



City of Palmer, Alaska

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

Year Ended December 31, 2019

Edna DeVries
Mayor

John Moosey
City Manager

Prepared by
Finance Department

Gina Davis
Finance Director

City of Palmer, Alaska

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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, 2019, 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, 2019, 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 19, the budgetary comparison information on page 72, and the Schedules of Net Pension and OPEB Liability and Pension and OPEB Contributions on pages 73 through 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit 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 combining and individual fund financial statements as listed in the table of contents, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the year ended December 31, 2019, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards 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, 2019 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, 2019.

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, 2018 (not presented herein), and have issued our report thereon dated September 3, 2019, 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, 2018 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 2018 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2018 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, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of the City of Palmer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Palmer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Palmer's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
August 25, 2020

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Management's Discussion and Analysis

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CITY OF PALMER, ALASKA

Management's Discussion and Analysis

December 31, 2019

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, 2019. Readers are encouraged to read this narrative in conjunction with the City's financial statements, which follows this section.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2019 fiscal year by \$99,637,515 (total net position). Of the total net position, \$1,668,316 is Unrestricted Net Position.
- As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$7,779,924, a decrease of \$22,004.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$3,364,858 or 30.53% of total General Fund expenditures. The Nonspendable fund balance was \$2,355,823 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$404,763, was assigned for vested unpaid vacation and sick leave.
- In 2017 the City entered into a Water and Waste Disposal Loan and Grant from the U.S. Department of Agriculture (USDA) Rural Utilities Service Program for the Waste Water Treatment Plant Facility Improvements in the amount of \$8,334,290. The requirements of the USDA loan in an amount not to exceed \$4,816,000 required interim financing. The City authorized the issuance and sale of a Utility Revenue Bond in the amount not to exceed \$4,816,000 for the purposes of financing Wastewater Utility Improvements with First National Bank Alaska for the interim financing. The interim loan was drawn down in full by May of 2018 and was repaid with proceeds from USDA Loan including interest at 1.875% through 2058.
- At year end the City's outstanding loans and bonds payable totaled \$7,677,743 a net decrease of \$399,919 from the previous year.

CITY OF PALMER, ALASKA

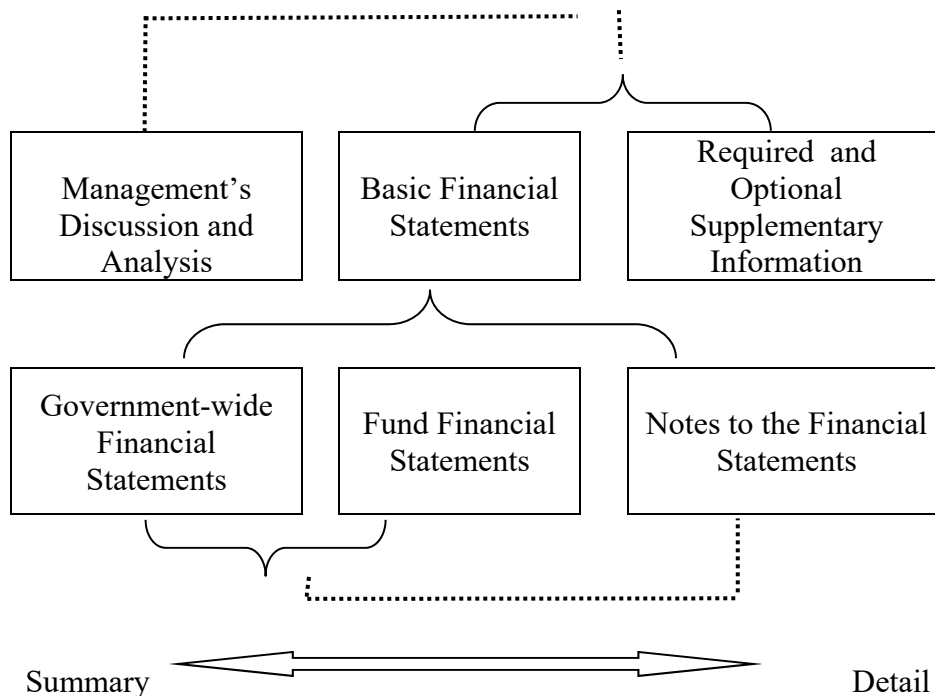
Management's Discussion and Analysis

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 22-23 of this document.

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

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

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

Fund Financial Statements

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

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

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

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Fund Financial Statements, continued

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-70 of this report.

Government-wide Financial Analysis

At the close of the 2019 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$99,637,515 (see Table A-1). Of this amount \$97,954,774, or 98.31%, 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 \$1,668,316 and represents an obligation to citizens, and creditors.

At the end of the current fiscal year, the City of Palmer is able to report positive balances in both the governmental and business-type net position.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Government-wide Financial Analysis, continued

**Table A-1
City of Palmer's Net Position
2019 and 2018**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$8,668,070	8,467,003	1,604,660	1,099,227	10,272,730	9,566,230
Capital assets	21,005,399	21,123,677	84,808,371	85,943,099	105,813,770	107,066,776
Deferred outflows	<u>924,258</u>	<u>900,252</u>	<u>87,795</u>	<u>84,408</u>	<u>1,012,053</u>	<u>984,660</u>
Total assets and Deferred outflows	<u>30,597,727</u>	<u>30,490,932</u>	<u>86,500,826</u>	<u>87,126,734</u>	<u>117,098,553</u>	<u>117,617,666</u>
Long-term liabilities outstanding	7,041,629	8,489,212	7,478,617	7,908,705	14,520,246	16,397,917
Other liabilities	<u>1,277,921</u>	<u>1,115,332</u>	<u>994,983</u>	<u>1,101,165</u>	<u>2,272,904</u>	<u>2,216,497</u>
Deferred Inflows	<u>609,042</u>	<u>682,359</u>	<u>58,846</u>	<u>66,618</u>	<u>667,888</u>	<u>748,977</u>
Total liabilities and Deferred Inflows	<u>8,928,592</u>	<u>10,286,903</u>	<u>8,532,446</u>	<u>9,076,488</u>	<u>17,461,038</u>	<u>19,363,391</u>
Net position:						
Net investment in capital assets	\$20,294,328	20,225,282	77,660,446	78,368,443	97,954,774	98,593,725
Restricted	14,425	41,032	-	-	14,425	41,032
Unrestricted (deficit)	<u>1,360,382</u>	<u>(62,285)</u>	<u>307,934</u>	<u>(318,197)</u>	<u>1,668,316</u>	<u>(380,482)</u>
Total net position	<u>21,669,135</u>	<u>20,204,029</u>	<u>77,968,380</u>	<u>78,050,246</u>	<u>99,637,515</u>	<u>98,254,275</u>

As reflected in Table A-2, the City's net position increased by \$1,383,240 as a result of current year activity. Revenues exceeded expenditures and transfers in the governmental activities by \$1,465,106 and in the business-type activities expenses exceeded revenues by (\$81,866).

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for service	\$ 1,994,902	\$1,957,828	5,034,092	4,605,979	7,028,994	6,563,807
Operating grants and contributions	873,000	380,191	35,578	9,465	908,578	389,656
Capital grants and contributions	614,482	246,229	1,105,700	4,287,872	1,720,182	4,534,101
General revenues:						
Property taxes	1,329,970	1,294,866	-	-	1,329,970	1,294,866
Sales taxes	7,500,312	7,279,716	-	-	7,500,312	7,279,716
Other	<u>480,585</u>	<u>451,236</u>	<u>-</u>	<u>-</u>	<u>480,585</u>	<u>451,236</u>
Total revenues	<u>12,793,251</u>	<u>11,610,066</u>	<u>6,175,370</u>	<u>8,903,316</u>	<u>18,968,621</u>	<u>20,513,382</u>

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Government-wide Financial Analysis, continued

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Expenses:						
General government	\$ 2,670,661	2,572,539	-	-	2,670,661	2,572,539
Public safety	4,595,772	3,656,590	-	-	4,595,772	3,656,590
Public works	2,467,056	3,183,658	-	-	2,467,056	3,183,658
Community services	1,667,984	1,649,647	-	-	1,667,984	1,649,647
Water and sewer utility	-	-	3,945,478	3,935,700	3,945,478	3,935,700
Airport	-	-	902,899	920,768	902,899	920,768
Nonmajor Enterprise Funds	-	-	1,322,196	1,570,034	1,322,196	1,570,034
Interest expense	<u>13,335</u>	<u>16,801</u>	<u>-</u>	<u>-</u>	<u>13,335</u>	<u>16,801</u>
Total expenses	<u>11,414,808</u>	<u>11,079,235</u>	<u>6,170,573</u>	<u>6,426,502</u>	<u>17,585,381</u>	<u>17,505,737</u>
Increase (decrease) in net position before transfers	1,378,443	530,831	4,797	2,476,814	1,383,240	3,007,645
Transfers	<u>86,663</u>	<u>221,265</u>	<u>(86,663)</u>	<u>(221,265)</u>	<u>-</u>	<u>-</u>
Increase (decrease) net position	1,465,106	752,096	(81,866)	2,255,549	1,383,240	3,007,645
Beginning net position	<u>20,204,029</u>	<u>19,451,933</u>	<u>78,050,246</u>	<u>75,794,697</u>	<u>98,254,275</u>	<u>95,246,630</u>
Ending net position	\$ <u>21,669,135</u>	<u>20,204,029</u>	<u>77,968,380</u>	<u>78,050,246</u>	<u>99,637,515</u>	<u>98,254,275</u>

Governmental Activities

Governmental activities increased the City of Palmer's net position by \$1,465,106. Property taxes increased by \$35,104 and sales tax collections increased by \$220,596. The City's expenses increased in the amount of \$335,573. Much of this was due to the increase in wages on the 2019 pay plan. Net transfers into business-type activities was \$86,663.

