided by federal and state agencies in the form of federal and state awards, grants, federal and state 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 SSFA and related notes in accordance with the requirements of the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and we believe the SEFA and SSFA, including its form and content, is fairly presented in accordance with the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. 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 and SSFA 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 and SSFA in any document that contains the SEFA and SSFA and that indicates you have reported on such information.
- (f) If the SEFA and SSFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA no later than the date we issue the SEFA and SSFA 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 and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions considered to have a direct and material effect on each federal and state program.
- (h) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions that could have a material effect on our federal and state 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 and state award contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state 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 and state 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 and Compliance Supplement for State Single Audits.*

- (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 and state 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 and SSFA.
  - (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 and state 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.
- (23) 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,

  
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Nathan Wallace, City Manager

  
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Gina Davis, Finance Director