

Item Placed on the Table

Meeting Date: 7/25/17 Special
Agenda Item: New Business
Description: Presentation of the
Audit on the 2016 Budget

City of Palmer, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Single Audit Reports
Year Ended December 31, 2016

Edna DeVries
Mayor

Nathan Wallace
City Manager

Prepared by
Finance Department

Gina Davis
Finance Director

City of Palmer, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and Single Audit Reports
Year Ended December 31, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Palmer, Alaska, as of and for the year ended December 31, 2016 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, 2016, 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.

Other Information

Our audit for the year ended December 31, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palmer's basic financial statements. The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2016 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, 2016.

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, 2015 (not presented herein), and have issued our report thereon dated November 4, 2016, 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, 2015 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 2015 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2015 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, 2015.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2017 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
July 21, 2017

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Management's Discussion and Analysis

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CITY OF PALMER, ALASKA

Management's Discussion and Analysis

December 31, 2016

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, 2016. 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 2016 fiscal year by \$88,938,754. This amount represents a net increase of \$965 from the prior year amount. Of the total net position, \$840,365 is Unrestricted Net Position.
- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$7,081,711, an increase of \$962,820.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$4,519,690 or 43% of total General Fund expenditures. The Nonspendable fund balance was \$964,311 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$386,541, 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 2016 the City drew down \$636,452 with \$477,339 forgiven, and \$159,113 reported as a loan payable balance.
- At year end the City's outstanding loans and bonds payable totaled \$3,876,111, a net decrease of \$105,215 from the previous year.

CITY OF PALMER, ALASKA

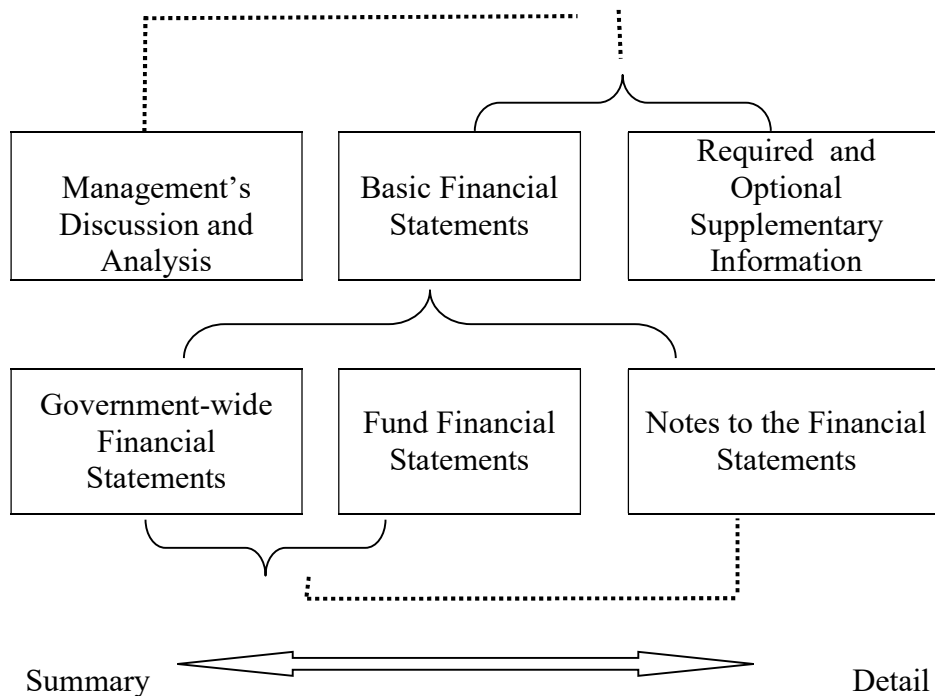
Management's Discussion and Analysis

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

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

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Palmer's finances in a manner similar to a private-sector business. These statements can be located on pages 20-21 of this document.

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

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

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

Fund Financial Statements

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

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

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

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Fund Financial Statements, continued

The City of Palmer maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. The seven nonmajor governmental funds include Special Revenue Funds: Narcotics Grant, Police Grants, Neighborhood Parks Development, and Asset Forfeiture; and Capital Projects Funds: Capital Projects, Equipment and Road Improvements. The Governmental Funds financial statements are located at pages 22-25 of the report. The combining statements for the nonmajor funds can be found on pages 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 2016 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$88,938,754 (see Table A-1). Of this amount \$88,008,174, or 98.95%, 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 \$840,365, and is available to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Palmer is able to report positive balances in these two categories of net position for the government as a whole; however, the governmental activities are reporting an unrestricted deficit in 2016, significantly as a result of the recognition of the net pension liability.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Government-wide Financial Analysis, continued

**Table A-1
City of Palmer's Net Position
2016 and 2015**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 7,888,318	7,119,836	3,179,216	2,272,001	11,067,534	9,391,837
Capital assets	21,595,329	22,321,425	70,229,295	69,099,436	91,824,624	91,420,861
Deferred outflows	<u>1,508,835</u>	<u>1,271,977</u>	<u>141,561</u>	<u>117,920</u>	<u>1,650,396</u>	<u>1,389,897</u>
Total assets and Deferred outflows	<u>30,992,482</u>	<u>30,713,238</u>	<u>73,550,072</u>	<u>71,489,357</u>	<u>104,542,554</u>	<u>102,202,595</u>
Long-term liabilities outstanding	9,253,433	7,976,845	3,728,001	3,814,955	12,981,434	11,791,800
Other liabilities	<u>1,052,437</u>	<u>640,279</u>	<u>1,465,601</u>	<u>702,017</u>	<u>2,518,038</u>	<u>1,342,296</u>
Total liabilities	<u>10,305,870</u>	<u>8,617,124</u>	<u>5,193,602</u>	<u>4,516,972</u>	<u>15,499,472</u>	<u>13,134,096</u>
Net position:						
Net investment in capital assets	\$20,853,626	22,637,240	67,154,548	66,006,656	88,008,174	88,643,896
Restricted	90,215	80,033	-	-	90,215	80,033
Unrestricted (deficit)	<u>(352,224)</u>	<u>(740,213)</u>	<u>1,192,589</u>	<u>954,073</u>	<u>840,365</u>	<u>213,860</u>
Total 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>

As reflected in Table A-2, the City's net position increased by \$965 as a result of current year activity. Expenditures and transfers exceeded revenues in the governmental activities by \$1,385,443 and in the business-type activities revenues exceeded expenses by \$1,386,408.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues:						
Charges for service	\$ 2,893,432	2,853,972	4,264,855	4,004,272	7,158,287	6,858,244
Operating grants and contributions	300,969	1,956,687	15,462	180,985	316,431	2,137,672
Capital grants and contributions	456,132	1,717,480	3,288,103	4,585,107	3,744,235	6,302,587
General revenues:						
Property taxes	1,215,467	1,318,817	-	-	1,215,467	1,318,817
Sales taxes	6,583,847	6,503,870	-	-	6,583,847	6,503,870
Other	<u>566,128</u>	<u>789,180</u>	<u>-</u>	<u>-</u>	<u>566,128</u>	<u>789,180</u>
Total revenues	<u>12,015,975</u>	<u>15,140,006</u>	<u>7,568,420</u>	<u>8,770,364</u>	<u>19,584,395</u>	<u>23,910,370</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	
	2016	2015	2016	2015	2016	2015
	Expenses:					
General government	\$ 3,187,764	3,409,741	-	-	3,187,764	3,409,741
Public safety	5,358,431	6,222,536	-	-	5,358,431	6,222,536
Public works	3,191,984	2,850,265	-	-	3,191,984	2,850,265
Community services	1,665,333	1,816,529	-	-	1,665,333	1,816,529
Water and sewer utility	-	-	3,763,660	3,647,966	3,763,660	3,647,966
Airport	-	-	902,023	969,806	902,023	969,806
Refuse	-	-	670,750	731,682	670,750	731,682
Golf Course	-	-	823,117	867,663	823,117	867,663
Interest expense	<u>20,368</u>	<u>27,867</u>	<u>-</u>	<u>-</u>	<u>20,368</u>	<u>27,867</u>
Total expenses	<u>13,423,880</u>	<u>14,326,938</u>	<u>6,159,550</u>	<u>6,217,117</u>	<u>19,583,430</u>	<u>20,544,055</u>
Increase (decrease) in net position before transfers	(1,407,905)	813,068	1,408,870	2,553,247	965	3,366,315
Transfers	<u>22,462</u>	<u>(59,537)</u>	<u>(22,462)</u>	<u>59,537</u>	<u>-</u>	<u>-</u>
Increase (decrease) net position	(1,385,443)	753,531	1,386,408	2,612,784	965	3,366,315
Beginning net position	<u>21,977,060</u>	<u>21,223,529</u>	<u>66,960,729</u>	<u>64,347,945</u>	<u>88,937,789</u>	<u>85,571,474</u>
Ending 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>

Governmental Activities

Governmental activities decreased the City of Palmer's net position by \$1,385,443. The decrease is primarily a result decreased revenues in the current year, especially in the area of operating grants and capital grants. Charges for services increased by a nominal amount. Property taxes decreased by \$103,350 and sales tax collections increased by \$79,977. The City's expenses decreased in the amount of \$903,058. Much of this was the result of payroll expense. Net transfers into governmental activities was \$22,462.

Business-Type Activities

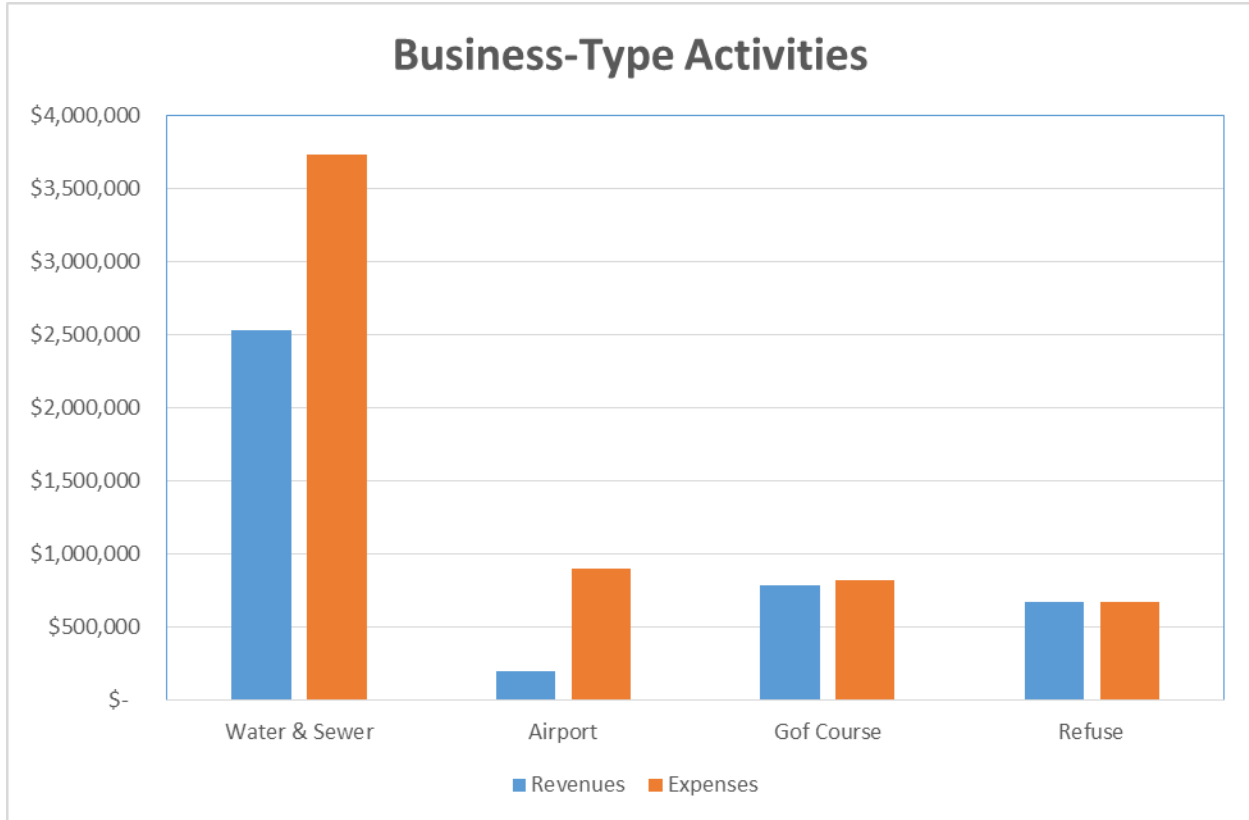
The City's business-type activities had an increase of \$1,386,408 in net position primarily as a result of the receipt of large capital grants. At the operating level expenses exceed operating revenue and basic charges for services.

The following graph shows expenses and operating revenues for all of the business-type activities in 2016. 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, 2016, the City's governmental funds reported combined ending fund balances of \$7,081,711, an increase of \$962,820. Of the ending balance, \$4,519,690, 64% 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 transfers out.

- 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 increase of fund balance in 2016 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 is \$873,360, an increase of \$254,922. This is due in part to increase in operating revenues. The City share of grants will cause unrestricted net assets to decline in future years due to increased capital project activity requiring the City to expend additional matching funds.

The Refuse Fund unrestricted net position is \$812,690, an increase of \$3,093 from that amount in 2015.

The Golf Course unrestricted net position shows a deficit of \$497,142 compared to a deficit of \$450,015 at the end of 2015. Operating revenues were below operating expense by \$34,579. Depreciation constitutes \$47,798 of those expenses.

The Airport Fund unrestricted net position shows a deficit of \$220,945 compared to a deficit of \$247,733 at the end of 2015. The largest change in unrestricted equity was due to depreciation expense of \$549,323.

The Land Development Fund unrestricted net position did not change from 2015. There is no change from the prior year due to no activity in the fund during the year.

General Fund Budgetary Highlights

The original adopted budget anticipated a net surplus of \$29,187. However, the final adopted budget projected an overall surplus to fund balance of \$321,892.

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

- Transfers in were increased by \$349,578 to account for payments in lieu of tax with the Water and Sewer Fund, transfers out were increased by \$472,296 to account for capital costs with the Capital Projects Fund and the Airport Fund; and revenues were increased by \$375,125. Intergovernmental grant revenue budget had a net increase of \$45,193 which included PERS relief of \$188,046 while other grants had reductions. PERS relief funding is funding provided by the State to political subdivisions to offset the unfunded state pension liability.
- The final budget decreased expenditures by \$40,298.

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, 2016, totals \$91,824,624 (net of accumulated depreciation). This amount represents a \$403,763 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$1,852,489	1,852,489	3,002,073	3,002,073	4,854,562	4,854,562
Buildings	2,541,180	2,867,906	96,846	110,554	2,638,026	2,978,460
Improvements other than buildings	13,714,061	13,787,945	59,981,617	59,128,447	73,695,678	72,916,392
Machinery and equipment	1,623,844	1,818,401	835,198	920,927	2,459,042	2,739,328
Construction work in progress	<u>1,863,755</u>	<u>1,994,684</u>	<u>6,313,561</u>	<u>5,937,435</u>	<u>8,177,316</u>	<u>7,932,119</u>
Total capital assets	<u>\$21,595,329</u>	<u>22,321,425</u>	<u>70,229,295</u>	<u>69,099,436</u>	<u>91,824,624</u>	<u>91,420,861</u>

Major capital events during the 2016 year included:

- Steel Water Main Improvements
- Airport Master Plan
- Sewer and Water Line Extensions
- Wastewater Treatment Plant Improvements
- Railroad Depot Safety Upgrades and 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, 2016.