Business-Type Activities

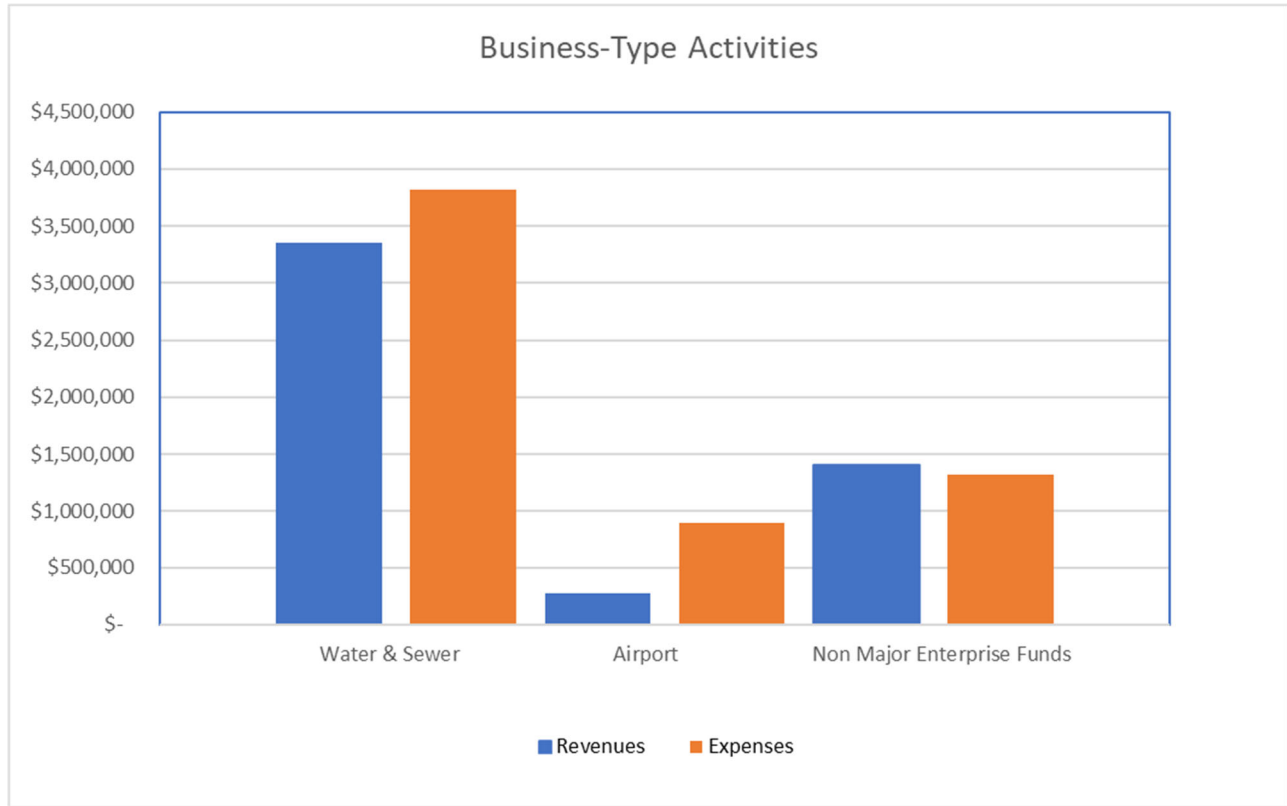
The City's business-type activities had a decrease of \$81,866 in net position primarily as a result of transfers. At the operating level, operating revenue and basic charges for services exceeded expenses.

The following graph shows expenses and operating revenues for all of the business-type activities in 2019. 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 nonmajor enterprise funds operating revenues would exceed operating expenses. The major funds, Water & Sewer, and Airport operating revenues would still fall below operating expenses.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Program Revenue & Expenses - Business-Type Activity



Financial Analysis of the Government's Funds

Governmental funds - The focus of the City of Palmer's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending following the end of the fiscal year. As of December 31, 2019, the City's governmental funds reported combined ending fund balances of \$7,779,924, a decrease of \$22,004. Of the ending balance, \$3,364,858, 43.25% is unassigned and available to the City for future spending. The remaining fund balance is nonspendable, restricted, committed or assigned. The decrease of total fund balance during the year is mostly attributed to an increase in expenditures.

- The City maintains three capital project funds that account for the use of bond proceeds, intergovernmental grants and transfers from the General Fund to support the construction of capital improvements. The General Capital Projects Fund reported an overall increase of fund balance in 2019 due to cash transfers into the fund. Not including the transfers in, two of the three funds had expenditures in excess of revenues.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

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

The Water and Sewer Fund's unrestricted net position is \$577,146, an increase of \$605,704 from 2018. This is due to recognizing unbilled consumption and the decrease in overall operating expenses from prior year.

The Refuse Fund unrestricted net position is \$700,967, an increase of \$45,956 from that amount in 2018.

The Golf Course unrestricted net position shows a deficit of \$621,395 compared to a deficit of \$646,591 at the end of 2018. Operating revenues were above operating expense by \$19,942. Depreciation constitutes \$48,687 of those expenses.

The Airport Fund unrestricted net position shows a deficit of \$566,567 compared to a deficit of \$515,842 at the end of 2018. The increase of the deficit is due to an operating loss, during the year.

The Land Development Fund unrestricted net position did not change from 2018. 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 decrease to the fund balance of \$695,290. However, the final adopted budget projected an overall decrease to the fund balance of \$354,050.

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

- Transfers in were increased by \$254,123 to account for payments in lieu of tax with the Water and Sewer Fund, Refuse Fund and Golf Course Fund. Transfers out were increased by \$1,292,519 to account for capital costs with the Capital Projects Fund including Equipment and Roads Fund and the Airport Fund. Revenues were increased by \$488,695 which included increases for PERS relief, Motor Vehicle Tax, Building Permits and Building Plan Reviews and property and equipment sales. Decreases in revenues were in the community assistance program and other intergovernmental grant revenues. PERS relief funding is funding provided by the State to political subdivisions to offset the unfunded state pension liability.
- The final budget increased expenditures by \$347,273.

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, 2019, totals \$105,813,770 (net of accumulated depreciation). This amount represents a \$1,253,006 decrease 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,858,738	1,618,570	3,002,073	3,002,073	4,860,811	4,620,643
Buildings	2,100,468	2,447,990	80,837	69,431	2,181,305	2,517,421
Improvements other than buildings	13,109,231	12,884,097	55,691,199	57,665,912	68,800,430	70,550,009
Machinery and equipment	3,098,029	1,278,846	1,269,955	1,183,419	4,367,984	2,462,265
Construction work in progress	<u>838,933</u>	<u>2,894,174</u>	<u>24,764,307</u>	<u>24,022,264</u>	<u>25,603,240</u>	<u>26,916,438</u>
Total capital assets	<u>\$21,005,399</u>	<u>21,123,677</u>	<u>84,808,371</u>	<u>85,943,099</u>	<u>105,813,770</u>	<u>107,066,776</u>

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

Long-term debt – The following table summarizes the City's long-term debt at December 31, 2019.

Table A-4
City of Palmer's Outstanding Debt

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
GO Bonds	\$ 529,818	622,000	-	-	529,818	622,000
Loans payable	<u>-</u>	<u>-</u>	<u>7,147,925</u>	<u>7,455,662</u>	<u>7,147,925</u>	<u>7,455,662</u>
Total	<u>529,818</u>	<u>622,000</u>	<u>7,147,925</u>	<u>7,455,662</u>	<u>7,677,743</u>	<u>8,077,662</u>
Compensated Absences	404,763	421,763	52,562	65,988	457,325	487,751
Capital Lease Payable	217,049	320,146	-	-	217,049	320,146
Net pension liability	6,268,599	6,479,492	603,307	625,839	6,871,906	7,105,331
Net OPEB	<u>217,837</u>	<u>1,301,327</u>	<u>25,372</u>	<u>140,223</u>	<u>243,209</u>	<u>1,441,550</u>
Total long-term debt	<u>\$7,638,066</u>	<u>9,144,728</u>	<u>7,829,166</u>	<u>8,287,712</u>	<u>15,467,232</u>	<u>17,432,440</u>

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Capital Asset and Debt Administration, continued

In 2019 the City continued to pay down on its outstanding bonds and loans.

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

In 2015 the City entered into a loan agreement with the Alaska Department of Environmental Conservation for Water Main Replacement in the amount of \$1,285,714. Of this amount \$964,286 is offered as a subsidy for disadvantaged assistance. The maximum repayment amount is \$321,428. For FY 2019 \$305,948 is reported as a loan payable balance.

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

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

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

Economic Factors and Next Year's Budgets (2020) and Rates

- Sales tax remains the primary source of revenue for the General Fund accounting for approximately 66% of actual revenues. The City monitors the sales tax revenues closely and remains cautiously optimistic regarding future sales tax revenues due to its plans to promote Palmer and attract businesses and events to the City. The city continues to record an increase in sales tax from the prior year.
- The City continues with improvements to the Airport and the Wastewater Treatment Plant Facility.
- Due to the increase in the rising cost of health insurance, beginning January 2014 and continuing in 2020 the City employees contribute for the cost of providing health insurance coverage for spouses and children.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

These various factors were taken into consideration in the development of the City's 2020 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2020 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 2019 at 3%.
- Budgeted expenditures in the General Fund increased by \$161,943 over 2019 excluding transfers.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. On March 11, 2020, the Governor of Alaska, Mike Dunleavy, signed a declaration of a Public Health Disaster Emergency due to COVID-19 followed by numerous state mandates. As a result of the COVID-19 public health emergency economic uncertainties have arisen, and the potential financial impact is unknown at this time. Management is carefully monitoring the situation and evaluating its options. No adjustments have been made to these financial statements as a result of this uncertainty.

The City will receive Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds through the State of Alaska for response and mitigation for the COVID-19 public health emergency. The City administration is currently in discussion with City Council on appropriating these funds for City mitigation expenditures, Palmer small business and nonprofit grants program, City utilities subsidization program, and City resiliency and recovery.

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

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Basic Financial Statements

City of Palmer, Alaska

Statement of Net Position

<i>December 31, 2019</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 4,644,656	\$ 2,219,918	\$ 6,864,574
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	264,219	362,854	627,073
Sales taxes	808,195	-	808,195
Property taxes	224,579	-	224,579
Accounts	28,744	422,810	451,554
Assessments	101,946	-	101,946
Unbilled revenue	-	429,853	429,853
Prepaid expenses:			
Insurance	263,720	-	263,720
Other	-	34,455	34,455
Internal balances	2,256,286	(2,256,286)	-
Inventories	15,585	167,267	182,852
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	2,697,671	27,766,380	30,464,051
Capital assets, net of accumulated depreciation	18,307,728	57,041,991	75,349,719
Net other postemployment benefits asset	60,140	6,375	66,515
Total Assets	29,673,469	86,413,031	116,086,500
Deferred Outflows of Resources			
Unamortized loss on refunding	35,796	-	35,796
Related to pensions	508,696	46,891	555,587
Related to other postemployment benefits	379,766	40,904	420,670
Total Deferred Outflows of Resources	924,258	87,795	1,012,053
Total Assets and Deferred Outflows of Resources	\$ 30,597,727	\$ 86,500,826	\$ 117,098,553

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Statement of Net Position, continued

<i>December 31, 2019</i>	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 282,438	\$ 169,893	\$ 452,331
Capital related accounts payable	-	76,580	76,580
Accrued payroll and employee benefits	288,307	25,183	313,490
Customer deposits	9,206	255,294	264,500
Accrued interest payable	7,617	21,693	29,310
Unearned revenue	93,916	95,791	189,707
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	404,763	52,562	457,325
Bonds and loans	85,000	297,987	382,987
Capital lease, current portion	106,674	-	106,674
Due in more than one year:			
Loans payable	-	6,849,938	6,849,938
Capital lease, long-term portion	110,375	-	110,375
General obligation bonds, including unamortized premium	444,818	-	444,818
Net pension liability	6,268,599	603,307	6,871,906
Net other postemployment benefits liability	217,837	25,372	243,209
Total Liabilities	8,319,550	8,473,600	16,793,150
Deferred Inflows of Resources			
Related to pensions	339,566	29,376	368,942
Related to other postemployment benefits	269,476	29,470	298,946
Total Deferred Inflows of Resources	609,042	58,846	667,888
Net Position			
Net investment in capital assets	20,294,328	77,660,446	97,954,774
Restricted	14,425	-	14,425
Unrestricted (deficit)	1,360,382	307,934	1,668,316
Total Net Position	21,669,135	77,968,380	99,637,515
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 30,597,727	\$ 86,500,826	\$ 117,098,553

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Statement of Activities

Year Ended	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
<i>December 31, 2019</i>							
Governmental Activities							
General government	\$ 2,670,661	\$ 713,910	\$ 280,642	\$ -	\$ (1,676,109)	\$ -	\$ (1,676,109)
Public safety	4,595,772	703,525	346,590	361,600	(3,184,057)	-	(3,184,057)
Public works	2,467,056	271,316	224,424	252,882	(1,718,434)	-	(1,718,434)
Community services	1,667,984	306,151	21,344	-	(1,340,489)	-	(1,340,489)
Unallocated interest	13,335	-	-	-	(13,335)	-	(13,335)
Total Governmental Activities	11,414,808	1,994,902	873,000	614,482	(7,932,424)	-	(7,932,424)
Business-type Activities							
Water and sewer	3,945,478	3,364,041	24,349	44,652	-	(512,436)	(512,436)
Airport	902,899	269,062	6,436	1,061,048	-	433,647	433,647
Refuse	752,851	811,702	4,793	-	-	63,644	63,644
Golf course	569,345	589,287	-	-	-	19,942	19,942
Total Business-type Activities	6,170,573	5,034,092	35,578	1,105,700	-	4,797	4,797
Totals	\$ 17,585,381	\$ 7,028,994	\$ 908,578	\$ 1,720,182	(7,932,424)	4,797	(7,927,627)
General Revenues							
Property taxes					1,329,970	-	1,329,970
Sales taxes					7,500,312	-	7,500,312
Grants and entitlements not restricted to a specific purpose					296,092	-	296,092
Investment income					113,015	-	113,015
Other					71,478	-	71,478
Transfers					86,663	(86,663)	-
Total General Revenues and Transfers					9,397,530	(86,663)	9,310,867
Change in Net Position					1,465,106	(81,866)	1,383,240
Net Position, beginning					20,204,029	78,050,246	98,254,275
Net Position, ending					\$ 21,669,135	\$ 77,968,380	\$ 99,637,515

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Governmental Funds
Balance Sheet

	Major Fund		Total
<i>December 31, 2019</i>	General	Nonmajor Funds	Governmental Funds
Assets			
Cash and investments	\$ 3,101,216	\$ 1,543,440	\$ 4,644,656
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	-	264,219	264,219
Sales taxes	808,195	-	808,195
Property taxes	224,579	-	224,579
Accounts	28,744	-	28,744
Assessments	101,946	-	101,946
Prepaid insurance	263,720	-	263,720
Inventory	15,585	-	15,585
Due from other funds	206,172	-	206,172
Advances to other funds	2,076,518	-	2,076,518
Total Assets	\$ 6,826,675	\$ 1,807,659	\$ 8,634,334
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 193,163	\$ 89,275	\$ 282,438
Accrued payroll and employee benefits	288,307	-	288,307
Deposits	9,206	-	9,206
Due to other funds	-	26,404	26,404
Unearned revenue	56,416	37,500	93,916
Total Liabilities	547,092	153,179	700,271
Deferred Inflows of Resources			
Deferred property taxes	52,192	-	52,192
Deferred assessments	101,947	-	101,947
Total Deferred Inflows of Resources	154,139	-	154,139
Total Liabilities and Deferred Inflows of Resources	701,231	153,179	854,410
Fund Balances			
Nonspendable:			
Prepaid insurance and inventory	279,305	-	279,305
Advances to other funds	2,076,518	-	2,076,518
Restricted for public safety	-	14,425	14,425
Committed:			
Capital projects and equipment	-	1,555,036	1,555,036
Public safety	-	35,980	35,980
Parks	-	49,039	49,039
Assigned - vested unpaid vacation and sick leave	404,763	-	404,763
Unassigned	3,364,858	-	3,364,858
Total Fund Balances	6,125,444	1,654,480	7,779,924
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,826,675	\$ 1,807,659	\$ 8,634,334

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position
December 31, 2019

Total fund balances for governmental funds \$ 7,779,924

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	\$ 1,858,738	
Construction in progress	838,933	
Buildings	11,382,558	
Improvements other than buildings	24,601,496	
Machinery and equipment	10,480,169	
Accumulated depreciation	<u>(28,156,495)</u>	
Total capital assets		21,005,399

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	101,947	
Delinquent property taxes receivable	52,192	
Net other postemployment benefits asset	<u>60,140</u>	
Total long-term assets		214,279

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	(475,000)	
Capital lease payable	(217,049)	
Unamortized premium	(54,818)	
Accrued interest	(7,617)	
Vested unpaid vacation and sick leave	(404,763)	
Net pension liability	(6,268,599)	
Net other postemployment benefits liability	<u>(217,837)</u>	
Total long-term liabilities		(7,645,683)

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. 35,796

Certain changes in net pension and OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time.