Table A-4
City of Palmer's Outstanding Debt

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
GO Bonds	\$ 801,364	888,546	-	-	801,364	888,546
Loans payable	<u>-</u>	<u>-</u>	<u>3,074,747</u>	<u>3,092,780</u>	<u>3,074,747</u>	<u>3,092,780</u>
Total	<u>801,364</u>	<u>888,546</u>	<u>3,074,747</u>	<u>3,092,780</u>	<u>3,876,111</u>	<u>3,981,326</u>
Compensated absences	386,541	363,710	48,364	63,760	434,905	427,470
Net pension liability	<u>8,527,069</u>	<u>6,724,589</u>	<u>832,470</u>	<u>658,415</u>	<u>9,359,539</u>	<u>7,383,004</u>
Total long-term debt	<u>\$9,714,974</u>	<u>7,976,845</u>	<u>3,995,581</u>	<u>3,814,955</u>	<u>13,670,555</u>	<u>11,791,800</u>

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Capital Asset and Debt Administration, continued

In 2016 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 2016 the City drew down \$636,452 with \$477,339 forgiven, and \$159,113 reported as a loan payable balance.

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 41-44 of this report.

Economic Factors and Next Year's Budgets (2017) and Rates

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 56% of total budgeted revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with expansion and construction and improvements to the water and sewer utility lines along with road improvement projects.
- Due to the increase in the rising cost of health insurance, beginning January 2014 and continuing in 2017 the City employees began contributing for the cost of providing health insurance coverage for spouses and children.

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CITY OF PALMER, ALASKA

Management's Discussion and Analysis

These various factors were taken into consideration in the development of the City's 2017 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2017 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 2016 at 3%.
- Budgeted expenditures in the General Fund decreased by \$246,991 over 2016 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

Basic Financial Statements

City of Palmer, Alaska

Statement of Net Position

<i>December 31, 2016</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 5,785,515	\$ 1,948,380	\$ 7,733,895
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	28,655	905,701	934,356
Sales taxes	654,655	-	654,655
Property taxes	220,530	-	220,530
Accounts	11,385	403,014	414,399
Assessments	174,036	198,749	372,785
Prepaid insurance	343,117	600	343,717
Internal balances	665,701	(665,701)	-
Inventories	4,724	171,059	175,783
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	3,716,244	9,315,634	13,031,878
Capital assets, net of accumulated depreciation	17,879,085	60,913,661	78,792,746
Total Assets	29,483,647	73,408,511	102,892,158
Deferred Outflows of Resources			
Unamortized loss on refunding	59,661	-	59,661
Related to pensions	1,449,174	141,561	1,590,735
Total Assets and Deferred Outflows of Resources	\$ 30,992,482	\$ 73,550,072	\$ 104,542,554
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 224,464	\$ 117,893	\$ 342,357
Capital related accounts payable	-	639,283	639,283
Accrued payroll and employee benefits	249,870	223	250,093
Customer deposits	8,796	203,024	211,820
Accrued interest payable	10,517	21,693	32,210
Unearned revenue	97,249	63,235	160,484
Civil penalty payable	-	192,670	192,670
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	386,541	48,364	434,905
Bonds and loans	75,000	179,216	254,216
Due in more than one year:			
Loans payable - State of Alaska	-	2,895,531	2,895,531
General obligation bonds, including unamortized premium	726,364	-	726,364
Net pension liability	8,527,069	832,470	9,359,539
Total Liabilities	10,305,870	5,193,602	15,499,472
Deferred Inflows of Resources - related to pensions	94,995	9,333	104,328
Net Position			
Net investment in capital assets	20,853,626	67,154,548	88,008,174
Restricted	90,215	-	90,215
Unrestricted (deficit)	(352,224)	1,192,589	840,365
Total Net Position	20,591,617	68,347,137	88,938,754
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 30,992,482	\$ 73,550,072	\$ 104,542,554

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Statement of Activities

Year Ended December 31, 2016	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental Activities							
General government	\$ 3,187,764	\$ 832,859	\$ 181,061	\$ -	\$ (2,173,844)	\$ -	\$ (2,173,844)
Public safety	5,358,431	1,511,356	18,246	456,132	(3,372,697)	-	(3,372,697)
Public works	3,191,984	217,233	76,719	-	(2,898,032)	-	(2,898,032)
Community services	1,665,333	331,984	24,943	-	(1,308,406)	-	(1,308,406)
Unallocated interest	20,368	-	-	-	(20,368)	-	(20,368)
Total Governmental Activities	13,423,880	2,893,432	300,969	456,132	(9,773,347)	-	(9,773,347)
Business-type Activities							
Water and sewer	3,763,660	2,602,532	10,903	2,887,901	-	1,737,676	1,737,676
Airport	902,023	198,572	2,510	400,202	-	(300,739)	(300,739)
Refuse	670,750	675,213	2,049	-	-	6,512	6,512
Golf course	823,117	788,538	-	-	-	(34,579)	(34,579)
Total Business-type Activities	6,159,550	4,264,855	15,462	3,288,103	-	1,408,870	1,408,870
Totals	\$ 19,583,430	\$ 7,158,287	\$ 316,431	\$ 3,744,235	(9,773,347)	1,408,870	(8,364,477)
General Revenues							
Property taxes					1,215,467	-	1,215,467
Sales taxes					6,583,847	-	6,583,847
Grants and entitlements not restricted to a specific purpose					402,659	-	402,659
Investment income					30,524	-	30,524
Other					132,945	-	132,945
Transfers					22,462	(22,462)	-
Total General Revenues and Transfers					8,387,904	(22,462)	8,365,442
Change in Net Position					(1,385,443)	1,386,408	965
Beginning Net Position					21,977,060	66,960,729	88,937,789
Ending Net Position					\$ 20,591,617	\$ 68,347,137	\$ 88,938,754

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Governmental Funds
Balance Sheet

<i>December 31, 2016</i>	Major Funds		Nonmajor Funds	Total
	General	Capital Projects		Governmental Funds
Assets				
Cash and investments	\$ 4,538,601	\$ 577,291	\$ 669,623	\$ 5,785,515
Receivables, net of allowance for uncollectibles:				
Grants and shared revenues	-	19,060	9,595	28,655
Sales taxes	654,655	-	-	654,655
Property taxes	220,530	-	-	220,530
Accounts	11,385	-	-	11,385
Assessments	174,036	-	-	174,036
Prepaid insurance	343,117	-	-	343,117
Inventory	4,724	-	-	4,724
Due from other funds	49,231	-	-	49,231
Advances to other funds	616,470	-	-	616,470
Total Assets	\$ 6,612,749	\$ 596,351	\$ 679,218	\$ 7,888,318
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 205,064	\$ 19,400	\$ -	\$ 224,464
Accrued payroll and employee benefits	249,870	-	-	249,870
Deposits	8,796	-	-	8,796
Unearned revenue	52,249	45,000	-	97,249
Total Liabilities	515,979	64,400	-	580,379
Deferred Inflows of Resources				
Deferred property taxes	52,192	-	-	52,192
Deferred assessments	174,036	-	-	174,036
Total Deferred Inflows of Resources	226,228	-	-	226,228
Total Liabilities and Deferred Inflows of Resources	742,207	64,400	-	806,607
Fund Balances				
Nonspendable:				
Prepaid insurance and inventory	347,841	-	-	347,841
Advances to other funds	616,470	-	-	616,470
Restricted for public safety	-	-	90,215	90,215
Committed:				
Capital projects and equipment	-	531,951	530,864	1,062,815
Public safety	-	-	31,502	31,502
Assigned:				
Vested unpaid vacation and sick leave	386,541	-	-	386,541
Parks	-	-	26,637	26,637
Unassigned	4,519,690	-	-	4,519,690
Total Fund Balances	5,870,542	531,951	679,218	7,081,711
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,612,749	\$ 596,351	\$ 679,218	\$ 7,888,318

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position
December 31, 2016

Total fund balances for governmental funds		\$ 7,081,711
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and land improvements	\$ 1,852,489	
Construction in progress	1,863,755	
Buildings	10,802,901	
Improvements other than buildings	22,879,023	
Machinery and equipment	7,719,832	
Accumulated depreciation	<u>(23,522,671)</u>	
Total capital assets		21,595,329
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	174,036	
Delinquent property taxes receivable	<u>52,192</u>	
Total long-term assets		226,228
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	(710,000)	
Unamortized premium	(91,364)	
Accrued interest	(10,517)	
Vested unpaid vacation and sick leave	(386,541)	
Net pension liability	<u>(8,527,069)</u>	
Total long-term liabilities		(9,725,491)
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.		
		59,661
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	1,449,174	
Deferred inflows of resources related to pensions	<u>(94,995)</u>	
Total deferred pension items		<u>1,354,179</u>
Total Net Position of Governmental Activities		\$ 20,591,617

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, 2016	Major Funds			Total Governmental Funds
	General	Capital Projects	Nonmajor Funds	
Revenues				
Taxes	\$ 7,799,314	\$ -	\$ -	\$ 7,799,314
Licenses and permits	308,235	-	-	308,235
Fines and forfeitures	77,385	-	-	77,385
Intergovernmental	681,786	304,539	201,358	1,187,683
Special assessments	152,508	-	-	152,508
Charges for services	2,500,459	-	-	2,500,459
Miscellaneous	163,469	-	1,800	165,269
Total Revenues	11,683,156	304,539	203,158	12,190,853
Expenditures				
Current:				
General government	2,756,712	-	-	2,756,712
Public safety	4,546,821	48,977	39,583	4,635,381
Public works	1,826,176	-	-	1,826,176
Community services	1,365,729	-	-	1,365,729
Debt service	109,550	-	-	109,550
Capital outlay	-	334,747	222,200	556,947
Total Expenditures	10,604,988	383,724	261,783	11,250,495
Excess of Revenues Over (Under) Expenditures	1,078,168	(79,185)	(58,625)	940,358
Other Financing Sources (Uses)				
Transfers in	349,578	239,394	-	588,972
Transfers out	(445,394)	(102,016)	(19,100)	(566,510)
Net Other Financing Sources (Uses)	(95,816)	137,378	(19,100)	22,462
Net Change in Fund Balances	982,352	58,193	(77,725)	962,820
Fund Balances, beginning	4,888,190	473,758	756,943	6,118,891
Fund Balances, ending	\$ 5,870,542	\$ 531,951	\$ 679,218	\$ 7,081,711

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, 2016

Net change in fund balances - total governmental funds	\$ 962,820
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 (\$1,471,082) exceeds capital outlays (\$744,986).	
	(726,096)
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.	
	(146,955)
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 (increases) decreases in:	
Accrued interest	2,000
Vested unpaid vacation and sick leave	(22,831)
Net pension liability and related accounts	(1,533,608)
	(1,533,608)
Change in Net Position of Governmental Activities	\$ (1,385,443)

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Net Position

<i>December 31, 2016</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	\$ 845,411	\$ 46,302	\$ -	\$ 1,056,667	\$ 1,948,380
Receivables:					
Accounts	289,950	-	-	113,064	403,014
Grants	675,291	230,410	-	-	905,701
Prepaid expenses	-	-	600	-	600
Inventory	138,187	-	32,872	-	171,059
Total Current Assets	1,948,839	276,712	33,472	1,169,731	3,428,754
Noncurrent Assets					
Land held for sale	-	-	-	217,414	217,414
Assessments receivable	198,749	-	-	-	198,749
Property, plant and equipment:					
Land and improvements	45,164	1,412,289	1,544,620	-	3,002,073
Buildings	60,067	509,758	254,559	52,667	877,051
Machinery and equipment	1,169,277	811,541	385,591	870,603	3,237,012
Improvements other than buildings	75,561,003	18,496,465	667,234	-	94,724,702
Construction work in progress	5,859,491	454,070	-	-	6,313,561
Total property, plant and equipment	82,695,002	21,684,123	2,852,004	923,270	108,154,399
Less accumulated depreciation	(21,653,979)	(14,672,353)	(940,042)	(658,730)	(37,925,104)
Net property, plant and equipment	61,041,023	7,011,770	1,911,962	264,540	70,229,295
Total Noncurrent Assets	61,239,772	7,011,770	1,911,962	481,954	70,645,458
Total Assets	63,188,611	7,288,482	1,945,434	1,651,685	74,074,212
Deferred Outflows of Resources - related to pensions	64,526	21,740	-	55,295	141,561
Total Assets and Deferred Outflows of Resources	\$ 63,253,137	\$ 7,310,222	\$ 1,945,434	\$ 1,706,980	\$ 74,215,773

See accompanying notes to basic financial statements.

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

<i>December 31, 2016</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Liabilities, Deferred Inflows of Resources, and Net Position					
Liabilities					
Current Liabilities					
Accounts payable	\$ 55,807	\$ 33,439	\$ 1,383	\$ 27,264	\$ 117,893
Capital related accounts payable	437,903	201,380	-	-	639,283
Accrued payroll and employee benefits	223	-	-	-	223
Vested unpaid vacation and sick leave	34,400	4,497	-	9,467	48,364
Current portion of loans payable -					
State of Alaska	179,216	-	-	-	179,216
Unearned revenue	-	37,885	25,350	-	63,235
Due to other funds	-	-	-	49,231	49,231
Accrued interest payable	21,693	-	-	-	21,693
Customer deposits	203,024	-	-	-	203,024
Civil penalty payable	192,670	-	-	-	192,670
Total Current Liabilities	1,124,936	277,201	26,733	85,962	1,514,832
Long-term Liabilities, net of current portion					
Loans payable - State of Alaska	2,895,531	-	-	-	2,895,531
Advances from other fund	-	112,589	503,881	-	616,470
Net pension liability	389,941	128,215	-	314,314	832,470
Total Long-term Liabilities	3,285,472	240,804	503,881	314,314	4,344,471
Total Liabilities	4,410,408	518,005	530,614	400,276	5,859,303
Deferred Inflows of Resources - related to pensions	3,093	1,392	-	4,848	9,333
Net Position					
Net investment in capital assets	57,966,276	7,011,770	1,911,962	264,540	67,154,548
Unrestricted (deficit)	873,360	(220,945)	(497,142)	1,037,316	1,192,589
Total Net Position	58,839,636	6,790,825	1,414,820	1,301,856	68,347,137
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 63,253,137	\$ 7,310,222	\$ 1,945,434	\$ 1,706,980	\$ 74,215,773