Deferred outflows of resources related to pensions	508,696	
Deferred inflows of resources related to pensions	(339,566)	
Deferred outflows of resources related to other postemployment benefits	379,766	
Deferred inflows of resources related to other postemployment benefits	<u>(269,476)</u>	
Total deferred pension and OPEB items		<u>279,420</u>

Total Net Position of Governmental Activities \$ 21,669,135

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended December 31, 2019</i>	<u>Major Fund</u>	Nonmajor	Total
	General	Funds	Governmental Funds
Revenues			
Taxes	\$ 8,830,282	\$ -	\$ 8,830,282
Licenses and permits	328,648	-	328,648
Fines and forfeitures	107,110	-	107,110
Intergovernmental	800,743	645,796	1,446,539
Special assessments	17,103	-	17,103
Charges for services	1,551,786	-	1,551,786
Miscellaneous	184,493	268,129	452,622
Total Revenues	11,820,165	913,925	12,734,090
Expenditures			
Current:			
General government	2,936,649	-	2,936,649
Public safety	4,622,017	336,894	4,958,911
Public works	1,899,206	-	1,899,206
Community services	1,456,691	-	1,456,691
Debt service	106,850	-	106,850
Capital outlay	-	1,484,450	1,484,450
Total Expenditures	11,021,413	1,821,344	12,842,757
Excess of Revenues Over (Under) Expenditures	798,752	(907,419)	(108,667)
Other Financing Sources (Uses)			
Transfers in	254,123	1,038,348	1,292,471
Transfers out	(1,205,808)	-	(1,205,808)
Total Other Financing Sources (Uses)	(951,685)	1,038,348	86,663
Net Change in Fund Balances	(152,933)	130,929	(22,004)
Fund Balances, beginning	6,278,377	1,523,551	7,801,928
Fund Balances, ending	\$ 6,125,444	\$ 1,654,480	\$ 7,779,924

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, 2019

Net change in fund balances - total governmental funds	\$	(22,004)
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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 (\$1,580,303) exceeded capital outlays (\$1,462,025).

(118,278)

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.

(14,414)

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 consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of principal on bonds and capital leases	\$	183,097
Decrease in unamortized bond premium		12,182
Decrease in unamortized loss on refunding		(7,955)
		187,324

187,324

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These are the decreases (increases) in:

Accrued interest	1,333
Vested unpaid vacation and sick leave	17,000
Net pension liability and related accounts	14,039
Net other postemployment benefits liability and related accounts	1,400,106
	1,432,478

1,432,478

Change in Net Position of Governmental Activities	\$	1,465,106
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See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Net Position

December 31, 2019	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	\$ 1,421,547	\$ -	\$ 798,371	\$ 2,219,918
Receivables:				
Accounts	290,262	7,682	124,866	422,810
Grants	130,530	232,324	-	362,854
Prepaid expenses	-	-	34,455	34,455
Inventory	165,902	-	1,365	167,267
Unbilled revenue	369,539	-	60,314	429,853
Total Current Assets	2,377,780	240,006	1,019,371	3,637,157
Noncurrent Assets				
Land held for sale	-	-	217,414	217,414
Property, plant and equipment:				
Land and improvements	45,164	1,412,289	1,544,620	3,002,073
Buildings	60,067	509,758	331,106	900,931
Machinery and equipment	1,553,337	811,541	1,513,877	3,878,755
Improvements other than buildings	77,775,258	19,567,792	667,234	98,010,284
Construction work in progress	16,065,055	8,699,252	-	24,764,307
Total property, plant and equipment	95,498,881	31,000,632	4,056,837	130,556,350
Less accumulated depreciation	(27,683,810)	(16,370,855)	(1,693,314)	(45,747,979)
Net property, plant and equipment	67,815,071	14,629,777	2,363,523	84,808,371
Other asset - Net other postemployment benefits asset	4,363	1,153	859	6,375
Total Noncurrent Assets	67,819,434	14,630,930	2,581,796	85,032,160
Total Assets	70,197,214	14,870,936	3,601,167	88,669,317
Deferred Outflows of Resources				
Related to pensions	31,716	8,714	6,461	46,891
Related to other postemployment benefits	28,120	7,404	5,380	40,904
Total Deferred Outflows of Resources	59,836	16,118	11,841	87,795
Total Assets and Deferred Outflows of Resources	\$ 70,257,050	\$ 14,887,054	\$ 3,613,008	\$ 88,757,112

See accompanying notes to basic financial statements.

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

<i>December 31, 2019</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities				
Current Liabilities				
Accounts payable	\$ 96,124	\$ 3,181	\$ 70,588	\$ 169,893
Capital related accounts payable	76,580	-	-	76,580
Accrued payroll and employee benefits	17,277	4,562	3,344	25,183
Vested unpaid vacation and sick leave	23,488	18,859	10,215	52,562
Current portion of loans payable	297,987	-	-	297,987
Due to other funds	-	179,768	-	179,768
Unearned revenue	-	59,168	36,623	95,791
Accrued interest payable	21,693	-	-	21,693
Customer deposits	255,294	-	-	255,294
Total Current Liabilities	788,443	265,538	120,770	1,174,751
Long-term Liabilities, net of current portion				
Loans payable	6,849,938	-	-	6,849,938
Advances from other fund	1,000,000	454,660	621,858	2,076,518
Net pension liability	317,141	87,805	198,361	603,307
Net other postemployment benefits liability	17,809	4,608	2,955	25,372
Total Long-term Liabilities	8,184,888	547,073	823,174	9,555,135
Total Liabilities	8,973,331	812,611	943,944	10,729,886
Deferred Inflows of Resources				
Related to pensions	19,082	5,895	4,399	29,376
Related to other postemployment benefits	20,345	5,338	3,787	29,470
Total Deferred Inflows of Resources	39,427	11,233	8,186	58,846
Net Position				
Net investment in capital assets	60,667,146	14,629,777	2,363,523	77,660,446
Unrestricted (deficit)	577,146	(566,567)	297,355	307,934
Total Net Position	61,244,292	14,063,210	2,660,878	77,968,380
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 70,257,050	\$ 14,887,054	\$ 3,613,008	\$ 88,757,112

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, 2019</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Operating Revenues	\$ 3,355,427	\$ 269,062	\$ 1,400,989	\$ 5,025,478
Operating Expenses				
Salaries and employee benefits	476,248	108,965	112,402	697,615
Administrative services	416,353	93,624	545,928	1,055,905
Other operating expenses	899,900	108,585	546,359	1,554,844
Depreciation	2,028,211	591,725	117,507	2,737,443
Total Operating Expenses	3,820,712	902,899	1,322,196	6,045,807
Operating Income (Loss)	(465,285)	(633,837)	78,793	(1,020,329)
Nonoperating Revenues (Expenses)				
State PERS relief	24,349	6,436	4,793	35,578
Miscellaneous income	8,614	-	-	8,614
Interest expense	(124,766)	-	-	(124,766)
Total Nonoperating Revenues (Expenses)	(91,803)	6,436	4,793	(80,574)
Income (Loss) Before Contributions and Transfers	(557,088)	(627,401)	83,586	(1,100,903)
Capital contributions	44,652	1,061,048	-	1,105,700
Transfers in	-	110,448	57,012	167,460
Transfers out	(177,908)	-	(76,215)	(254,123)
Change in Net Position	(690,344)	544,095	64,383	(81,866)
Net Position, beginning	61,934,636	13,519,115	2,596,495	78,050,246
Net Position, ending	\$ 61,244,292	\$ 14,063,210	\$ 2,660,878	\$ 77,968,380

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Cash Flows

<i>Year Ended December 31, 2019</i>	Major Enterprise Funds		Nonmajor	Total
	Water and	Airport	Enterprise	Proprietary
	Sewer		Funds	Funds
Cash Flows from (for) Operating Activities				
Cash receipts from customers and users	\$ 3,060,046	\$ 250,032	\$ 1,350,751	\$ 4,660,829
Payments to suppliers	(987,916)	(113,298)	(957,263)	(2,058,477)
Payments to employees	(569,266)	(124,040)	(131,431)	(824,737)
Payments for interfund services used	(416,353)	(93,624)	(128,928)	(638,905)
Net cash flows from (for) operating activities	1,086,511	(80,930)	133,129	1,138,710
Cash Flows from (for) Noncapital Financing Activities				
Increase in advance from General Fund	-	94,746	-	94,746
Transfers out	(177,908)	-	(76,215)	(254,123)
Net cash flows from (for) noncapital financing activities	(177,908)	94,746	(76,215)	(159,377)
Cash Flows for Capital and Related Financing Activities				
Capital contributions received	735	1,151,919	-	1,152,654
Purchase of capital assets	(347,846)	(1,186,545)	(110,738)	(1,645,129)
Decrease in due to other funds	-	(89,638)	-	(89,638)
Transfers in	-	110,448	57,012	167,460
Principal payments on loans payable	(307,737)	-	-	(307,737)
Interest paid	(124,766)	-	-	(124,766)
Net cash flows for capital and related financing activities	(779,614)	(13,816)	(53,726)	(847,156)
Net Increase in Cash and Investments	128,989	-	3,188	132,177
Cash and Investments, beginning	1,292,558	-	795,183	2,087,741
Cash and Investments, ending	\$ 1,421,547	\$ -	\$ 798,371	\$ 2,219,918