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2016</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Operating Revenues	\$ 2,534,325	\$ 198,572	\$ 788,538	\$ 675,213	\$ 4,196,648
Operating Expenses					
Salaries and employee benefits	626,492	138,426	-	118,248	883,166
Administrative services	396,465	122,026	650,000	139,179	1,307,670
Other operating expenses	800,311	92,248	125,319	376,964	1,394,842
Depreciation	1,909,761	549,323	47,798	36,359	2,543,241
Total Operating Expenses	3,733,029	902,023	823,117	670,750	6,128,919
Operating Income (Loss)	(1,198,704)	(703,451)	(34,579)	4,463	(1,932,271)
Nonoperating Revenues (Expenses)					
State PERS relief	10,903	2,510	-	2,049	15,462
Insurance reimbursement	51,266	-	-	-	51,266
Miscellaneous income	16,941	-	-	-	16,941
Interest expense	(29,961)	-	-	-	(29,961)
Civil penalty expense	(670)	-	-	-	(670)
Net Nonoperating Revenues (Expenses)	48,479	2,510	-	2,049	53,038
Income (Loss) Before Contributions and Transfers	(1,150,225)	(700,941)	(34,579)	6,512	(1,879,233)
Capital contributions	2,887,901	400,202	-	-	3,288,103
Transfers in	-	260,500	-	-	260,500
Transfers out	(145,138)	(54,500)	(44,386)	(38,938)	(282,962)
Change in Net Position	1,592,538	(94,739)	(78,965)	(32,426)	1,386,408
Beginning Net Position	57,247,098	6,885,564	1,493,785	1,334,282	66,960,729
Ending Net Position	\$ 58,839,636	\$ 6,790,825	\$ 1,414,820	\$ 1,301,856	\$ 68,347,137

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2016	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Cash Flows from (for) Operating Activities					
Cash receipts from customers and users	\$ 2,521,807	\$ 178,359	\$ 795,501	\$ 669,485	\$ 4,165,152
Payments to suppliers	(808,281)	(18,465)	(748,090)	(376,515)	(1,951,351)
Payments to employees	(529,945)	(109,593)	-	(95,471)	(735,009)
Payments for interfund services used	(396,465)	(122,026)	-	(139,179)	(657,670)
Net cash flows from (for) operating activities	787,116	(71,725)	47,411	58,320	821,122
Cash Flows for Noncapital Financing Activities					
Decrease in due to other funds	-	(97,674)	-	-	(97,674)
Transfers out	(145,138)	(54,500)	(44,386)	(38,938)	(282,962)
Net cash flows for noncapital financing activities	(145,138)	(152,174)	(44,386)	(38,938)	(380,636)
Cash Flows from (for) Capital and Related Financing Activities					
Capital contributions received	2,571,726	288,919	-	-	2,860,645
Transfers in	-	260,500	-	-	260,500
Purchase of capital assets	(2,846,624)	(279,218)	(15,960)	-	(3,141,802)
Increase in advance from other fund	-	-	12,935	-	12,935
Proceeds from loans	-	-	-	-	-
Proceeds from insurance reimbursement	51,266	-	-	-	51,266
Principal payments on loans payable - State of Alaska	(18,033)	-	-	-	(18,033)
Interest paid	(29,961)	-	-	-	(29,961)
Net cash flows from (for) capital and related financing activities	(271,626)	270,201	(3,025)	-	(4,450)
Net Increase in Cash and Investments	370,352	46,302	-	19,382	436,036
Cash and Investments, beginning	475,059	-	-	1,037,285	1,512,344
Cash and Investments, ending	\$ 845,411	\$ 46,302	\$ -	\$ 1,056,667	\$ 1,948,380

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2016</i>	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport	Golf Course		
Reconciliation of Operating Loss to Net					
Cash Flows from (for) Operating Activities					
Operating income (loss)	\$ (1,198,704)	\$ (703,451)	\$ (34,579)	\$ 4,463	\$ (1,932,271)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:					
Depreciation	1,909,761	549,323	47,798	36,359	2,543,241
Noncash expense - PERS relief	10,903	2,510	-	2,049	15,462
Other revenues	15,601	-	-	-	15,601
(Increase) decrease in assets and deferred outflows of resources:					
Accounts receivable	(36,269)	4,625	-	(5,728)	(37,372)
Prepaid expenses	-	49,360	(600)	-	48,760
Inventories	2,520	-	27,110	-	29,630
Deferred outflows of resources related to pensions	(16,669)	(3,839)	-	(3,133)	(23,641)
Increase (decrease) in liabilities and deferred inflows of resources:					
Accounts payable	(9,820)	24,423	719	449	15,771
Vested unpaid vacation and sick leave	(18,777)	2,277	-	1,104	(15,396)
Unearned revenue	-	(24,838)	6,963	-	(17,875)
Customer deposits	7,480	-	-	-	7,480
Net pension liability	122,728	28,262	-	23,065	174,055
Deferred inflows of resources related to pensions	(1,638)	(377)	-	(308)	(2,323)
Net Cash Flows from (for) Operating Activities	\$ 787,116	\$ (71,725)	\$ 47,411	\$ 58,320	\$ 821,122
Noncash Capital and Related Financing Activities					
Purchase of capital assets included in accounts payable	\$ 437,903	\$ 201,380	\$ -	\$ -	\$ 639,283

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Notes to Basic Financial Statements December 31, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

The City reports the following major funds:

Major governmental funds:

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

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

Major proprietary funds:

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

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

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

Investments

Investments are stated at fair value.

Cash and Cash Equivalents

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

Inventory

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

Prepaid Items

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

Land Held for Sale

Land held for sale is valued at cost.

Capital Assets

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

Grants and Other Intergovernmental Revenues

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

Property Taxes

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

Long-term Debt

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

Fund Balances

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

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

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

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

Encumbrances

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

Compensated Absences

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

Unearned Grant Revenue

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Pensions

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

Comparative Data

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

Deferred Inflows/Outflows of Resources

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

2. Stewardship, Compliance and Accountability

Budgetary Accounting

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

3. Cash and Investments

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

Reconciliation of Deposit and Investment Balances

Cash and investments were comprised of the following at December 31, 2016.

Cash and cash equivalents	\$	5,740,812
Investments		1,993,083
Total Cash and Investments	\$	7,733,895

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, 2016 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 1,993,083	\$ -	\$ 1,993,083
Total Investments	\$ 1,993,083	\$ -	\$ 1,993,083

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, 2016, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

Deferred inflows:		
Delinquent property taxes receivable - General Fund	\$	52,192
Special assessments not yet due and delinquent - General Fund		174,036
Total Deferred Inflows of Resources	\$	226,228
Unearned revenue - grant drawdowns	\$	52,249

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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, 2016:

	Balance January 1, 2016	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2016
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,852,489	\$ -	\$ -	\$ 1,852,489
Construction in progress	1,994,684	409,188	(540,117)	1,863,755
Total assets not being depreciated	3,847,173	409,188	(540,117)	3,716,244
<i>Capital assets being depreciated:</i>				
Buildings	10,802,901	-	-	10,802,901
Improvements other than buildings	22,242,320	636,703	-	22,879,023
Machinery and equipment	7,529,862	239,212	(49,242)	7,719,832
Total assets being depreciated	40,575,083	875,915	(49,242)	41,401,756
<i>Less accumulated depreciation for:</i>				
Buildings	7,934,995	326,726	-	8,261,721
Improvements other than buildings	8,454,375	710,587	-	9,164,962
Machinery and equipment	5,711,461	433,769	(49,242)	6,095,988
Total accumulated depreciation	22,100,831	1,471,082	(49,242)	23,522,671
Total capital assets being depreciated, net	18,474,252	(595,167)	-	17,879,085
Governmental Activity Capital Assets, net	\$22,321,425	\$ (185,979)	\$ (540,117)	\$ 21,595,329

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City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2016	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2016
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,002,073	\$ -	\$ -	\$ 3,002,073
Construction work in progress	5,937,435	3,486,937	(3,110,811)	6,313,561
Total assets not being depreciated	8,939,508	3,486,937	(3,110,811)	9,315,634
<i>Capital assets being depreciated:</i>				
Buildings	877,051	-	-	877,051
Improvements other than buildings	91,476,913	3,247,789	-	94,724,702
Machinery and equipment	3,347,932	49,185	(160,105)	3,237,012
Total assets being depreciated	95,701,896	3,296,974	(160,105)	98,838,765
<i>Less accumulated depreciation for:</i>				
Buildings	766,497	13,708	-	780,205
Improvements other than buildings	32,348,466	2,394,619	-	34,743,085
Machinery and equipment	2,427,005	134,914	(160,105)	2,401,814
Total accumulated depreciation	35,541,968	2,543,241	(160,105)	37,925,104
Total capital assets being depreciated, net	60,159,928	753,733	-	60,913,661
Business-type Activity Capital Assets, net	\$ 69,099,436	\$ 4,240,670	\$ (3,110,811)	\$ 70,229,295

Depreciation expense was charged to the functions as follows for the year ended December 31, 2016:

Governmental Activities	
General government	\$ 91,109
Public safety	306,227
Public works	677,809
Community services	395,937
Total Governmental Activities	\$ 1,471,082
Business-type Activities	
Water and sewer	\$ 1,909,761
Airport	549,323
Refuse	36,359
Golf course	47,798
Total Business-type Activities	\$ 2,543,241

City of Palmer, Alaska

Notes to Basic Financial Statements

6. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2016, follows:

Advance from the General Fund to:	
Golf Course Enterprise Fund	\$ 503,881
Airport Enterprise Fund	112,589
<hr/>	
Total Advances to Other Funds	\$ 616,470
<hr/>	
Due to the General Fund From:	
Nonmajor enterprise fund for short-term operating advance	\$ 49,231
<hr/>	

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

Transfers

To General Fund from:

Water and Sewer Enterprise Fund for payment in lieu of tax	\$ 145,138
Golf Course Enterprise Fund for payment in lieu of tax	44,386
Nonmajor Enterprise Funds for payment in lieu of tax	38,938
Capital Projects Capital Project Fund for return of capital	102,016
Nonmajor governmental funds for return of capital	19,100

From General Fund to:

Capital Projects Capital Project Fund to cover capital costs	239,394
Airport Enterprise Fund for return of capital	260,500

Total Transfers to Other Funds	\$ 849,472
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7. Long-term Debt

In October 2010, voters approved \$3 million in general obligation bonds to acquire property known as Mat Maid block. In October 2011, voters approved \$2 million in revenue bonds to be used to finance additional water and sewer improvement projects. As of December 31, 2016, neither of these bonds has been issued.

In October 2013, the City signed a Drinking Water Loan Agreement to fund the Southwest Utility Expansion, Phase IIb. The terms include 1.5% interest and 20 year repayment, in an amount not to exceed \$1,071,429. At December 31, 2016 \$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, 2016 \$775,904 had been drawn on the loan.

City of Palmer, Alaska

Notes to Basic Financial Statements

A summary of long-term debt transactions of the City for the year ended December 31, 2016, follows:

	Balance January 1, 2016	Additions	Retired	Balance December 31, 2016	Due Within One Year
Governmental Activities					
<i>Bonds Payable:</i>					
\$900,000 2012 refunding Ice Rink general obligation bonds, due in annual installments of \$75,000 to \$110 250, plus interest ranging from 2.0% to 5.0% through 2024	\$ 785,000	\$ -	\$ 75,000	\$ 710,000	\$ 75,000
Unamortized premium on Ice Rink GO bonds	103,546	-	12,182	91,364	-
Vested unpaid vacation and sick leave	363,710	417,234	394,403	386,541	386,541
Net pension liability	6,724,589	1,802,480	-	8,527,069	-
Total Governmental Activities	\$7,976,845	\$2,219,714	\$481,585	\$ 9,714,974	\$ 461,541

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City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2016	Addition s	Retired	Balance December 31, 2016	Due Within One Year
Business-type Activities					
<i>Loans Payable:</i>					
\$222,857 State of Alaska Sewer Utility loan due in annual installments of \$14,120 including interest at 1.5% through 2019	\$ 54,424	\$ -	\$ 13,303	\$ 41,121	\$ 13,503
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	223,196	-	20,854	202,342	21,167
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	286,177	-	29,937	256,240	30,386
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	469,200	-	39,100	430,100	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	964,409	-	73,952	890,457	75,060
\$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	139,449	159,113	-	298,562	-
Vested unpaid vacation and sick leave	63,760	38,174	53,570	48,364	48,364
Net pension liability	658,415	174,055	-	832,470	
Total Business-type Activities	\$ 3,814,955	\$ 371,342	\$230,716	\$ 3,955,581	\$ 227,580

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>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 75,000	\$ 31,550	\$ 106,550
2018	80,000	30,050	110,050
2019	80,000	26,850	106,850
2020	85,000	22,850	107,850
2021	90,000	18,600	108,600
2022-2024	300,000	30,500	330,500

Total Governmental Activities General Obligation Bonds	\$ 710,000	\$ 160,400	\$ 870,400
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Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2017	\$ 179,216	\$ 27,305	\$ 206,521
2018	181,318	24,616	205,934
2019	183,452	21,896	205,348
2020	171,497	19,144	190,641
2021	173,483	16,572	190,055
2022-2026	805,079	43,724	848,803
2027	126,215	1,894	128,109

	\$ 1,820,260	\$ 155,151	\$ 1,975,411
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Loans not in repayment status	1,254,487
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Total Business-type Activities Loans Payable	\$ 3,074,747
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Bond Covenants

All significant bond covenants have been complied with as of December 31, 2016.

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, 2016 was \$426,618.

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

City of Palmer, Alaska

Notes to Basic Financial Statements

9. Fund Balances

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

	General Fund	Capital Projects Capital Project Fund	Nonmajor Funds	Totals
Nonspendable:				
Prepaid insurance and inventory	\$ 347,841	\$ -	\$ -	347,841
Advances to other funds	616,470	-	-	616,470
Total nonspendable	964,311	-	-	964,311
Restricted for public safety	-	-	90,215	90,215
Committed:				
Public safety	-	-	31,502	31,502
Capital projects and equipment	-	531,951	530,864	1,062,815
Total committed	-	531,951	562,366	1,094,317
Assigned:				
Vested unpaid vacation and sick leave	386,541	-	-	386,541
Parks	-	-	26,637	26,637
Total assigned	386,541	-	26,637	413,178
Unassigned	4,519,690	-	-	4,519,690
Total Fund Balances	\$ 5,870,542	\$ 531,951	\$ 679,218	\$ 7,081,711

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/drdb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

Historical Context and Special Funding Situation

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

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

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

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

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

Employee Contribution Rates

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Employer and Other Contribution Rates

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

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

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. In 2016, the on-behalf contribution has returned to “normal” levels and generally equals the statutory calculation. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension 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 FY16, 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, 2016 and June 30, 2017 were determined in the June 30, 2013 and June 30, 2014 actuarial valuations, respectively. City contribution rates for the 2016 calendar year were as follows:

<i>January 1, 2016 to June 30, 2016</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	13.25%	16.38%	3.63%	37.79%
Postemployment healthcare (see Note 12)	8.75%	10.81%	1.56%	58.73%
Total Contribution Rates	22.00%	27.19%	5.19%	96.52%

<i>July 1, 2016 to December 31, 2016</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	19.10%	4.14%	27.26%
Postemployment healthcare (see Note 12)	7.04%	7.04%	-%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	83.90%

In 2016, the City was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2015 to June 30, 2016	City Fiscal Year January 1, 2016 to December 31, 2016
Employer contributions (including DBUL)	\$ 454,523	\$ 467,070
Nonemployer contributions (on-behalf)	179,264	189,868
Total Contributions	\$ 633,787	\$ 656,938

In addition, employee contributions to the Plan totaled \$142,194 during the City's fiscal year.