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2019</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities				
Operating income (loss)	\$ (465,285)	\$ (633,837)	\$ 78,793	\$ (1,020,329)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:				
Depreciation	2,028,211	591,725	117,507	2,737,443
Noncash expense - PERS relief	24,349	6,436	4,793	35,578
Other revenues	8,614	-	-	8,614
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(205,027)	444	(57,485)	(262,068)
Unbilled revenue	(107,898)	-	(1,497)	(109,395)
Prepaid expenses	-	-	(33,755)	(33,755)
Inventories	(15,517)	-	1,792	(13,725)
Net other postemployment benefits asset	(4,363)	(1,153)	(859)	(6,375)
Deferred outflows of resources related to pensions	(1,617)	(428)	(318)	(2,363)
Deferred outflows of resources related to other postemployment benefits	(701)	(185)	-	(886)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(72,499)	(4,713)	38,059	(39,153)
Accrued payroll and employee benefits	(318)	529	414	625
Vested unpaid vacation and sick leave	(14,460)	5,073	(4,039)	(13,426)
Unearned revenue	-	(19,474)	8,744	(10,730)
Customer deposits	8,930	-	-	8,930
Net pension liability	(11,987)	(3,168)	(2,359)	(17,514)
Net other postemployment benefits liability	(78,602)	(20,774)	(15,475)	(114,851)
Deferred inflows of resources related to pensions	12,586	3,327	2,477	18,390
Deferred inflows of resources related to other postemployment benefits	(17,905)	(4,732)	(3,525)	(26,162)
Net Cash Flows from (for) Operating Activities	\$ 1,086,511	\$ (80,930)	\$ 133,129	\$ 1,138,710
Noncash Capital and Related Financing Activities				
Purchase of capital assets on account	\$ 76,580	\$ -	\$ -	\$ 76,580

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Notes to Basic Financial Statements December 31, 2019

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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

The City reports the following major funds:

Major governmental fund:

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

Major proprietary funds:

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

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

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

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

Investments

Investments are stated at fair value.

City of Palmer, Alaska

Notes to Basic Financial Statements

Cash and Cash Equivalents

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

Inventory

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

Prepaid Items

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

Land Held for Sale

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

Capital Assets

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

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

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Long-term Debt

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

Compensated Absences

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

Unearned Grant Revenue

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

Deferred Inflows/Outflows of Resources

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

Fund Balances

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

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

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

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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.

Net Position

Net position represents the residual interest in the City's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets include capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities, and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Encumbrances

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

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded.

City of Palmer, Alaska

Notes to Basic Financial Statements

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.

Pensions and Other Post-Employment Benefits (OPEB)

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

Comparative Data

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

2. Stewardship, Compliance and Accountability

Budgetary Accounting

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

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

- a. On or before October 15th of each year, the City Manager submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted by the City to obtain taxpayer comments.
- c. Not less than 10 days prior to December 31, the budget is legally enacted through passage of a resolution at a regular meeting.

City of Palmer, Alaska

Notes to Basic Financial Statements

- 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.

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, 2019.

Cash and cash equivalents	\$ 3,380,385
Investments	3,484,189
Total Cash and Investments	\$ 6,864,574

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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.

Investment maturities at December 31, 2019 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Certificates of deposit	\$ 1,763,873	\$ -	\$ 1,763,873
AMLIP Pooled Investments	1,720,216	1,720,216	-
Total Investments	\$ 3,484,189	\$ 1,720,216	\$ 1,763,873

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

Credit Risk

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

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

For an investment, this is a risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no debt securities exposed to custodial credit risk at December 31, 2019 because investments were held by a custodian in the name of the City.

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City of Palmer, Alaska

Notes to Basic Financial Statements

4. Deferred Inflows of Resources and Unearned Revenue

At December 31, 2019, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

Deferred inflows of resources:	
Delinquent property taxes receivable - General Fund	\$ 52,192
Special assessments not yet due and delinquent - General Fund	101,947
Total Deferred Inflows of Resources	\$ 154,139
Unearned Revenue - grant drawdowns	\$ 93,916

5. Capital Assets

The following summarizes the changes in capital assets for the year ended December 31, 2019:

	Balance January 1, 2019	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2019
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,618,570	\$ 240,168	\$ -	\$ 1,858,738
Construction in progress	2,894,174	360,665	(2,415,906)	838,933
Total assets not being depreciated	4,512,744	600,833	(2,415,906)	2,697,671
<i>Capital assets being depreciated:</i>				
Buildings	11,382,558	-	-	11,382,558
Improvements other than buildings	23,560,678	1,040,818	-	24,601,496
Machinery and equipment	8,275,101	2,236,280	(31,212)	10,480,169
Total assets being depreciated	43,218,337	3,277,098	-	46,464,223
Less accumulated depreciation for:				
Buildings	8,934,568	347,522	-	9,282,090
Improvements other than buildings	10,676,581	815,684	-	11,492,265
Machinery and equipment	6,996,255	417,097	(31,212)	7,382,140
Total accumulated depreciation	26,607,404	1,580,303	-	28,156,495
Total capital assets being depreciated, net	16,610,933	1,696,795	-	18,307,728
Governmental Activity Capital Assets, net	\$ 21,123,677	\$ 2,297,628	\$ (2,415,906)	\$ 21,005,399

City of Palmer, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance January 1, 2019	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2019
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,002,073	\$ -	\$ -	\$ 3,002,073
Construction work in progress	24,022,264	1,270,224	(528,181)	24,764,307
Total assets not being depreciated	27,024,337	1,270,224	(528,181)	27,766,380
<i>Capital assets being depreciated:</i>				
Buildings	877,051	23,880	-	900,931
Improvements other than buildings	97,416,660	593,624	-	98,010,284
Machinery and equipment	3,635,587	243,168	-	3,878,755
Total assets being depreciated	101,929,298	860,672	-	102,789,970
Less accumulated depreciation for:				
Buildings	807,620	12,474	-	820,094
Improvements other than buildings	39,750,748	2,568,337	-	42,319,085
Machinery and equipment	2,452,168	156,632	-	2,608,800
Total accumulated depreciation	43,010,536	2,737,443	-	45,747,979
Total capital assets being depreciated, net	58,918,762	(1,876,771)	-	57,041,991
Business-type Activity Capital Assets, net	\$ 85,943,099	\$ (606,547)	\$ (528,181)	\$ 84,808,371

Depreciation expense was charged to the functions as follows for the year ended December 31, 2019:

Governmental Activities	
General government	\$ 70,370
Public safety	377,714
Public works	724,045
Community services	408,174
Total Governmental Activities	\$ 1,580,303
Business-type Activities	
Water and sewer	\$ 2,028,211
Airport	591,725
Refuse	68,820
Golf course	48,687
Total Business-type Activities	\$ 2,737,443

City of Palmer, Alaska

Notes to Basic Financial Statements

Construction Commitments

The City has various active construction projects as of December 31, 2019. At year end the City's commitments with contractors totaled \$438,260.

6. Interfund Receivables, Payables, and Transfers

A schedule of interfund balances and transfers as of and for the year ended December 31, 2019, follows:

Due to the General Fund from:	
Nonmajor Governmental Funds	\$ 26,404
Airport Enterprise Fund	179,768
<hr/>	
Total Due to the General Fund	\$ 206,172

Advances from the General Fund to:	
Water and Sewer Enterprise Fund	\$ 1,000,000
Airport Enterprise Fund	454,660
Nonmajor Enterprise Fund	621,858
<hr/>	
Total Advances to Other Funds	\$ 2,076,518

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	\$ 177,908
Nonmajor Enterprise Funds for payment in lieu of tax	76,215
From General Fund to:	
Airport Enterprise Fund for return of capital	110,448
Nonmajor Governmental Funds for return of capital projects	1,038,348
Nonmajor Enterprise Fund for Capital Projects	57,012
<hr/>	
Total Transfers to Other Funds	\$ 1,459,931

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City of Palmer, Alaska

Notes to Basic Financial Statements

7. Long-term Debt

In October 2010, voters approved \$3 million in general obligation bonds to acquire property known as Mat Maid block. As of December 31, 2019, these bonds have not been issued.

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

In May 2015, the City signed a Drinking Water Loan Agreement to fund the on-going Steel Water Main Replacement project. The loan is 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.