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

At December 31, 2016, 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:

	2016
City proportionate share of NPL	\$ 9,359,539
State's proportionate share of NPL associated with the City	1,181,359
Total Net Pension Liability	\$ 10,540,898

City of Palmer, Alaska

Notes to Basic Financial Statements

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2016 measurement date, the City's proportion was 0.16745 percent, which was an increase of 0.01522 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$4,291,609. Of this amount, \$324,562 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2016, 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	\$ 861	\$ (104,328)
Changes in assumptions	43,168	-
Net difference between projected and actual earnings on pension plan investments	919,999	-
Changes in proportion and differences between City contributions and proportionate share of contributions	382,881	-
City contributions subsequent to the measurement date	243,826	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 1,590,735	\$ (104,328)

The \$243,826 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,

2017		\$ 453,097
2018		170,525
2019		376,098
2020		242,860
Total Amortization		\$ 1,242,580

City of Palmer, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement period, and rolled forward to the measurement date of June 30, 2016. The actuarial valuation for the year ended June 30, 2015 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2015 valuation 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 Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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

<i>Asset Class</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

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	0.16745%	\$ 12,054,612	\$ 9,359,539	\$ 7,086,369

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

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/dr/pers>.

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

Benefit Terms

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

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2016, 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, 2016 were \$119,442 and \$191,106, respectively. The City contribution amount was recognized as pension expense/expenditures.

12. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

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

Employer Contribution Rate

For the year ended December 31, 2016, the City was required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute.

City of Palmer, Alaska

Notes to Basic Financial Statements

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 2016, 2015, and 2014 were \$41,933, \$34,833 and \$135,390, respectively.

<i>Year Ended December 31,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2016	\$ 262,167	\$ 262,167	100 %
2015	314,232	314,232	100 %
2014	345,813	345,813	100 %

Defined Contribution OPEB

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

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2016 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.18%	1.18%
Occupational death and disability benefits	0.17%	0.49%
Total Contribution Rates	1.35%	1.67%

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, 2016, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,049 per year for each full-time employee, and \$1.31 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2016, the City contributed \$124,144 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

City of Palmer, Alaska

Notes to Basic Financial Statements

13. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. APEI provides the City coverage for automobiles, casualty, including general liability, earthquake/flood, property, public officials and employee liability, law enforcement professional liability, employee benefit liability; and workers' compensation. Another insurance company provides the City coverage for airport liability. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. Coverage limits and the deductibles on the policies are relatively consistent with prior years. APEI made no supplemental assessments during the year ended December 31, 2016.

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.

Wastewater Treatment Plant (Civil Penalty)

The City has been in ongoing communication with the Alaska Department of Environmental Conservation, the U.S. Environmental Protection Agency, and the U.S. Department of Justice regarding compliance with wastewater utility discharge permit requirements based on Clean Water Act standards and the City's Alaska Pollution Discharge Elimination System (AKPDES) and National Pollution Discharge Elimination System Permits. The City has agreed to a consent decree to include a \$192,000 plus interest money penalty along with a schedule to upgrade the wastewater treatment plant to attain Clean Water Act compliance.

City of Palmer, Alaska

Notes to Basic Financial Statements

Citizen Complaint

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

Airport

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

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

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

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

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 (AROs).

GASB 84 - *Fiduciary Activities* - Effective for year-end December 31, 2019, with earlier application encouraged. This statement establishes standards of accounting and financial reporting for fiduciary activities. It is intended to enhance the consistency and comparability of fiduciary activity reporting by state and local governments and to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

GASB 85 - *Omnibus 2017* - Effective for year-end December 31, 2018, with earlier application encouraged. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

Required Supplementary Information

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

<i>Year Ended December 31, 2016</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 7,722,529	\$ 7,783,784	\$ 7,799,314	\$ 15,530
Licenses and permits	172,250	307,865	308,235	370
Fines and forfeitures	99,000	77,765	77,385	(380)
Intergovernmental	636,467	681,660	681,786	126
Special assessments	267,235	142,753	152,508	9,755
Charges for services	2,153,976	2,502,620	2,500,459	(2,161)
Miscellaneous	258,900	189,035	163,469	(25,566)
Total Revenues	11,310,357	11,685,482	11,683,156	(2,326)
Expenditures				
General government	3,246,528	2,886,993	2,756,712	130,281
Public safety	4,700,505	4,742,250	4,546,821	195,429
Public works	2,080,012	2,050,886	1,826,176	224,710
Community services	1,179,125	1,451,193	1,365,729	85,464
Debt service	75,000	109,550	109,550	-
Total Expenditures	11,281,170	11,240,872	10,604,988	635,884
Excess of Revenues Over Expenditures	29,187	444,610	1,078,168	633,558
Other Financing Sources (Uses)				
Transfers in	-	349,578	349,578	-
Transfers out	-	(472,296)	(445,394)	26,902
Net Other Financing Sources (Uses)	-	(122,718)	(95,816)	26,902
Net Change in Fund Balance	\$ 29,187	\$ 321,892	982,352	\$ 660,460
Fund Balance, beginning			4,888,190	
Fund Balance, ending			\$ 5,870,542	

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
Year Ended December 31, 2016

<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
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%

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>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 446,116	\$ 446,116	\$ -	\$ 4,406,408	10.12%
2016	\$ 467,070	\$ 467,070	\$ -	\$ 4,418,334	10.57%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska

Notes to Required Supplementary Information December 31, 2016

1. Budgetary Comparison Schedule

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

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

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

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

2. Pension Disclosures

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

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

Schedule of City's Information on the Net Pension Liability

- This table is presented based on the Plan measurement date. For December 31, 2016, the Plan measurement date is June 30, 2016.
- 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

City of Palmer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2016</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood		Equipment	Road Improve- ments	
			Parks Development	Asset Forfeiture			
Assets							
Cash and investments	\$ 26,705	\$ 4,797	\$ 26,637	\$ 90,215	\$ 439,531	\$ 81,738	\$ 669,623
Grants receivable	-	-	-	-	9,595	-	9,595
Total Assets	\$ 26,705	\$ 4,797	\$ 26,637	\$ 90,215	\$ 449,126	\$ 81,738	\$ 679,218
Fund Balances							
Restricted for public safety	\$ -	\$ -	\$ -	\$ 90,215	\$ -	\$ -	\$ 90,215
Committed:							
Capital projects and equipment	-	-	-	-	449,126	81,738	530,864
Public safety	26,705	4,797	-	-	-	-	31,502
Assigned for parks	-	-	26,637	-	-	-	26,637
Total Fund Balances	\$ 26,705	\$ 4,797	\$ 26,637	\$ 90,215	\$ 449,126	\$ 81,738	\$ 679,218

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

<i>Year Ended December 31, 2016</i>	Special Revenue Funds				Capital Project Funds		Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Equipment	Road Improve- ments	
Revenues							
Federal government	\$ -	\$ 11,247	\$ -	\$ 34,314	\$ -	\$ -	\$ 45,561
State of Alaska	-	-	-	4,204	151,593	-	155,797
Miscellaneous	-	-	1,800	-	-	-	1,800
Total Revenues	-	11,247	1,800	38,518	151,593	-	203,158
Expenditures							
Public safety	-	11,247	-	28,336	-	-	39,583
Capital outlay	-	-	-	-	222,200	-	222,200
Total Expenditures	-	11,247	-	28,336	222,200	-	261,783
Excess of Revenues Over (Under) Expenditures	-	-	1,800	10,182	(70,607)	-	(58,625)
Other Financing Uses							
Transfers out	-	-	-	-	-	(19,100)	(19,100)
Net Change in Fund Balances	-	-	1,800	10,182	(70,607)	(19,100)	(77,725)
Fund Balances, beginning	26,705	4,797	24,837	80,033	519,733	100,838	756,943
Fund Balances, ending	\$ 26,705	\$ 4,797	\$ 26,637	\$ 90,215	\$ 449,126	\$ 81,738	\$ 679,218

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Nonmajor Enterprise Fund

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

<i>December 31, 2016</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 1,056,667	\$ -	\$ 1,056,667
Accounts receivable	113,064	-	113,064
Total Current Assets	1,169,731	-	1,169,731
Land Held for Sale	-	217,414	217,414
Property, Plant and Equipment			
Buildings	52,667	-	52,667
Machinery and equipment	870,603	-	870,603
Total property, plant and equipment	923,270	-	923,270
Less accumulated depreciation	(658,730)	-	(658,730)
Net Property, Plant and Equipment	264,540	-	264,540
Total Assets	1,434,271	217,414	1,651,685
Deferred Outflows of Resources - related to pensions	55,295	-	55,295
Total Assets and Deferred Outflows of Resources	\$ 1,489,566	\$ 217,414	\$ 1,706,980
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Accounts payable	\$ 27,264	\$ -	\$ 27,264
Vested unpaid vacation and sick leave	9,467	-	9,467
Due to other funds	-	49,231	49,231
Total Current Liabilities	36,731	49,231	85,962
Long-term Liabilities - net pension liability	314,314	-	314,314
Total Liabilities	351,045	49,231	400,276
Deferred Inflows of Resources - related to pensions	4,848	-	4,848
Net Position			
Net investment in capital assets	264,540	-	264,540
Unrestricted	869,133	168,183	1,037,316
Total Net Position	1,133,673	168,183	1,301,856
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,489,566	\$ 217,414	\$ 1,706,980

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

<i>Year Ended December 31, 2016</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 675,213	\$ -	\$ 675,213
Operating Expenses			
Salaries and employee benefits	118,248	-	118,248
Administrative services	139,179	-	139,179
Other operating expenses	376,964	-	376,964
Depreciation	36,359	-	36,359
Total Operating Expenses	670,750	-	670,750
Operating Income	4,463	-	4,463
Nonoperating Revenues			
State PERS relief	2,049	-	2,049
Income Before Transfers	6,512	-	6,512
Transfers out	(38,938)	-	(38,938)
Change in Net Position	(32,426)	-	(32,426)
Beginning Net Position	1,166,099	168,183	1,334,282
Ending Net Position	\$ 1,133,673	\$ 168,183	\$ 1,301,856

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

<i>Year Ended December 31, 2016</i>	Refuse	Land Development	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Cash receipts from customers and users	\$ 669,485	\$ -	\$ 669,485
Payments to suppliers	(376,515)	-	(376,515)
Payments to employees	(95,471)	-	(95,471)
Payments for interfund services used	(139,179)	-	(139,179)
Net cash flows from operating activities	58,320	-	58,320
Cash Flows for Noncapital Financing Activities			
Transfers out	(38,938)	-	(38,938)
Net Increase in Cash and Investments	19,382	-	19,382
Cash and Investments, beginning	1,037,285	-	1,037,285
Cash and Investments, ending	\$ 1,056,667	\$ -	\$ 1,056,667
Reconciliation of Operating Income to Net Cash Flows from Operating Activities			
Operating income	\$ 4,463	\$ -	\$ 4,463
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	36,359	-	36,359
Noncash expense - PERS relief	2,049	-	2,049
(Increase) decrease in assets and deferred outflows of resources:			
Accounts receivable	(5,728)	-	(5,728)
Deferred outflows of resources related to pensions	(3,133)	-	(3,133)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	449	-	449
Vested unpaid vacation and sick leave	1,104	-	1,104
Net pension liability	23,065	-	23,065
Deferred inflows of resources related to pensions	(308)	-	(308)
Net Cash from Operating Activities	\$ 58,320	\$ -	\$ 58,320

General Fund

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

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

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

City of Palmer, Alaska
General Fund
Balance Sheet

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 4,538,601	\$ 3,388,104
Receivables, net of allowance for uncollectibles:		
Sales taxes	654,655	640,528
Property taxes	220,530	232,056
Accounts	11,385	36,081
Assessments:		
Current	18,206	30,339
Delinquent	42,079	46,271
Deferred	113,751	244,380
Prepaid insurance	343,117	331,283
Inventory	4,724	11,313
Due from other funds	49,231	146,905
Advances to other funds	616,470	603,535
Total Assets	\$ 6,612,749	\$ 5,710,795
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Accounts payable	\$ 205,064	\$ 190,567
Accrued payroll and employee benefits	249,870	206,219
Deposits	8,796	9,146
Unearned revenue	52,249	43,490
Total Liabilities	515,979	449,422
Deferred Inflows of Resources		
Deferred property taxes	52,192	52,192
Deferred assessments	174,036	320,991
Total Deferred Inflows of Resources	226,228	373,183
Total Liabilities and Deferred Inflows of Resources	742,207	822,605
Fund Balance		
Nonspendable:		
Prepaid insurance and inventory	347,841	342,596
Advances to other funds	616,470	603,535
Assigned for vested unpaid vacation and sick leave	386,541	363,710
Unassigned	4,519,690	3,578,349
Total Fund Balance	5,870,542	4,888,190
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,612,749	\$ 5,710,795

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

<i>Years Ended December 31,</i>	2016		Variance with	2015
	Budget	Actual	Budget	Actual
Revenues				
Taxes:				
Sales taxes	\$ 6,583,784	\$ 6,583,847	\$ 63	\$ 6,503,870
Real and personal property taxes	1,200,000	1,215,467	15,467	1,316,111
Total taxes	7,783,784	7,799,314	15,530	7,819,981
Licenses and permits:				
Business licenses	106,465	106,565	100	68,015
Permits	201,400	201,670	270	98,970
Total licenses and permits	307,865	308,235	370	166,985
Fines and forfeitures	77,765	77,385	(380)	127,996
Intergovernmental:				
State revenue sharing	245,387	245,387	-	365,453
Liquor licenses	14,800	14,800	-	11,500
Electric and telephone co-op tax	157,272	157,272	-	145,919
State PERS relief	188,046	188,046	-	1,086,183
Library grants	27,050	27,050	-	54,720
Public safety grants	6,576	6,576	-	10,000
Motor vehicle tax	42,529	42,655	126	42,480
Total intergovernmental	681,660	681,786	126	1,716,255
Special assessments	142,753	152,508	9,755	47,533
Charges for services:				
Administrative service charges - other funds	657,670	657,670	-	614,895
Grant administration fees	68,174	68,624	450	151,722
Fire protection	337,586	337,232	(354)	334,700
Community center fees	35,000	33,930	(1,070)	35,020
Library fees	20,782	20,782	-	22,297

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

Years Ended December 31,	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Dispatch	\$ 984,999	\$ 984,999	\$ -	\$ 965,817
Ice rink revenues	277,690	277,272	(418)	311,184
Building rental	62,509	61,740	(769)	62,078
Planning and zoning	8,210	8,210	-	3,328
Public safety	50,000	50,000	-	50,000
Total charges for services	2,502,620	2,500,459	(2,161)	2,551,041
Miscellaneous:				
Investment income	30,000	30,524	524	10,715
Property and equipment sales	45,368	19,367	(26,001)	161,150
Police services	500	63	(437)	87
Insurance and state maintenance reimbursement	23,139	23,139	-	16,552
Other	90,028	90,376	348	47,762
Total miscellaneous	189,035	163,469	(25,566)	236,266
Total Revenues	11,685,482	11,683,156	(2,326)	12,666,057
Expenditures				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	240,882	238,010	2,872	281,189
Audit	34,746	34,746	-	31,366
Advertising	10,000	5,560	4,440	6,752
Dues and subscriptions	7,650	7,641	9	7,467
Travel	7,500	5,923	1,577	9,784
Education and training	5,000	3,507	1,493	4,166
Legal fees	46,900	44,036	2,864	42,164
Services	2,000	598	1,402	225
Telephone	9,550	9,507	43	8,517
Insurance	3,118	3,100	18	2,903
Operating supplies	4,425	4,405	20	5,776
Services - Sister City program	5,050	5,029	21	26,782
Council donations	12,825	10,410	2,415	11,500

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

Years Ended December 31,	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website and broadcasting	\$ 5,200	\$ 4,913	\$ 287	\$ 4,238
Computer services	6,500	2,703	3,797	6,565
Election	9,000	8,046	954	10,896
Office equipment	4,400	882	3,518	3,024
Codification consulting services	12,000	10,376	1,624	21,176
Repairs and maintenance	1,000	200	800	118
Office supplies	6,000	4,097	1,903	2,371
Total Mayor/Council/Clerk	433,746	403,689	30,057	486,979
Administration:				
Salaries and employee benefits	942,702	915,514	27,188	848,899
Advertising	500	-	500	151
Dues and subscriptions	1,000	731	269	600
Travel	3,025	3,005	20	1,274
Education and training	2,160	2,160	-	2,529
Legal fees	13,050	13,058	(8)	8,936
Services	7,005	6,584	421	6,525
Telephone	10,350	10,346	4	9,792
Insurance	5,675	5,617	58	4,193
Operating supplies	9,100	7,997	1,103	9,156
Repairs and maintenance	1,000	150	850	84
Office equipment	7,825	7,822	3	8,254
Computer services	89,360	88,178	1,182	118,012
Miscellaneous	62,000	62,000	-	1,365
Total administration	1,154,752	1,123,162	31,590	1,019,770
Buildings:				
Services	6,130	6,112	18	3,741
Power	19,375	19,359	16	18,607
Heat	1,900	1,873	27	2,192
Water and sewer	1,200	1,183	17	1,103

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Buildings, continued:				
Insurance	\$ 3,429	\$ 3,411	\$ 18	\$ 3,470
Telephone	14,850	14,843	7	13,228
Operating supplies	1,000	925	75	3,184
Office supplies	7,150	7,140	10	5,486
Repairs and maintenance	11,320	11,302	18	9,207
Miscellaneous	7,160	7,065	95	10,466
Total buildings	73,514	73,213	301	70,684
City manager:				
Salaries and employee benefits	452,760	416,406	36,354	527,321
Advertising	24,525	16,461	8,064	17,634
Dues and subscriptions	3,350	3,338	12	2,567
Travel	5,675	5,667	8	9,138
Education and training	3,500	3,038	462	3,345
Legal fees	24,000	17,628	6,372	23,965
Services	6,825	6,245	580	9,526
Telephone	4,300	4,295	5	3,413
Insurance	4,305	4,286	19	3,889
Operating supplies	250	35	215	40
Small tools and equipment	16,675	16,653	22	6,669
Discretionary	10,000	1,422	8,578	13,742
Lobbying	6,000	1,604	4,396	2,778
Fuel	500	135	365	1,177
Repairs and maintenance	113,500	112,967	533	114,770
Office supplies	3,200	2,747	453	5,856
Board stipends	5,900	5,800	100	3,800
Miscellaneous	1,500	3	1,497	100
Total city manager	686,765	618,730	68,035	749,730
Community development:				
Salaries and employee benefits	464,695	464,612	83	517,928
Advertising	2,080	2,079	1	1,874
Dues and subscriptions	2,070	2,065	5	2,647

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

Years Ended December 31,	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Community development, continued:				
Travel	\$ 2,300	\$ 2,300	\$ -	\$ 778
Education and training	2,575	2,574	1	2,419
Legal fees	19,531	19,531	-	3,832
Services	4,897	4,870	27	6,915
Telephone	2,239	2,203	36	2,587
Power	7,286	7,285	1	7,474
Heat	2,750	2,741	9	3,318
Water and sewer	1,400	1,387	13	1,832
Insurance	4,575	4,572	3	4,187
Operating supplies	508	496	12	212
Equipment	2,550	2,537	13	2,964
Fuel	950	934	16	1,141
Repairs and maintenance	1,200	1,193	7	2,358
Annexation and community planning	32	29	3	994
Rental and lease	3,860	3,858	2	3,705
Office supplies	4,613	4,551	62	3,702
Board stipends	3,800	3,800	-	2,750
Miscellaneous	4,305	4,301	4	2,500
Total community development	538,216	537,918	298	576,117
Total general government	2,886,993	2,756,712	130,281	2,903,280
Public safety:				
Police department:				
Salaries and employee benefits	3,461,691	3,366,734	94,957	3,836,099
Advertising	1,000	124	876	360
Dues and subscriptions	500	304	196	656
Communications	500	-	500	-
Travel	17,375	15,802	1,573	16,933
Education and training	10,500	3,258	7,242	9,255
Legal fees	9,000	6,076	2,924	6,589
Services	78,034	58,789	19,245	55,875
Telephone	26,000	23,501	2,499	23,835
Power	36,400	35,798	602	36,657

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

Years Ended December 31,	2016		Variance with Budget	2015
	Budget	Actual	Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Police department, continued:				
Heat	\$ 17,170	\$ 15,318	\$ 1,852	\$ 16,563
Water and sewer	11,160	10,585	575	11,068
Fuel	44,940	18,829	26,111	27,678
Insurance	35,020	34,998	22	31,974
Vehicle insurance	19,800	19,777	23	17,992
Office supplies	10,000	7,849	2,151	8,905
Vehicle supplies	1,000	160	840	356
Uniform purchases and allowances	16,840	13,658	3,182	12,668
Operating supplies	19,250	15,961	3,289	11,977
Repairs and maintenance	17,660	13,985	3,675	15,004
Community planning	1,000	965	35	2,775
Janitorial supplies	6,075	4,862	1,213	3,089
Equipment	158,375	150,138	8,237	143,176
Rowland Memorial Fund	2,000	2,000	-	2,000
Miscellaneous	2,950	444	2,506	2,721
Total police department	4,004,240	3,819,915	184,325	4,294,205
Fire department:				
Salaries and employee benefits	320,381	320,361	20	349,307
Volunteer firemen salaries and benefits	196,425	196,406	19	193,755
Dues and subscriptions	2,150	2,131	19	1,646
Education and training	21,400	20,728	672	20,459
Services	19,801	19,795	6	17,728
Telephone	7,725	7,720	5	7,980
Power	9,000	8,714	286	9,917
Heat	5,200	5,137	63	5,698
Water and sewer	2,150	2,131	19	2,257
Fuel	16,200	16,183	17	22,987
Legal	15,970	15,959	11	-
Rental and lease	11,588	11,588	-	11,588
Insurance	5,387	5,373	14	5,007
Vehicle insurance	11,658	11,025	633	11,133
Office supplies	3,500	3,126	374	2,799

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 23,100	\$ 23,083	\$ 17	\$ 17,776
Uniform purchases and allowances	1,850	1,171	679	824
Operating supplies	3,000	2,633	367	2,585
Repairs and maintenance	27,500	24,187	3,313	28,728
Small tools	13,276	13,181	95	14,425
Janitorial supplies	1,245	935	310	2,041
Equipment	19,504	15,339	4,165	66,263
Total fire department	738,010	726,906	11,104	794,903
Total public safety	4,742,250	4,546,821	195,429	5,089,108
Public works:				
Administration:				
Salaries and employee benefits	723,379	677,251	46,128	784,222
Advertising	800	174	626	638
Travel	1,000	51	949	726
Education and training	2,000	1,350	650	343
Legal fees	7,750	7,744	6	4,596
Services	54,319	40,195	14,124	21,352
Telephone	14,000	10,783	3,217	12,103
Power	18,000	16,166	1,834	16,299
Heat	15,875	15,861	14	16,798
Water and sewer	10,000	9,651	349	9,356
Insurance	16,178	16,138	40	15,520
Vehicle insurance	13,000	12,650	350	12,561
Repairs and maintenance	8,000	7,010	990	9,414
Small tools	3,000	1,879	1,121	2,177
Janitorial supplies	1,500	1,477	23	1,714
Equipment	19,800	16,106	3,694	40,585
Office supplies	5,350	5,149	201	5,568
Christmas lighting	2,115	2,104	11	462
Miscellaneous	8,000	2,927	5,073	2,946
Total administration	924,066	844,666	79,400	957,380

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

Years Ended December 31,	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 353,042	\$ 352,988	\$ 54	\$ 335,204
Services	54,090	42,952	11,138	10,380
Operating supplies	12,600	8,965	3,635	4,926
Repairs and maintenance	31,850	31,836	14	11,496
Rental and lease	8,100	8,100	-	5,132
Dust control and chemicals	10,475	10,464	11	8,256
Road salt and sand	85,715	85,708	7	62,725
Crack sealing	24,595	24,593	2	25,692
Safety equipment	1,795	1,790	5	527
Total roads	582,262	567,396	14,866	464,338
Engineering	8,000	-	8,000	7,350
Highway maintenance	2,550	-	2,550	-
Street lighting:				
Power	125,000	120,194	4,806	120,558
Operating supplies	2,000	1,357	643	1,307
Repairs and maintenance	40,820	40,681	139	33,127
Total street lighting	167,820	162,232	5,588	154,992
Motor vehicle maintenance:				
Salaries and employee benefits	228,888	167,179	61,709	254,732
Fuel	55,000	20,284	34,716	23,951
Vehicle supplies	20,000	11,498	8,502	17,552
Repairs and maintenance	42,000	35,473	6,527	25,306
Small tools and equipment	20,300	17,448	2,852	23,167
Total motor vehicle maintenance	366,188	251,882	114,306	344,708
Total public works	2,050,886	1,826,176	224,710	1,928,768

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services:				
Tourist center:				
Services	\$ 154,940	\$ 154,940	\$ -	\$ 155,940
Telephone	4,515	4,466	49	2,885
Fuel	2,175	2,162	13	1,777
Power	3,575	3,571	4	4,707
Water and sewer	1,417	1,360	57	1,124
Insurance	1,262	1,259	3	1,163
Repairs and maintenance	4,610	4,351	259	1,271
Equipment	3,313	-	3,313	-
Total tourist center	175,807	172,109	3,698	168,867
Community center building:				
Power	4,965	4,961	4	6,300
Heat	4,999	4,174	825	5,189
Water and sewer	2,505	2,501	4	2,009
Insurance	458	330	128	241
Operating supplies	6,130	4,244	1,886	9,048
Rental and lease	500	500	-	500
Repairs and maintenance	5,301	5,301	-	4,749
Total community center building	24,858	22,011	2,847	28,036
Parks and recreation:				
Salaries and employee benefits	84,200	72,433	11,767	73,420
Fuel	2,500	2,259	241	2,922
Operating supplies	13,583	11,009	2,574	4,807
Repairs and maintenance	6,500	6,466	34	5,391
Total parks and recreation	106,783	92,167	14,616	86,540
Arena:				
Salaries and employee benefits	266,416	266,373	43	248,036
Advertising	485	482	3	-
Services	2,480	2,472	8	700

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Arena, continued:				
Telephone	\$ 3,138	\$ 3,134	\$ 4	\$ 3,217
Power	67,965	67,965	-	61,131
Heat	38,441	38,440	1	42,785
Water and sewer	13,195	13,111	84	9,222
Rental and lease	1,375	1,362	13	1,198
Fuel	3,800	3,715	85	3,911
Insurance	4,203	4,203	-	3,968
Operating supplies	11,410	11,401	9	5,952
Janitorial supplies	4,000	3,999	1	3,494
Learn to skate	2,500	2,490	10	2,850
Education and training	600	595	5	631
Small tools and equipment	1,675	1,672	3	225
Repairs and maintenance	43,292	43,198	94	31,985
Total arena	464,975	464,612	363	419,305
Library:				
Salaries and employee benefits	474,602	431,754	42,848	490,024
Subscriptions and dues	810	59	751	596
Travel	2,480	1,574	906	4,419
Education and training	1,890	1,890	-	1,113
Services	31,820	31,327	493	30,242
Telephone	12,000	8,201	3,799	8,517
Power	36,400	34,585	1,815	33,057
Heat	13,595	7,903	5,692	11,301
Water and sewer	3,540	3,531	9	3,359
Rental and lease	350	-	350	-
Advertising	-	-	-	107
Insurance	5,150	5,128	22	4,490
Books and subscriptions	43,400	42,781	619	42,591

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

Years Ended December 31,	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Operating supplies	\$ 24,914	\$ 21,323	\$ 3,591	\$ 26,983
Repairs and maintenance	14,320	12,047	2,273	11,089
Equipment	9,499	8,727	772	8,391
Miscellaneous	4,000	4,000	-	3,853
Total library	678,770	614,830	63,940	680,132
Total community services	1,451,193	1,365,729	85,464	1,382,880
Debt service on bonds:				
Principal	75,000	75,000	-	225,000
Interest	34,550	34,550	-	41,299
Total debt service on bonds	109,550	109,550	-	266,299
Total Expenditures	11,240,872	10,604,988	635,884	11,570,335
Excess of Revenues Over Expenditures	444,610	1,078,168	633,558	1,095,722
Other Financing Sources (Uses)				
Transfers in	349,578	349,578	-	371,209
Transfers out	(472,296)	(445,394)	26,902	(903,325)
Net Other Financing Sources (Uses)	(122,718)	(95,816)	26,902	(532,116)
Net Change in Fund Balance	\$ 321,892	982,352	\$ 660,460	563,606
Fund Balance, beginning		4,888,190		4,324,584
Fund Balance, ending		\$ 5,870,542		\$ 4,888,190

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Special Revenue Funds

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

Narcotics Grant

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

Police Grants

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

Neighborhood Parks Development

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

Asset Forfeiture

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

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

<i>December 31,</i>	2016	2015
Assets		
Cash and Investments	\$ 26,705	\$ 26,705
Fund Balance		
Committed for public safety	\$ 26,705	\$ 26,705

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

<i>Years Ended December 31,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Net Change in Fund Balance	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
Fund Balance, beginning		<u>26,705</u>		<u>26,705</u>
Fund Balance, ending		<u>\$ 26,705</u>		<u>\$ 26,705</u>

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

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 4,797	\$ 4,797
Fund Balance		
Committed for public safety	\$ 4,797	\$ 4,797

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

<i>Years Ended December 31,</i>	2016			2015	
	Budget	Actual	Variance with Budget	Actual	
Revenues - federal government	\$ 18,826	\$ 11,247	\$ (7,579)	\$ 10,314	
Expenditures - public safety:					
Salaries and employee benefits	17,626	10,359	7,267	9,498	
Fuel	1,200	888	312	816	
Total Expenditures	18,826	11,247	7,579	10,314	
Net Change in Fund Balance	<u>\$ -</u>	-	<u>\$ -</u>	-	
Fund Balance, beginning		<u>4,797</u>		<u>4,797</u>	
Fund Balance, ending		<u>\$ 4,797</u>		<u>\$ 4,797</u>	

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

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 26,637	\$ 24,837
Fund Balance		
Assigned for parks	\$ 26,637	\$ 24,837

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>	2016	2015
Revenues - development fees	\$ 1,800	\$ 1,100
Expenditures	-	-
Net Change in Fund Balance	1,800	1,100
Fund Balance, beginning	24,837	23,737
Fund Balance, ending	\$ 26,637	\$ 24,837

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

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 90,215	\$ 80,033
Fund Balance		
Restricted for public safety	\$ 90,215	\$ 80,033