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

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

A summary of long-term debt transactions of the City for the year ended December 31, 2019, follows:

Governmental Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
<i>Bonds Payable:</i>					
\$865,000 refunding Ice Rink general obligation bonds, due in annual installments of \$85,000 to \$110,250, plus interest ranging from 2.0% to 5.0% through 2024	\$ 555,000	\$ -	\$ 80,000	\$ 475,000	\$ 85,000
Unamortized premium on Ice Rink GO bonds	67,000	-	12,182	54,818	-
Vested unpaid vacation and sick leave	421,763	428,997	445,997	404,763	404,763
Capital lease payable	320,146	-	103,097	217,049	106,674
Total Governmental Activities	\$ 1,363,909	\$ 428,997	\$ 641,276	\$ 1,151,630	\$ 596,437

City of Palmer, Alaska

Notes to Basic Financial Statements

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

Business-type Activities	Balance January 1, 2019	Additions	Retired	Balance December 31, 2019	Due Within One Year
<i>Loans Payable:</i>					
\$222,857 State of Alaska Sewer Utility loan due in final installments of \$14,120 including interest at 1.5% through 2019	\$ 13,911	\$ -	\$ 13,911	\$ -	-
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	159,691	-	21,543	138,148	22,134
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	195,012	-	31,305	163,707	31,774
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	351,900	-	39,100	312,800	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	739,211	-	77,329	661,882	78,489
\$1,071,429 State of Alaska Water Utility loan due in annual installments of \$55,679 Including interest at 1.5% through 2037	914,585	-	41,960	872,625	42,589
\$1,285,714 (\$964,286 forgiven) State of Alaska Water Utility loan currently in drawdown phase. Maximum repayment amount of \$321,428. Loan due in fixed increments for 20 years at project completion at 1.5% interest rate	305,948	-	-	305,948	-
\$4,816,000 from Department of Agriculture Community Facilities Loans and Grant Program Loans due in semi-annual installments of 85,870 including interest at 1.875% through 2058	4,775,404	-	82,589	4,692,815	83,901
Vested unpaid vacation and sick leave	65,988	45,499	58,925	52,562	52,562
Total Business-type Activities	\$ 7,521,650	\$ 45,499	\$ 366,663	\$ 7,200,487	\$ 350,549

City of Palmer, Alaska

Notes to Basic Financial Statements

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

Governmental Activities	General Obligation Bonds		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2020	\$ 85,000	\$ 22,850	\$ 107,850
2021	90,000	18,600	108,600
2022	95,000	15,000	110,000
2023	100,000	10,250	110,250
2024	105,000	5,250	110,250
Total Governmental Activities General Obligation Bonds	\$ 475,000	\$ 71,950	\$ 546,950

Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2020	\$ 297,987	\$ 120,072	\$ 418,059
2021	302,436	115,038	417,474
2022	306,714	110,171	416,885
2023	311,064	105,235	416,299
2024	315,258	100,453	415,711
2025-2029	1,114,369	432,998	1,547,367
2030-2034	780,904	356,188	1,137,092
2035-2039	739,882	285,854	1,025,736
2040-2044	634,152	224,548	858,700
2045-2049	696,353	162,347	858,700
2050-2054	764,490	94,210	858,700
2055-2058	578,368	21,863	599,697
	6,841,977	\$ 2,128,977	\$ 8,970,690
Loans not in repayment status	305,948		
Total Business-type Activities Loans Payable	\$ 7,147,925		

Debt Covenants

All significant bond covenants have been complied with as of December 31, 2019. All of the Water and Sewer Enterprise Fund operating revenues have been pledged for repayment of the Alaska Drinking Water and Alaska Clean Water Loans.

City of Palmer, Alaska

Notes to Basic Financial Statements

Capital Lease

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

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

<i>December 31,</i>	2019
Assets Held Under Capital Lease - Radio Equipment	\$ 659,048

The obligation under the capital lease is as follows:

<i>December 31,</i>	2019
Lease payable to lessor, payable in annual payments of \$114,206, including interest at a fixed rate of 3.47% per annum	\$ 217,049
Less current portion	(106,674)
Long-term Portion	\$ 110,375

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

<i>Year Ending December 31,</i>	
2020	\$ 114,206
2021	114,206
Total future minimum lease payments	228,412
Less amount representing interest	(11,363)
Present Value of Future Minimum Lease Payments	\$ 217,049

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City of Palmer, Alaska

Notes to Basic Financial Statements

8. Conduit Debt - Revenue Bonds

On January 11, 2000, the City participated in the issuance of \$1,800,000 of revenue bonds with Southcentral Foundation, an Alaska nonprofit corporation, to finance the purchase of an office building in Anchorage. The balance of the revenue bonds outstanding at December 31, 2019 was \$13,358.

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

9. Fund Balances

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

	General Fund	Nonmajor Funds	Totals
Nonspendable:			
Prepaid insurance and inventory	\$ 279,305	\$ -	\$ 279,305
Advances to other funds	2,076,518	-	2,076,518
Total nonspendable	2,355,823	-	2,355,823
Restricted for public safety	-	14,425	14,425
Committed:			
Public safety	-	35,980	35,980
Parks	-	49,039	49,039
Capital projects and equipment	-	1,555,036	1,555,036
Total committed	-	1,640,055	1,640,055
Assigned - vested unpaid vacation and sick leave	404,763	-	404,763
Unassigned	3,364,858	-	3,364,858
Total Fund Balances	\$ 6,125,444	\$ 1,654,480	\$ 7,779,924

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City of Palmer, Alaska

Notes to Basic Financial Statements

10. Retirement Plans

General Information About the Plan

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

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

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

(a) Defined Benefit (DB) Pension Plan

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

Alaska Statute 39.35.280 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 (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

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

City of Palmer, Alaska

Notes to Basic Financial Statements

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds 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.

Contribution rates for the plan year ended June 30, 2018 and June 30, 2019 were determined in the June 30, 2015 and June 30, 2016 actuarial valuations, respectively. The City's contribution rates for the 2019 calendar year were as follows:

<i>January 1, 2019 to June 30, 2019</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	16.17%	23.21%	5.58%
Postemployment healthcare (ARHCT)	5.83%	4.37%	0.00%
Total Contribution Rates	22.00%	27.58%	5.58%

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City of Palmer, Alaska

Notes to Basic Financial Statements

<i>July 1, 2019 to December 31, 2019</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.72%	23.73%	6.62%
Postemployment healthcare (ARHCT)	6.28%	4.89%	0.00%
Total Contribution Rates	22.00%	28.62%	6.62%

In 2019, the City was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2018 to June 30, 2019	City Fiscal Year January 1, 2019 to December 31, 2019
Employer contributions (including DBUL)	\$ 537,161	\$ 508,283
Nonemployer contributions (on-behalf)	273,351	289,849
Total Contributions	\$ 810,512	\$ 798,132

In addition, employee contributions to the Plan totaled \$107,001 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, 2019, 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 portion of the net pension liability that was associated with the City were as follows:

	2019
City proportionate share of NPL	\$ 6,871,906
State's proportionate share of NPL associated with the City	2,732,694
Total Net Pension Liability	\$ 9,604,600

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2019 measurement date, the City's proportion was 0.12553 percent, which was a decrease (increase) of 0.01644 from its proportion measured as of June 30, 2018.

City of Palmer, Alaska

Notes to Basic Financial Statements

For the year ended December 31, 2019, the City recognized pension expense of \$1,012,957 and on-behalf revenue of \$273,351 for support provided by the State. At December 31, 2019, 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	\$ -	\$ (101,731)
Changes in assumptions	210,387	-
Net difference between projected and actual earnings on pension plan investments	98,528	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(267,211)
City contributions subsequent to the measurement date	246,672	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 555,587	\$ (368,942)

The \$246,672 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2020		\$ (49,232)
2021		(72,745)
2022		27,955
2023		33,995
2024		-
Thereafter		-
Total Amortization		\$ (60,027)

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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, 2018, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level percentage of pay, closed
Inflation	2.50%
Salary increases	For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2019 measurement date were allocated to employers based on the present value of contributions for fiscal years 2021 to 2039 to the Plan, as determined by projections based on the June 30, 2018 valuation. The liability is expected to go to zero at 2039.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

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City of Palmer, Alaska

Notes to Basic Financial Statements

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.16%
Global equity (non-U.S.)	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's proportionate share of the net pension liability	0.12553%	\$ 9,069,709	\$ 6,871,906	\$ 5,031,316

City of Palmer, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other non-employer 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. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended December 31, 2019 to cover a portion of the City's employer match contributions. For the year ended December 31, 2019, forfeitures reduced pension expense by \$61,666.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2019, 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, 2019 were \$147,883 and \$236,613, respectively. The City contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the City participates in the following cost sharing multiple employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

City of Palmer, Alaska

Notes to Basic Financial Statements

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

Employer Contribution Rates

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

Employer contribution rates for the year ended December 31, 2019 were as follows:

<i>January 1, 2019 to June 30, 2019</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	5.83%	5.83%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
Total Contribution Rates	7.03%	7.53%
<i>July 1, 2019 to December 31, 2019</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	6.28%	6.28%
Retiree Medical Plan	1.32%	1.32%
Occupational Death and Disability Benefits	0.26%	0.72%
Total Contribution Rates	7.86%	8.32%

In 2019, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2018 to June 30, 2019	City Fiscal Year January 1, 2019 to December 31, 2019
Employer contributions - ARHCT	\$ 193,824	\$ 193,006
Employer contributions - RMP	27,933	33,444
Employer contributions - ODD	11,201	10,996
Total Contributions	\$ 232,958	\$ 237,446

City of Palmer, Alaska

Notes to Basic Financial Statements

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

At December 31, 2019, the City reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2019
City's proportionate share of NOL - ARHCT	\$ 186,265
City's proportionate share of NOL - RMP	56,944
Total City's Proportionate Share of NOL	\$ 243,209
State's proportionate share of the ARHCT NOL associated with the City	74,117
Total Net OPEB Liabilities	\$ 317,326

At December 31, 2019, the City reported an asset for its proportionate share of the net OPEB asset (NOA) associated with the City's participation in the ODD Plan. The amount recognized by the City for its proportionate share was \$66,515.