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

<i>Years Ended December 31,</i>	2016	2015
Revenues		
Federal government	\$ 34,314	\$ 31,428
State forfeiture funds	4,204	-
Total Revenues	38,518	31,428
Expenditures - public safety:		
Training	3,401	4,934
Equipment	24,935	70,232
Total Expenditures	28,336	75,166
Net Change in Fund Balance	10,182	(43,738)
Fund Balance, beginning	80,033	123,771
Fund Balance, ending	\$ 90,215	\$ 80,033

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Capital Project Funds

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

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

Capital Projects

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

Equipment

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

Road Improvements

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

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

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 577,291	\$ 514,294
Grants receivable	19,060	73,809
Total Assets	\$ 596,351	\$ 588,103
Liabilities		
Accounts payable	\$ 19,400	\$ 69,345
Unearned revenue	45,000	45,000
Total Liabilities	64,400	114,345
Fund Balance		
Committed for capital projects	531,951	473,758
Total Liabilities and Fund Balance	\$ 596,351	\$ 588,103

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>	2016			2015	
	Budget	Actual	Variance with Budget		
				Actual	
Revenues					
Intergovernmental:					
State of Alaska	\$ 603,969	\$ 255,562	\$ (348,407)	\$ 387,332	
Federal government	71,922	48,977	(22,945)	67,089	
Total Revenues	675,891	304,539	(371,352)	454,421	
Expenditures:					
General government:					
Deferred maintenance	2,936	-	2,936	15,791	
City Manager - benefits	-	-	-	4,148	
Total general government	2,936	-	2,936	19,939	
Public safety - SAFER	-	48,977	(48,977)	40,857	
Capital outlay:					
Wilson Park pump truck	-	-	-	2,022	
Wayfinding and streetscapes	45,000	-	45,000	-	
Park improvements	64,379	-	64,379	-	
Safe routes to school	-	-	-	26,233	
Sidewalk ADA upgrades	-	-	-	79,384	
Storm water master plan	2,597	2,597	-	-	
Storm water - Sherrod Phase 3	77,471	9,840	67,631	122,529	
Library boiler replacement	50,000	4,900	45,100	-	
LED street light upgrades	45,000	45,000	-	-	
MTA Center	-	-	-	46,571	
Ice arena equipment	38,846	-	38,846	11,154	
Downtown master plan	50,000	-	50,000	-	
Depot expansion	20,000	19,445	555	392	
Mayor projects	500	-	500	-	
Fire station	562	562	-	92,748	
Tanker truck	12,144	12,144	-	-	

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>	2016			2015	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Capital outlay, continued:					
Property acquisition	\$ 97	\$ -	\$ 97	\$ 529	
Palmer/Wasilla highway corridor	5,000	-	5,000	-	
Public safety building repair	286,301	65,374	220,927	176,217	
Public works storage building	150,000	-	150,000	-	
Depot safety improvements	174,885	174,885	-	90,963	
Total capital outlay	1,022,782	334,747	688,035	648,742	
Total Expenditures	1,025,718	383,724	641,994	709,538	
Excess of Revenues Over (Under)					
Expenditures	(349,827)	(79,185)	270,642	(255,117)	
Other Financing Sources (Uses)					
Transfers in	239,394	239,394	-	337,000	
Transfers out	(102,016)	(102,016)	-	(158,019)	
Net Other Financing Sources (Uses)	137,378	137,378	-	178,981	
Net Change in Fund Balance	\$ (212,449)	58,193	\$ 270,642	(76,136)	
Fund Balance, beginning		473,758		549,894	
Fund Balance, ending		\$ 531,951		\$ 473,758	

City of Palmer, Alaska
Equipment Capital Project Fund
Balance Sheet

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 439,531	\$ 516,537
Grants receivable	9,595	67,191
Total Assets	\$ 449,126	\$ 583,728
Liabilities		
Accounts payable	\$ -	\$ 63,995
Fund Balance		
Committed for equipment replacement	449,126	519,733
Total Liabilities and Fund Balance	\$ 449,126	\$ 583,728

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>	2016		Variance with	2015
	Budget	Actual	Budget	Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ 511,645	\$ 151,593	\$ (360,052)	\$1,263,059
Expenditures - capital outlay:				
Administrative services	24,363	7,219	17,144	60,147
Dispatch equipment	30,687	-	30,687	-
Clerk/Council equipment	19,959	15,044	4,915	-
Public works equipment	78,105	55,563	22,542	17,512
Fire equipment	487,282	144,374	342,908	1,202,913
Total Expenditures	640,396	222,200	418,196	1,280,572
Excess of Revenues (Under) Over Expenditures	(128,751)	(70,607)	58,144	(17,513)
Other Financing Sources - transfers in	-	-	-	66,325
Net Change in Fund Balance	<u>\$ (128,751)</u>	(70,607)	<u>\$ 58,144</u>	48,812
Fund Balance, beginning		<u>519,733</u>		<u>470,921</u>
Fund Balance, ending		<u>\$ 449,126</u>		<u>\$ 519,733</u>

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

<i>December 31,</i>	2016	2015
Assets		
Cash and investments	\$ 81,738	\$ 100,838
Fund Balance		
Committed for roads and streets	\$ 81,738	\$ 100,838

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>	2016		Variance with Budget	2015
	Budget	Actual		Actual
Expenditures - capital outlay -				
Gulkana LID	\$ 9,622	\$ -	\$ 9,622	\$ 431
Other Financing Uses - transfers out	-	(19,100)	(19,100)	-
Net Change in Fund Balance	<u>\$ (9,622)</u>	(19,100)	<u>\$ (9,478)</u>	(431)
Fund Balance, beginning		<u>100,838</u>		<u>101,269</u>
Fund Balance, ending		<u>\$ 81,738</u>		<u>\$ 100,838</u>

Enterprise Funds

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

Water and Sewer

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

Airport

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>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 845,411	\$ 475,059
Receivables:		
Grants and loans	675,291	359,116
Accounts	289,950	253,681
Inventories - materials and supplies	138,187	140,707
Total Current Assets	1,948,839	1,228,563
Noncurrent Assets		
Assessments receivable	198,749	198,749
Property, plant and equipment:		
Land	45,164	45,164
Buildings	60,067	60,067
Machinery and equipment	1,169,277	1,153,052
Improvements other than buildings	75,561,003	72,781,549
Construction work in progress	5,859,491	5,425,826
Total property, plant and equipment	82,695,002	74,039,832
Less accumulated depreciation	(21,653,979)	(19,744,218)
Net property, plant and equipment	61,041,023	54,295,614
Total Noncurrent Assets	61,239,772	59,920,189
Total Assets	63,188,611	61,148,752
Deferred Outflows of Resources - related to pensions	64,526	47,857
Total Assets and Deferred Outflows of Resources	\$ 63,253,137	\$ 61,196,609

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

<i>December 31,</i>	2016	2015
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 55,807	\$ 66,967
Capital related accounts payable	437,903	55,183
Accrued payroll and employee benefits	223	223
Vested unpaid vacation and sick leave	34,400	53,177
Current portion of loans payable - State of Alaska	179,216	177,146
Accrued interest payable	21,693	21,693
Customer deposits	203,024	195,544
Civil penalty payable	192,670	192,000
Total Current Liabilities	1,124,936	761,933
Long-term Liabilities, net of current portion		
Loans payable - State of Alaska	2,895,531	2,915,634
Net pension liability	389,941	267,213
Total Liabilities	4,410,408	3,944,780
Deferred Inflows of Resources - related to pensions	3,093	4,731
Net Position		
Net investment in capital assets	57,966,276	56,628,660
Unrestricted (deficit)	873,360	618,438
Total Net Position	58,839,636	57,247,098
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 63,253,137	\$ 61,196,609

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>	2016		Variance with	2015
	Budget	Actual	Budget	Actual
Operating Revenues				
Water sales	\$ 1,359,106	\$ 1,364,154	\$ 5,048	\$ 1,261,246
Sewer services	1,099,868	1,104,278	4,410	918,125
Connection fees	44,000	39,545	(4,455)	44,645
Miscellaneous	26,348	26,348	-	25,586
Total Operating Revenues	2,529,322	2,534,325	5,003	2,249,602
Operating Expenses Excluding Depreciation				
Water:				
Salaries and employee benefits	252,347	284,757	(32,410)	343,413
Administrative services	201,006	201,006	-	187,892
Audit	7,813	7,812	1	7,052
Advertising	1,800	1,800	-	1,689
Education and training	600	563	37	1,716
Legal fees	27,545	27,545	-	39,081
Engineering	2,000	1,940	60	4,093
Services	59,400	48,866	10,534	26,531
Telephone	8,075	8,055	20	8,079
Power	103,575	103,552	23	115,689
Heat	10,000	9,643	357	9,679
Fuel	4,300	4,255	45	7,327
Equipment rental	1,848	1,818	30	2,021
Insurance	10,551	10,410	141	9,636
Office supplies	2,000	1,969	31	1,713
Operating supplies	8,000	2,761	5,239	3,156
Repairs and maintenance	26,000	25,137	863	35,431
Small tools	1,950	1,421	529	299
Chemicals	6,000	5,747	253	8,172
Permits	8,975	8,967	8	8,200
Equipment	25,500	60,875	(35,375)	17,909
Miscellaneous	6,900	6,879	21	6,760
Total water	776,185	825,778	(49,593)	845,538

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>	2016		Variance with	2015
	Budget	Actual	Budget	Actual
Operating Expenses Excluding Depreciation, continued				
Sewer:				
Salaries and employee benefits	\$ 290,665	\$ 341,735	\$ (51,070)	\$ 329,236
Administrative services	195,459	195,459	-	181,897
Audit	7,296	7,296	-	6,586
Education and training	735	732	3	1,225
Legal	30,155	30,150	5	912
Engineering	9,250	9,246	4	1,640
Services	65,710	65,703	7	42,897
Telephone	7,950	7,944	6	7,916
Power	194,940	194,936	4	176,123
Heat	7,485	7,483	2	11,402
Fuel	6,940	6,940	-	6,281
Equipment rental	2,090	2,088	2	-
Insurance	10,256	10,251	5	9,785
Office supplies	1,710	1,705	5	2,894
Operating supplies	57,223	57,214	9	12,433
Repairs and maintenance	34,970	34,962	8	25,102
Small tools	6,345	6,339	6	3,048
Equipment	5,000	5,000	-	4,535
Permits	8,975	8,967	8	10,000
Miscellaneous	3,350	3,340	10	4,355
Total sewer	946,504	997,490	(50,986)	838,267
Total Operating Expenses Excluding Depreciation	1,722,689	1,823,268	(100,579)	1,683,805
Operating Income Before Depreciation	806,633	711,057	(95,576)	565,797
Depreciation	-	1,909,761	(1,909,761)	1,741,079
Operating Income (Loss)	806,633	(1,198,704)	(2,005,337)	(1,175,282)

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>	2016		Variance with	2015
	Budget	Actual	Budget	Actual
Nonoperating Revenues (Expenses)				
State PERS relief	\$ 12,804	\$ 10,903	\$ (1,901)	\$ 107,525
Insurance reimbursement	51,266	51,266	-	29,138
Miscellaneous income	16,941	16,941	-	31,908
Gain on disposal of capital assets	-	-	-	5,000
Interest expense	(29,961)	(29,961)	-	(31,082)
Civil penalty expense	(670)	(670)	-	(192,000)
Net Nonoperating Revenues (Expenses)	50,380	48,479	(1,901)	(49,511)
Income (Loss) Before Contributions and Transfers	857,013	(1,150,225)	(2,007,238)	(1,224,793)
Capital contributions	4,747,417	2,887,901	(1,859,516)	4,236,375
Transfers in	-	-	-	40,909
Transfers out	(145,138)	(145,138)	-	(220,035)
Change in Net Position	<u>\$ 5,459,292</u>	1,592,538	<u>\$ (3,866,754)</u>	2,832,456
Beginning Net Position		<u>57,247,098</u>		<u>54,414,642</u>
Ending Net Position		<u>\$ 58,839,636</u>		<u>\$ 57,247,098</u>

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

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 2,521,807	\$ 2,334,105
Payments to suppliers	(808,281)	(918,053)
Payments to employees	(529,945)	(519,600)
Payments for interfund services used	(396,465)	(369,789)
Net cash flows from operating activities	787,116	526,663
Cash Flows for Noncapital Financing Activities		
Transfers in	-	40,909
Transfers out	(145,138)	(220,035)
Net cash flows for noncapital financing activities	(145,138)	(179,126)
Cash Flows for Capital and Related Financing Activities		
Capital contributions received	2,571,726	5,068,250
Purchase of property, plant and equipment and construction work in progress	(2,846,624)	(5,627,801)
Proceeds from loans	-	392,230
Proceeds from disposal of capital assets	-	5,000
Proceeds from insurance reimbursement	51,266	-
Principal payments on loans payable - State of Alaska	(18,033)	(175,108)
Interest paid	(29,961)	(32,588)
Net cash flows for capital and related financing activities	(271,626)	(370,017)
Net Increase (Decrease) in Cash and Investments	370,352	(22,480)
Cash and Investments, beginning	475,059	497,539
Cash and Investments, ending	\$ 845,411	\$ 475,059
Reconciliation of Operating Loss to Net		
Cash Flows from Operating Activities		
Operating loss	\$ (1,198,704)	\$ (1,175,282)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,909,761	1,741,079
Noncash expense - PERS relief	10,903	107,525
Other revenues	16,271	61,046
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(36,269)	13,444
Inventories - materials and supplies	2,520	(12,770)
Deferred outflows of resources related to pensions	(16,669)	(39,037)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(10,490)	(263,916)
Vested unpaid vacation and sick leave	(18,777)	2,760
Unearned revenue	-	(9,187)
Customer deposits	7,480	19,200
Net pension liability	122,728	96,763
Deferred inflows of resources related to pensions	(1,638)	(14,962)
Net Cash Flows from Operating Activities	\$ 787,116	\$ 526,663
Noncash Capital and Related Financing Activities		
Purchase of capital assets on account	\$ 437,903	\$ 55,183

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

<i>December 31,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 46,302	\$ -
Receivables:		
Accounts	-	4,625
Grants	230,410	119,127
Prepaid expenses	-	49,360
Total Current Assets	276,712	173,112
Property, Plant and Equipment		
Land	1,412,289	1,412,289
Buildings	509,758	509,758
Machinery and equipment	811,541	794,541
Improvements other than buildings	18,496,465	18,028,130
Construction work in progress	454,070	511,609
Total property, plant and equipment	21,684,123	21,256,327
Less accumulated depreciation	(14,672,353)	(14,123,030)
Net Property, Plant and Equipment	7,011,770	7,133,297
Total Assets	7,288,482	7,306,409
Deferred Outflows of Resources - related to pensions	21,740	17,901
Total Assets and Deferred Outflows of Resources	\$ 7,310,222	\$ 7,324,310
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 33,439	\$ 9,016
Capital related accounts payable	201,380	52,802
Due to other funds	-	97,674
Vested unpaid vacation and sick leave	4,497	2,220
Unearned revenue	37,885	62,723
Total Current Liabilities	277,201	224,435
Long-term Liabilities		
Advance from other fund	112,589	112,589
Net pension liability	128,215	99,953
Total Long-term Liabilities	240,804	212,542
Total Liabilities	518,005	436,977
Deferred Inflows of Resources - related to pensions	1,392	1,769
Net Position		
Net investment in capital assets	7,011,770	7,133,297
Unrestricted (deficit)	(220,945)	(247,733)
Total Net Position	6,790,825	6,885,564
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 7,310,222	\$ 7,324,310

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Aviation fuel - revenue sharing	\$ 9,460	\$ 7,736	\$ (1,724)	\$ 2,626
Tiedown fees	28,000	28,346	346	27,743
Land leases	153,478	152,640	(838)	168,588
Agricultural land leases	6,000	5,082	(918)	4,790
Miscellaneous	8,792	4,768	(4,024)	8,135
Total Operating Revenues	205,730	198,572	(7,158)	211,882
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	124,392	138,426	(14,034)	151,501
Administrative services	122,026	122,026	-	116,224
Audit	3,705	3,705	-	4,359
Advertising	2,500	1,912	588	1,508
Subscriptions and dues	334	334	-	-
Education and training	2,100	40	2,060	1,136
Legal fees	14,500	9,896	4,604	78,753
Services	32,091	18,150	13,941	14,166
Telephone	3,675	3,651	24	3,828
Power	16,680	16,680	-	18,288
Heat	3,000	2,004	996	3,693
Water/sewer/garbage	400	363	37	362
Fuel	3,000	1,232	1,768	1,350
Insurance	10,980	10,777	203	9,789
Operating supplies	1,650	1,208	442	1,454
Repairs and maintenance	18,850	17,286	1,564	22,710
Office equipment	2,000	1,968	32	-
Small tools and equipment	20,150	1,092	19,058	395
Board stipends	2,350	1,950	400	2,400
Total Operating Expenses Excluding Depreciation	384,383	352,700	45,717	431,916

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Operating Loss Before Depreciation	\$ (178,653)	\$ (154,128)	\$ 38,559	\$ (220,034)
Depreciation	-	549,323	(549,323)	537,890
Operating Loss	(178,653)	(703,451)	(510,764)	(757,924)
Nonoperating Revenues - State PERS relief	2,948	2,510	(438)	27,333
Loss Before Contributions and Transfers	(175,705)	(700,941)	(525,236)	(730,591)
Capital contributions	-	400,202	400,202	348,732
Transfers in	232,902	260,500	27,598	590,000
Transfers out	(54,500)	(54,500)	-	(268,182)
Change in Net Position	<u>\$ 2,697</u>	(94,739)	<u>\$ (97,436)</u>	(60,041)
Beginning Net Position		<u>6,885,564</u>		<u>6,945,605</u>
Ending Net Position		<u>\$ 6,790,825</u>		<u>\$ 6,885,564</u>

City of Palmer, Alaska

Airport Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2016	2015
Cash Flows for Operating Activities		
Cash receipts from customers and users	\$ 178,359	\$ 221,307
Payments to employees	(109,593)	(108,410)
Payments to suppliers	(18,465)	(219,680)
Payments for interfund services used	(122,026)	(116,224)
Net cash flows for operating activities	(71,725)	(223,007)
Cash Flows for Noncapital Financing Activities		
Increase (decrease) in due to other funds	(97,674)	97,674
Transfers out	(54,500)	-
Net cash flows for noncapital financing activities	(152,174)	97,674
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	288,919	283,278
Transfers in	260,500	590,000
Purchase of property, plant and equipment	(279,218)	(352,863)
Decrease in prepaid rent	-	(148,539)
Increase (decrease) in advance from other fund	-	(246,543)
Net cash flows from capital and related financing activities	270,201	125,333
Net Increase in Cash and Investments	46,302	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ 46,302	\$ -
Reconciliation of Operating Loss to Net		
Cash Flows for Operating Activities		
Operating loss	\$ (703,451)	\$ (757,924)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	549,323	537,890
Non-cash expense - PERS relief	2,510	27,333
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	4,625	(4,625)
Prepaid expenses	49,360	(49,360)
Deferred outflows of resources related to pensions	(3,839)	(14,602)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	24,423	(6,129)
Vested unpaid vacation and sick leave	2,277	(237)
Unearned revenue	(24,838)	14,050
Net pension liability	28,262	36,194
Deferred inflows of resources related to pensions	(377)	(5,597)
Net Cash Flows for Operating Activities	\$ (71,725)	\$ (223,007)
Noncash Capital and Related Financing Activities		
Purchase of capital assets included in accounts payable	\$ 201,380	\$ 52,802
Transfer of capital asset to another fund	\$ -	\$ (268,182)

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

<i>December 31,</i>	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,056,667	\$ 1,037,285
Accounts receivable	113,064	107,336
Total Current Assets	1,169,731	1,144,621
Property, Plant and Equipment		
Buildings	52,667	52,667
Machinery and equipment	870,603	1,030,708
Total property, plant and equipment	923,270	1,083,375
Less accumulated depreciation	(658,730)	(782,476)
Net Property, Plant and Equipment	264,540	300,899
Total Assets	1,434,271	1,445,520
Deferred Outflows of Resources - related to pensions	55,295	52,162
Total Assets and Deferred Outflows of Resources	\$ 1,489,566	\$ 1,497,682
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 27,264	\$ 26,815
Vested unpaid vacation and sick leave	9,467	8,363
Total Current Liabilities	36,731	35,178
Long-term Liabilities - net pension liability	314,314	291,249
Total Liabilities	351,045	326,427
Deferred Inflows of Resources - related to pensions	4,848	5,156
Net Position		
Net investment in capital assets	264,540	300,899
Unrestricted	869,133	865,200
Total Net Position	1,133,673	1,166,099
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,489,566	\$ 1,497,682

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

<i>Years Ended December 31,</i>	2016			2015
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - solid waste collection fees	\$ 648,704	\$ 675,213	\$ 26,509	\$ 641,760
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	102,816	118,248	(15,432)	184,462
Administrative services	139,179	139,179	-	128,882
Audit	4,174	4,175	(1)	3,768
Services	340,150	340,132	18	324,519
Fuel	18,000	10,399	7,601	16,114
Insurance	4,986	4,974	12	3,771
Vehicle insurance	3,750	3,750	-	3,750
Operating supplies	4,000	3,929	71	1,482
Repairs and maintenance	9,000	6,893	2,107	4,019
Equipment	28,775	413	28,362	5,206
Legal	1,000	-	1,000	-
Advertising	1,000	-	1,000	-
Miscellaneous	2,800	2,299	501	2,018
Total Operating Expenses Excluding Depreciation	659,630	634,391	25,239	677,991
Operating Income (Loss) Before Depreciation	(10,926)	40,822	51,748	(36,231)
Depreciation	-	36,359	(36,359)	53,691
Operating Income (Loss)	(10,926)	4,463	15,389	(89,922)
Nonoperating Revenues				
State PERS relief	2,406	2,049	(357)	46,127
Income (Loss) Before Transfers	(8,520)	6,512	15,032	(43,795)
Transfers out	(40,936)	(38,938)	1,998	(35,994)
Change in Net Position	<u>\$ (49,456)</u>	(32,426)	<u>\$ 17,030</u>	(79,789)
Beginning Net Position		<u>1,166,099</u>		<u>1,245,888</u>
Ending Net Position		<u>\$ 1,133,673</u>		<u>\$ 1,166,099</u>

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

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 669,485	\$ 628,731
Payments to suppliers	(376,515)	(355,942)
Payments to employees	(95,471)	(92,309)
Payments for interfund services used	(139,179)	(128,882)
Net cash flows from operating activities	58,320	51,598
Cash Flows for Noncapital Financing Activities		
Transfers out	(38,938)	(35,994)
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	-	(12,686)
Net Increase in Cash and Investments	19,382	2,918
Cash and Investments, beginning	1,037,285	1,034,367
Cash and Investments, ending	\$ 1,056,667	\$ 1,037,285
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating income (loss)	\$ 4,463	\$ (89,922)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	36,359	53,691
Noncash expense - PERS relief	2,049	46,127
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(5,728)	(13,029)
Deferred outflows of resources related to pensions	(3,133)	(42,549)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	449	8,705
Vested unpaid vacation and sick leave	1,104	(583)
Net pension liability	23,065	105,466
Deferred inflows of resources related to pensions	(308)	(16,308)
Net Cash Flows from Operating Activities	\$ 58,320	\$ 51,598

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

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Prepaid expenses	\$ 600	\$ -
Inventories - materials and supplies	32,872	59,982
Total Current Assets	33,472	59,982
Property, Plant and Equipment		
Land and land improvements	1,544,620	1,544,620
Buildings	254,559	254,559
Machinery and equipment	385,591	369,631
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,852,004	2,836,044
Less accumulated depreciation	(940,042)	(892,244)
Net Property, Plant and Equipment	1,911,962	1,943,800
Total Assets	\$ 1,945,434	\$ 2,003,782
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,383	\$ 664
Unearned revenue	25,350	18,387
Total Current Liabilities	26,733	19,051
Long-term Liabilities		
Advance from other fund	503,881	490,946
Total Liabilities	530,614	509,997
Net Position		
Net investment in capital assets	1,911,962	1,943,800
Unrestricted (deficit)	(497,142)	(450,015)
Total Net Position	1,414,820	1,493,785
Total Liabilities and Net Position	\$ 1,945,434	\$ 2,003,782

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>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Golf course fees:				
Green fees	\$ 380,583	\$ 377,746	\$ (2,837)	\$ 389,222
Driving range fees	30,000	29,970	(30)	33,211
Golf cart rentals and trail fees	115,534	112,438	(3,096)	121,079
Golf club rentals	7,282	6,600	(682)	6,187
Clubhouse revenues:				
Beer and wine sales	47,000	48,576	1,576	48,902
Snack bar	69,903	68,394	(1,509)	74,095
Merchandise sales	155,340	144,609	(10,731)	162,225
Miscellaneous	500	205	(295)	61
Total Operating Revenues	806,142	788,538	(17,604)	834,982
Operating Expenses Excluding Depreciation				
Golf management contract	650,000	650,000	-	658,850
Audit	9,266	9,266	-	8,365
Services	15,925	15,911	14	16,421
Power	13,500	13,479	21	14,147
Heat	1,400	1,349	51	1,611
Water and sewer	1,525	1,517	8	1,955
Rental and lease	7,750	7,735	15	7,785
Insurance	5,758	5,744	14	7,668
Vehicle insurance	300	300	-	300
Operating supplies	21,950	22,242	(292)	21,964
Repairs and maintenance	16,125	16,804	(679)	11,134
Merchandise	-	27,110	(27,110)	66,689
Equipment	19,900	3,862	16,038	800
Legal fees	-	-	-	220
Other	43,406	-	43,406	-
Total Operating Expenses Excluding Depreciation	806,805	775,319	31,486	817,909
Operating Income Before Depreciation	(663)	13,219	13,882	17,073

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>	2016			2015	
	Budget	Actual	Variance with Budget		
				Actual	
Depreciation	\$ -	\$ 47,798	\$ (47,798)	\$ 49,754	
Loss Before Transfers	(663)	(34,579)	(33,916)	(32,681)	
Transfers out	(44,411)	(44,386)	25	(47,161)	
Change in Net Position	<u>\$ (45,074)</u>	(78,965)	<u>\$ (33,891)</u>	(79,842)	
Beginning Net Position		<u>1,493,785</u>		<u>1,573,627</u>	
Ending Net Position		<u>\$ 1,414,820</u>		<u>\$ 1,493,785</u>	

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

<i>Years Ended December 31,</i>	2016	2015
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 795,501	\$ 842,474
Payments to suppliers	(748,090)	(747,945)
Net cash flows from operating activities	47,411	94,529
Cash Flows for Noncapital Financing Activities		
Transfers out	(44,386)	(47,161)
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(15,960)	(9,809)
Increase (decrease) in advance from General Fund	12,935	(37,559)
Net cash flows for capital and related financing activities	(3,025)	(47,368)
Net Increase in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	\$ (34,579)	\$ (32,681)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	47,798	49,754
(Increase) decrease in assets:		
Prepaid expenses	(600)	3,269
Inventories - materials and supplies	27,110	66,688
Increase (decrease) in liabilities:		
Accounts payable	719	7
Unearned revenue	6,963	7,492
Net Cash Flows from Operating Activities	\$ 47,411	\$ 94,529

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

<i>December 31,</i>	2016	2015
Assets		
Land held for sale	\$ 217,414	\$ 217,414
Liabilities and Net Position		
Liabilities		
Due to other funds	\$ 49,231	\$ 49,231
Net Position		
Unrestricted	168,183	168,183
Total Liabilities and Net Position	\$ 217,414	\$ 217,414

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

<i>Years Ended December 31,</i>	2016		2015	
	Budget	Actual	Variance with Budget	Actual
Change in Net Position	<u>\$ -</u>	\$ -	<u>\$ -</u>	\$ -
Beginning Net Position		<u>168,183</u>		<u>168,183</u>
Ending Net Position		<u>\$ 168,183</u>		<u>\$ 168,183</u>

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

<i>Years Ended December 31,</i>	2016	2015
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -

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Schedule of State Financial Assistance

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

	Grant Number	Total Grant Award	State Share of Expenditures
Department of Commerce, Community and Economic Development			
Storm Water Improvement Master Plan	13-DC-175	\$ 115,000	\$ 2,597
Public Safety Projects	13-DC-421	780,000	12,706
* Waste Water Treatment Plant Property Acquisition	13-DC-527	2,500,000	812,272
* Aerial Firefighting Apparatus and Equipment	14-DC-124	1,800,000	151,593
* Bogard Waterline Extension	14-DC-125	3,500,000	113,226
* Airport Pavement Repairs	15-DC-128	400,000	222,656
Public Safety Building Repair	15-DC-130	435,000	65,373
* Railroad Depot Safety Upgrades and Improvements	15-DC-132	200,000	174,885
Total Department of Commerce, Community and Economic Development			<u>1,555,308</u>
Department of Environmental Conservation			
* Palmer - Steel Water Replacement	67118	3,000,000	1,485,062
* Drinking Water Revolving Loan - State subsidy	671251	Variable	<u>(201,318)</u>
Total Department of Environmental Conservation			<u>1,283,744</u>
Department of Revenue			
* Community Revenue Sharing	N/A	245,387	245,387
* Electric & Telephone Cooperative	N/A	157,272	157,272
Liquor Licenses	N/A	14,800	14,800
Aviation Fuel Tax	N/A	1,276	1,276
Total Department of Revenue			<u>418,735</u>
Department of Administration			
* PERS Relief	N/A	231,801	<u>231,801</u>
Department of Education and Early Development			
Public Library Assistance Grant	PLA 17-759-57	6,900	3,507
Public Library Assistance Grant	PLA 16-759-01	6,650	150
Total Department of Education and Early Development			<u>3,657</u>
Total State Financial Assistance			<u>\$ 3,493,245</u>

* Major programs

See accompanying notes to Schedule of State Financial Assistance.

City of Palmer, Alaska

Notes to Schedule of State Financial Assistance Year Ended December 31, 2016

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state grant activity of City of Palmer under programs of the state government for the year ended December 31, 2016. The information in the Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Palmer, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Palmer.