The total OPEB liabilities (asset) for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net OPEB liabilities (asset) as of that date. The City's proportion of the net OPEB liabilities (asset) were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2018 Measurement Date Employer Proportion	June 30, 2019 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.14195%	0.12550%	(0.01645)%
RMP	0.22752%	0.23802%	0.01050 %
ODD	0.22752%	0.27434%	0.04682 %

Collective Totals (All Plans)

For the year ended December 31, 2019, the City recognized collective OPEB expense of \$(1,513,803) and revenue of \$(479,017) for support provided by the Plans.

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City of Palmer, Alaska

Notes to Basic Financial Statements

At December 31, 2019, the City reported collective deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (150,122)
Changes in assumptions	274,731	(1,272)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(82,630)
Changes in proportion and differences between City contributions and proportionate share of contributions	22,360	(64,922)
City contributions subsequent to the measurement date	123,580	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans	\$ 420,671	\$ (298,946)

The \$123,580 reported as collective deferred outflows of resources related to OPEB plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,

2020	\$	18,138
2021		(65,095)
2022		20,042
2023		26,015
2024		(375)
Thereafter		(580)
Total Amortization	\$	(1,855)

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City of Palmer, Alaska

Notes to Basic Financial Statements

ARHCT Plan

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the ARHCT plan from the following sources:

<i>ARHCT Plan</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (125,166)
Changes in assumptions	247,169	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(81,563)
Changes in proportion and differences between City contributions and proportionate share of contributions	17,158	(55,931)
City contributions subsequent to the measurement date	98,531	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to ARHCT Plan	\$ 362,858	\$ (262,660)

The \$98,831 reported as collective deferred outflows of resources related to the ARHCT plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,

2020	\$ 19,833
2021	(63,398)
2022	19,623
2023	25,609
2024	-
Thereafter	-
Total Amortization	\$ 1,667

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City of Palmer, Alaska

Notes to Basic Financial Statements

RMP Plan

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the RMP plan from the following sources:

<i>RMP Plan</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (4,218)
Changes in assumptions	27,562	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(628)
Changes in proportion and differences between City contributions and proportionate share of contributions	2,703	(1,219)
City contributions subsequent to the measurement date	19,598	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to RMP Plan	\$ 49,863	\$ (6,065)

The \$19,598 reported as collective deferred outflows of resources related to the RMP plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,

2020	\$ 2,607
2021	2,607
2022	4,115
2023	4,089
2024	3,512
Thereafter	7,270
Total Amortization	\$ 24,200

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City of Palmer, Alaska

Notes to Basic Financial Statements

ODD Plan

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the ODD plan from the following sources:

<i>ODD Plan</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (20,738)
Changes in assumptions	-	(1,272)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(439)
Changes in proportion and differences between City contributions and proportionate share of contributions	2,499	(7,772)
City contributions subsequent to the measurement date	5,451	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to ODD Plan	\$ 7,950	\$ (30,221)

The \$5,451 reported as collective deferred outflows of resources related to the ODD plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,

2020	\$ (4,302)
2021	(4,304)
2022	(3,696)
2023	(3,683)
2024	(3,887)
Thereafter	(7,850)
Total Amortization	\$ (27,722)

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City of Palmer, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB liability (asset) for each plan for the measurement period ended June 30, 2019 was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019.

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level percentage of payroll, closed
Inflation	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officers/ Firefighters. Graded by service from 6.75% to 2.75% for all others.
Allocation methodology	Amounts for the June 30, 2019 measurement date were allocated to employers based on the present value of contributions for FY 2021-2039, as determined by projections based on the June 30, 2018 valuation.
Investment rate of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates (ARHCT Plan and RMP)	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% EGWP: 8.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table project with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.
Participation (ARHCT)	100% of system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

City of Palmer, Alaska

Notes to Basic Financial Statements

In addition to the changes in assumptions resulting from the experience study, the following assumption changes have been made since the prior valuation:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	24%	8.16%
Global equity (non-U.S.)	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2019 was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

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City of Palmer, Alaska

Notes to Basic Financial Statements

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

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.12550%	\$ 1,498,260	\$ 186,265	\$ (892,997)
RMP	0.23802%	\$ 143,025	\$ 56,944	\$ (7,862)
ODD	0.27434%	\$ (63,094)	\$ (66,515)	\$ (69,280)

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

The following presents the City's proportionate share of the net OPEB liability (asset) calculated using the healthcare cost trend rates as summarized in the 2018 actuarial valuation reports as well as what the City's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.12550%	\$ (1,019,224)	\$ 186,265	\$ 1,657,413
RMP	0.23802%	\$ (17,514)	\$ 56,944	\$ 158,870
ODD	0.27434%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

City of Palmer, Alaska

Notes to Basic Financial Statements

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, 2019, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,121 per year for each full-time employee, and \$1.36 per hour for part-time employees.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended December 31, 2019 were as follows:

<i>January 1, 2019 to June 30, 2019</i>	Other Tier IV	Police/Fire Tier IV
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
Total Contribution Rates	4.20%	4.70%

<i>July 1, 2019 to December 31, 2019</i>	Other Tier IV	Police/Fire Tier IV
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	1.32%	1.32%
Occupational Death and Disability Benefits	0.26%	0.72%
Total Contribution Rates	4.58%	5.04%

Annual Postemployment Healthcare Cost

In 2019, the City contributed \$89,094 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

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City of Palmer, Alaska

Notes to Basic Financial Statements

11. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City is a member of the Alaska Public Entity Insurance Association (APEI), a governmental insurance pool. APEI provides the City coverage for automobiles, casualty, including general liability, earthquake/flood, property, public officials and employee liability, law enforcement professional liability, employee benefit liability; and workers' compensation. Another insurance company provides the City coverage for airport liability. The City has no coverage for potential losses from environmental damages. APEI is a public entity risk pool organized to share risks among its members. The APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. Coverage limits and the deductibles on the policies are relatively consistent with prior years. APEI made no supplemental assessments during the year ended December 31, 2019.

12. Grants

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

13. Contingencies

Litigation

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

Citizen Complaint

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

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City of Palmer, Alaska

Notes to Basic Financial Statements

Airport

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

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

14. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020. The City is dependent upon its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives will impact the City’s ability to deploy its workforce effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact the City’s services and taxes collected in fiscal year 2020 and the City’s overall liquidity. Furthermore, adverse economic effects of the COVID-19 outbreak may decrease demand for the City’s services based on restrictions in place by governments trying to curb the outbreak or changes in consumer behavior.

Although the City cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the City’s results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020 President Trump signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. It also appropriated certain relief funds, for which the City may be eligible. At the time of this report, \$7,566,546 has been awarded. The City will continue to example the impact that the Cares Act may have. Currently, the City is unable to determine the full impact that the CARES Act will have on the City’s financial condition, results of operations or liquidity.

City of Palmer, Alaska

Notes to Basic Financial Statements

15. New Accounting Pronouncements

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

GASB Statement No. 84 - Fiduciary Activities - Effective for year-end December 31, 2020. This Statement addresses criteria for identifying and reporting fiduciary activities.