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

2. PERS On-behalf

The City has recorded \$231,801 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 2016 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, 2015 through June 30, 2016, 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 - State subsidy

The negative amount presented for the Drinking Water Revolving Loan - State Subsidy represents changes to the amounts as reported by the Alaska Department of Environmental Conservation (ADEC) to the City as follows:

Subsidy reported by ADEC to the City

Cumulative subsidy to the City through 2016	\$ 183,037
Subsidy to the City reported in 2015	(384,355)
Amount reported on the Schedule of State Financial Assistance	\$ (201,318)

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Single Audit Section



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3601 C Street, Suite 600
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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, 2016, 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 July 21, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of Palmer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
July 21, 2017



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3601 C Street, Suite 600
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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, 2016. 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, 2016.

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
July 21, 2017

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

State Financial Assistance

Internal control over major state programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)
Type of auditor's report issued on compliance for major state programs:	Unmodified	
Dollar threshold used to distinguish a state major program	\$ 75,000	

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

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

Section III - State Award Findings and Questioned Costs

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

Item Placed on the Table

Meeting Date: 7/25/17 Special

Agenda Item: New Business

Description: Presentation of the
Audit on the 2016 Budget

City of Palmer, Alaska

AUDIT WRAP UP

December 31, 2016



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., City Council) 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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3601 C Street, Suite 600
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July 21, 2017

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 of the City of Palmer, Alaska (the City) as of and for the year ended December 31, 2016.

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

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

Respectfully,

BDO USA, LLP

Discussion Outline

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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, 2016. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We issued an unmodified opinion on the financial statements and released our report on July 21, 2017.
- 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.

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 the year ended December 31, 2016.

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 City'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.

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

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

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2016.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were eleven audit adjusting entries and four client journal entries recorded to the trial balance given to us to perform the audit. Of the audit adjusting entries, six were capital asset and depreciation related. In addition, adjustments were made for certain grant revenues, golf course inventory, civil penalty, debt, interfund advance, capital outlay, and net pension obligations.

Please refer to the schedule of uncorrected misstatements attached to the management representation letter. We concur with management's assessment that the effects of not recording such adjustment is immaterial to the financial statements taken as a whole, considering both qualitative and quantitative factors. The proposed adjustment would not potentially cause future-period financial statements to be materially misstated.

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

Results of Our Audit

QUALITY OF THE CITY'S FINANCIAL REPORTING

- Qualitative aspects of significant accounting policies and practices
 - We concur with the City's interpretation and application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).
- Our conclusions regarding 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.

Internal Control over Financial Reporting

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

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

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

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

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

Other Required Communications

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

Requirement	Discussion Points
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.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you dated January 10, 2017 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the City with respect to independence as agreed to by the City. Please refer to that letter for further information.

Significant Accounting and Reporting Matters

GASB STANDARDS EFFECTIVE IN 2017

GASB STATEMENT NO. 74, *ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFIT PLANS (OPEB) OTHER THAN PENSION PLANS*

- Provides reporting requirements for OPEB plans and applies to both defined benefit and defined contribution plans administered through trusts that meet certain criteria:
 1. Contributions are irrevocable,
 2. Plan assets are dedicated to providing benefits according to the plan terms,
 3. Plan assets are legally protected from creditors.
- Guidance is also provided for plans not held in trust.
- The requirements follow GASB 67, requiring the statement of net position and statement of changes in fiduciary net position as well as the same RSI schedules.
- The pronouncement will be effective starting with years ending June 30, 2017.

GASB STATEMENT NO. 80, *BLENDING REQUIREMENTS FOR CERTAIN COMPONENT UNITS, AN AMENDMENT OF GASB 14*

- Specifies that a component unit incorporated as a nonprofit when the primary government is the sole member would be reported by the primary government as a blended component unit.
- The pronouncement will be effective starting with years ending June 30, 2017.

GASB STATEMENT NO. 82, *PENSION ISSUES*

- Addresses three issues that arose during implementation of GASB 67 and 68.
 1. The first relates to the definition of covered payroll included in Required Supplementary Information. Covered payroll is compensation paid to employees on which contributions are based.
 2. The pronouncement also clarifies that a *deviation* from actuarial standards is not considered to be in conformity with the requirements of GASB 67 or 68 for selection of assumptions in determining the total pension liability.
 3. The last issue relates to employer-paid member contributions, commonly referred to as employer "pick-up". When an employer pays contributions on behalf of members they should be classified as member contributions for GASB 67 plan statements and as employee contributions for GASB 68 reporting and included in salary expense.
- The pronouncement will be effective starting with years ending June 30, 2017.

Significant Accounting and Reporting Matters

GASB STATEMENT NO. 81, *IRREVOCABLE SPIT-INTEREST AGREEMENTS*

- Will require governments to recognize assets, liabilities and deferred inflows at fair value when the government is a beneficiary of an irrevocable split-interest agreement.
- Examples include charitable lead trusts, charitable remainder trusts and life-interest in real estate.
- The pronouncement will be effective starting with years ending December 31, 2017.

GASB STANDARDS EFFECTIVE IN 2018 AND 2019

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 trust governments must recognize the net OPEB liability.
- For plans not administered through trust the government must recognize the total OPEB liability.
- The pronouncement will be effective starting with years ending June 30, 2018.

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 best estimate of 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.

Significant Accounting and Reporting Matters

- 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.
- The pronouncement will be effective starting with years ending December 31, 2019.

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

Exhibit A

- Representation letter is attached



Nathan E. Wallace
City Manager

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July 21, 2017

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

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of City of Palmer, Alaska (the City), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, changes in net position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

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

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

- (1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 10, 2017, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- (2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.
- (3) The financial statements include all properly classified funds and other financial information of the primary government and all component units required to be included in the financial reporting entity by accounting principles generally accepted in the United States of America. All funds required to be presented as major funds are identified and presented as such.

- (4) We have made available to you:
 - (a) All financial records, and related data and federal awards (including amendments, if any, and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities), as agreed upon in the terms of the aforementioned audit engagement letter.
 - (b) All additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) Minutes of the meetings of The City Council that were held from January 1, 2015 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- (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. 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 as "corrected misstatements" have been corrected, except those listed in Attachment B as "uncorrected misstatements". In our opinion, the effects of not correcting such identified financial statement misstatements are immaterial to the financial statements of the City, 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 City received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others.
 - (d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be

considered when preparing the financial statements.

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

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

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

- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
 - Deferred compensation, bonuses, pensions plans, or severance pay; or
 - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
- (g) Joint ventures or other participations, the detailed transactions of which are not carried on our books.
- (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 City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (13) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position is properly recognized under the policy.
- (14) No discussions have taken place with your firm's personnel regarding employment with the City.
- (15) 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.
- (16) 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.

- (17) 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.
- (18) 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.
- (19) Required supplementary information is measured and presented in accordance with prescribed guidelines.
- (20) Expenditures of federal awards were below the \$750,000 threshold for the year ended December 31, 2016, and we were not required to be audited in accordance with the Uniform Guidance.
- (21) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No's. 73 - 85, as discussed in Note 17 to the financial statements. The Government is therefore unable to disclose the impact that adopting those GASB Statements will have on its financial position and the results of operations when such statements are adopted.
- (22) We believe that the actuarial assumptions and methods used to measure pension and/or other postretirement liabilities and costs for financial accounting and disclosure purposes are appropriate in the circumstances.
- (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

BDO USA, LLP
July 21, 2017

misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.

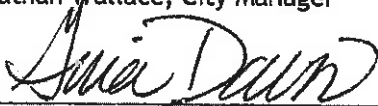
- Our web site, which contains the electronic financial statements, will advise the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

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

Very truly yours,



Nathan Wallace, City Manager



Gina Davis, Finance Director

PALMER, CITY OF
Year End: December 31, 2016
Corrected Misstatements
Date: 1/1/2016 To 12/31/2016

Attachment A

Number	Name	Account No	Debit	Credit
AJE-1	Water/Sewer - Claim on Cash	02-00-00-1001 02	96,334.99	
AJE-1	Water/ Sewer - A/P Pending	02-00-00-2030 02	96,334.99	
AJE-1	Civil Penalty Payable	02-00-00-2150 02		(96,334.99)
AJE-1	Civil Penalty Payable	02-00-00-2150 02		(96,334.99)
AJE-1	Civil Penalty Expense	02-01-50-6080 02		
AJE-1	Civil Penalty Expense	02-01-50-6080 02		
AJE-1	General Checking	99-00-00-1001 99	96,334.99	
AJE-1	Accounts Payable	99-00-00-2030 99	96,334.99	
AJE-1	Due to other Funds	99-00-00-2050 99		(96,334.99)
AJE-1	Due From Water/ Sewer Fund	99-00-02-1990 99		(96,334.99)
To reverse client entry for payments of Civil Penalty that happened in FY17.				
AJE-2	AR Grant 13-DC-527	24-00-00-1169 24	69,572.94	
AJE-2	WS CIP Projects - A/P Pending	24-00-00-2030 24		(69,572.94)
AJE-2	Grant # 13-DC-527	24-00-00-3169 24		(69,572.94)
AJE-2	Engineering Design Services	24-01-12-6220 24	69,572.94	
Accrue for Accounts Payable related to Grant #13-DC-527				
AJE-3	Bldgs-Allow For Depreciation	15-00-00-1621 15		(8,440.73)
AJE-3	Other-Allow For Depreciation	15-00-00-1631 15		(23,893.61)
AJE-3	Equipment	15-00-00-1640 15	15,960.00	
AJE-3	Equip-Allow For Depreciation	15-00-00-1641 15		(15,463.90)
AJE-3	Equipment	15-01-10-6053 15		(15,960.00)
AJE-3	Depreciation	15-01-20-6076 15	47,798.24	
To adjust enterprise funds capital assets additions, deletions, and depreciation expense to schedule - Golf Course Fund. Client Assist				

PALMER, CITY OF

Year End: December 31, 2016

Corrected Misstatements

Date: 1/1/2016 To 12/31/2016

Attachment A

Number	Name	Account No	Debit	Credit
AJE-4	Bldgs-Allow For Depreciation	05-00-00-1621 05		(2,633.33)
AJE-4	Equipment	05-00-00-1640 05		(160,105.00)
AJE-4	Equip-Allow For Depreciation	05-00-00-1641 05		(33,725.38)
AJE-4	Equip-Allow For Depreciation	05-00-00-1641 05	160,105.00	
AJE-4	Depreciation	05-01-20-6076 05	36,358.71	

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

AJE-5	Improvements Other Than Bldgs	03-00-00-1630 03	468,335.14	
AJE-5	Other-Allow For Depreciation	03-00-00-1631 03		(524,567.50)
AJE-5	Equipment	03-00-00-1640 03	17,000.00	
AJE-5	Equip-Allow For Depreciation	03-00-00-1641 03		(24,755.30)
AJE-5	WIP-Master Plan	03-00-00-1675 03		(57,539.40)
AJE-5	Fund Balance	03-00-00-2710 03		(427,795.74)
AJE-5	Depreciation	03-01-20-6076 03	549,322.80	

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

AJE-6	Bldgs-Allow For Depreciation	02-00-00-1621 02		(2,633.33)
AJE-6	Improvements Other Than Bldgs	02-00-00-1630 02	2,779,453.68	
AJE-6	Other-Allow For Depreciation	02-00-00-1631 02		(1,846,156.51)
AJE-6	Equip-Allow For Depreciation	02-00-00-1641 02		(55,934.51)
AJE-6	Water Meters	02-00-00-1642 02	16,224.27	
AJE-6	Meters-Allow For Depreciation	02-00-00-1643 02		(5,036.34)
AJE-6	Construction in Progress	02-00-00-1675 02	433,664.68	
AJE-6	Fund Balance	02-00-00-2710 02		(3,229,343.06)
AJE-6	Depreciation	02-01-20-6076 02	1,909,761.12	

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

PALMER, CITY OF

Attachment A

Year End: December 31, 2016

Corrected Misstatements

Date: 1/1/2016 To 12/31/2016

Number	Name	Account No	Debit	Credit
AJE-7	General Fund - Claim on Cash	01-00-00-1001 01		(12,934.49)
AJE-7	Advance to Enterprise Funds	01-00-00-1998 01	12,934.49	
AJE-7	Golf Course - Claim on Cash	15-00-00-1001 15	12,934.49	
AJE-7	Advance from Other Fund	15-00-00-2699 15		(12,934.49)
	To move negative cash in goif course to an advance from GF. Client Assist			
AJE-8	Deferred Outflow - Pension	02-00-00-1840 02	16,669.00	
AJE-8	Pers Net Pension Obligation	02-00-00-2178 02		(122,728.00)
AJE-8	Deferred Inflow - Pension	02-00-00-2240 02	1,638.00	
AJE-8	NPO Write Off/PERS on behalf	02-00-00-3691 02	1,901.00	
AJE-8	Regular Benefits	02-01-10-6012 02	51,260.00	
AJE-8	Regular Benefits	02-01-50-6012 02	51,260.00	
AJE-8	Deferred Outflow Pension	03-00-00-1840 03	3,839.00	
AJE-8	Pers Net Pension Obligation	03-00-00-2178 03		(28,262.00)
AJE-8	Deferred Inflow Pension	03-00-00-2240 03	377.00	
AJE-8	NPQ Write Off	03-00-00-3691 03	438.00	
AJE-8	Regular Benefits	03-01-10-6012 03	23,608.00	
AJE-8	Deferred Outflow Pensions	05-00-00-1840 05	3,133.00	
AJE-8	Pers Net Pension Obligation	05-00-00-2178 05		(23,065.00)
AJE-8	Deferred Inflow Pensions	05-00-00-2240 05	308.00	
AJE-8	NPO Write Off/PERS on behalf	05-00-00-3691 05	357.00	
AJE-8	Regular Benefits	05-01-10-6012 05	19,267.00	
	To record GASB 68 for 2016			
AJE-9	Water/Sewer - Claim on Cash	02-00-00-1001 02		(477,341.38)
AJE-9	L/T ADEC Loan #671251	02-00-00-2105 02	477,341.38	
AJE-9	Water/Sewer Claim on cash	24-00-00-1001 24	477,341.29	
AJE-9	State Subsidy - Loan #671251 Forgiveness	24-00-00-3175 24		(123,884.21)
AJE-9	Federal Subsidy - Loan#671251 Forgiveness	24-00-00-3378 24		(353,457.08)
	To adjust loan per ADEC confirm and disbursement ledger			

PALMER, CITY OF

Attachment A

Year End: December 31, 2016

Corrected Misstatements

Date: 1/1/2016 To 12/31/2016

Number	Name	Account No	Debit	Credit
PBC-1	General Fund - A/P Pending	01-00-00-2030 01		(17,783.55)
PBC-1	Genl Fund It Hard/Soft Ware	01-01-10-6095 01	17,783.55	
	PBC Entry			

PBC-2	Gen Long Term Debt Account Grp	90-00-00-1687 90		(213,707.84)
PBC-2	Accrued Personal Leave	90-00-00-2194 90	213,707.84	

To adjust of fund 90, fund is not
in use. Balance rolls forward in client system yearly and should be
removed.

PBC-4	Inventory	15-00-00-1411 15		(11,161.95)
PBC-4	Merchandise Expenses	15-01-10-6565 15	11,161.95	

To adjust Golf Course inventory to
estimated market value.

PALMER, CITY OF
Year End: December 31, 2016
Uncorrected Misstatements

Attachment B

Number	Date	Name	Debit	Credit
1	12/31/2016	Bad debt expense - prior year	198,749.00	
	12/31/2016	Allowance for bad debts		198,749.00

To fully allow for Water and Sewer assessments that
the City says they will not pursue collection.