GASB Statement No. 87 - Leases - Effective for year-end December 31, 2021, This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end December 31, 2021. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 90 - Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61 - Effective for year-end December 31, 2020. This Statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB Statement No. 91 - Conduit Debt Obligations - Effective for year-end December 31, 2021. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 92 - Omnibus 2020 - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end December 31, 2021. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement No. 93 - Replacement of Interbank Offered Rates - The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end December 31, 2022. The requirements in paragraph 11b are required to be implemented for year-end December 31, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

City of Palmer, Alaska

Notes to Basic Financial Statements

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements - Effective for year-end December 31, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

In light of the COVID-19 Pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months, Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

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, 2019</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,933,000	\$ 8,891,000	\$ 8,830,282	\$ (60,718)
Licenses and permits	172,300	332,044	328,648	(3,396)
Fines and forfeitures	78,000	109,651	107,110	(2,541)
Intergovernmental	614,023	827,915	800,743	(27,172)
Special assessments	-	28,700	17,103	(11,597)
Charges for services	1,495,838	1,561,117	1,551,786	(9,331)
Miscellaneous	123,583	155,012	184,493	29,481
Total Revenues	11,416,744	11,905,439	11,820,165	(85,274)
Expenditures				
General government	3,033,795	3,017,628	2,936,649	80,979
Public safety	4,480,750	4,635,809	4,622,017	13,792
Public works	2,028,603	1,915,129	1,899,206	15,923
Community services	1,330,672	1,545,677	1,456,691	88,986
Debt service	-	106,850	106,850	-
Total Expenditures	10,873,820	11,221,093	11,021,413	199,680
Excess of Revenues Over (Under) Expenditures	542,924	684,346	798,752	114,406
Other Financing Sources (Uses)				
Transfers in	-	254,123	254,123	-
Transfers out	(1,238,214)	(1,292,519)	(1,205,808)	86,711
Total Other Financing Uses	(1,238,214)	(1,038,396)	(951,685)	86,711
Net Change in Fund Balance	\$ (695,290)	\$ (354,050)	(152,933)	\$ 201,117
Fund Balance, beginning			6,278,377	
Fund Balance, ending			\$ 6,125,444	

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska
Public Employees' Retirement System - Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability

<i>Years Ended December 31,</i>	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.12553%	0.14197%	0.00000%	0.00000%	0.00000%
City's Proportionate Share of the Net Pension Liability	\$ 6,871,906	\$ 7,054,657	\$ 7,079,994	\$ 9,359,539	\$ 7,383,004
State of Alaska Proportionate Share of the Net Pension Liability	2,732,694	2,042,764	2,638,507	1,181,359	1,977,456
Total Net Pension Liability	\$ 9,604,600	\$ 9,097,421	\$ 9,718,501	\$ 10,540,898	\$ 9,360,460
City's Covered Payroll	4,362,521	4,337,274	4,418,351	4,413,785	4,476,197
City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	157.52%	162.65%	160.24%	212.05%	164.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.42%	65.19%	63.37%	59.55%	63.96%

Schedule of City Contributions

<i>Years Ended December 31,</i>	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 508,283	\$ 510,983	\$ 521,201	\$ 467,070	\$ 446,116
Contributions Relative to the Contractually Required Contribution	508,283	510,983	521,201	467,070	446,116
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	4,468,862	4,256,180	4,418,368	4,418,334	4,406,408
Contributions as a Percentage of Covered Payroll	11.37%	12.01%	11.80%	10.57%	10.12%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska
Public Employees' Retirement System - OPEB Plans
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

	ARHCT		RMP		ODD	
	2019	2018	2019	2018	2019	2018
<i>Years Ended December 31,</i>						
City's Proportion of the Net OPEB Liability (Asset)	0.12550%	0.14190%	0.23802%	0.22752%	0.27434%	0.22752%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$ 186,265	\$ 1,456,787	\$ 56,944	\$ 28,951	\$ (66,515)	\$ (44,188)
State of Alaska Proportionate Share of the Net OPEB Liability	74,117	423,018	-	-	-	-
Total Net OPEB Liability (Asset)	\$ 260,382	\$ 1,879,805	\$ 56,944	\$ 28,951	\$ (66,515)	\$ (44,188)
City's Covered Payroll	4,362,521	4,337,274	4,362,521	4,337,274	4,362,521	4,337,274
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	4.27%	33.59%	1.31%	0.67%	-1.52%	-1.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	98.13%	88.12%	83.17%	88.71%	297.43%	270.62%

Schedule of City Contributions

	ARHCT		RMP		ODD	
	2019	2018	2019	2018	2019	2018
<i>Years Ended December 31,</i>						
Contractually Required Contributions	\$ 193,006	\$ 166,459	\$ 33,444	\$ 26,371	\$ 10,996	\$ 8,272
Contributions Relative to the Contractually Required Contribution	193,006	166,459	33,444	26,371	10,996	8,272
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	4,468,862	4,256,180	4,468,862	4,256,180	4,468,862	4,256,180
Contributions as a Percentage of Covered Payroll	4.32%	3.91%	0.75%	0.62%	0.25%	0.19%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska

Notes to Required Supplementary Information, continued December 31, 2019

1. Budgetary Comparison Schedule

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

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

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

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

2. Public Employees' Retirement System Pension Plan

Schedule of the City's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For December 31, 2019, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

In 2019, the discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

City of Palmer, Alaska

Notes to Required Supplementary Information, continued December 31, 2019

Schedule of City Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

3. Public Employees' Retirement System OPEB Plans

Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

This table is presented based on the Plan measurement date. For December 31, 2019, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the healthcare cost trend assumptions were updated
3. Per capita claims costs were updated to reflect recent experience
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Changes in Methods:

As part of the experience study, the actuarial cost method for the retiree healthcare plan was changed from the Entry Age Level Dollar method to the Entry Age Level Percent of Pay method.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the City will present only those years for which information is available.

Schedule of City Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the City will present only those years for which information is available.

Supplementary Information

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Nonmajor Governmental Funds

City of Palmer, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects	Equipment	Road Improve- ments	
<i>December 31, 2019</i>								
Assets								
Cash and investments	\$ 66,212	\$ -	\$ 49,039	\$ 14,425	\$ 242,935	\$ 547,052	\$ 623,777	\$ 1,543,440
Grants receivable	2,471	31,201	-	-	120,819	109,728	-	264,219
Total Assets	\$ 68,683	\$ 31,201	\$ 49,039	\$ 14,425	\$ 363,754	\$ 656,780	\$ 623,777	\$ 1,807,659
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 13,370	\$ 75,905	\$ -	\$ 89,275
Due to other funds	-	26,404	-	-	-	-	-	26,404
Unearned revenue	37,500	-	-	-	-	-	-	37,500
Total Liabilities	37,500	26,404	-	-	13,370	75,905	-	153,179
Fund Balances								
Restricted for public safety	-	-	-	14,425	-	-	-	14,425
Committed:								
Capital projects and equipment	-	-	-	-	350,384	580,875	623,777	1,555,036
Public safety	31,183	4,797	-	-	-	-	-	35,980
Parks	-	-	49,039	-	-	-	-	49,039
Total Fund Balances	31,183	4,797	49,039	14,425	350,384	580,875	623,777	1,654,480
Total Liabilities and Fund Balances	\$ 68,683	\$ 31,201	\$ 49,039	\$ 14,425	\$ 363,754	\$ 656,780	\$ 623,777	\$ 1,807,659

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

<i>Year Ended December 31, 2019</i>	Special Revenue Funds				Capital Project Funds			Total Nonmajor Govern- mental Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects	Equipment	Road Improve- ments	
Revenues								
Federal government	\$ 19,920	\$ 11,394	\$ -	\$ -	\$ 229,605	\$ 49,500	\$ -	\$ 310,419
State of Alaska	-	-	-	-	23,277	312,100	-	335,377
Miscellaneous	135,000	122,929	10,200	-	-	-	-	268,129
Total Revenues	154,920	134,323	10,200	-	252,882	361,600	-	913,925
Expenditures								
Public safety	175,964	134,323	-	26,607	-	-	-	336,894
Capital outlay	-	-	-	-	595,527	888,923	-	1,484,450
Total Expenditures	175,964	134,323	-	26,607	595,527	888,923	-	1,821,344
Excess of Revenues Over (Under) Expenditures	(21,044)	-	10,200	(26,607)	(342,645)	(527,323)	-	(907,419)
Other Financing Sources								
Transfers in	-	-	-	-	305,214	558,134	175,000	1,038,348
Net Change in Fund Balances	(21,044)	-	10,200	(26,607)	(37,431)	30,811	175,000	130,929
Fund Balances, beginning	52,227	4,797	38,839	41,032	387,815	550,064	448,777	1,523,551
Fund Balances, ending	\$ 31,183	\$ 4,797	\$ 49,039	\$ 14,425	\$ 350,384	\$ 580,875	\$ 623,777	\$ 1,654,480

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Nonmajor Enterprise Funds

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

<i>December 31, 2019</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	\$ 756,116	\$ 41,886	\$ 369	\$ 798,371
Accounts receivable	124,866	-	-	124,866
Unbilled revenue	60,314	-	-	60,314
Prepaid expenses	34,455	-	-	34,455
Inventories - materials and supplies	-	1,365	-	1,365
Total Current Assets	975,751	43,251	369	1,019,371
Land Held for Sale	-	-	217,414	217,414
Property, Plant and Equipment				
Land and land improvements	-	1,544,620	-	1,544,620
Buildings	52,667	278,439	-	331,106
Machinery and equipment	1,057,453	456,424	-	1,513,877
Improvements other than buildings	-	667,234	-	667,234
Total property, plant and equipment	1,110,120	2,946,717	-	4,056,837
Less accumulated depreciation	(611,453)	(1,081,861)	-	(1,693,314)
Net Property, Plant and Equipment	498,667	1,864,856	-	2,363,523
Other Asset - Net other postemployment benefits asset	859	-	-	859
Total Assets	1,475,277	1,908,107	217,783	3,601,167
Deferred Outflows of Resources				
Related to pensions	6,461	-	-	6,461
Related to other postemployment benefits	5,380	-	-	5,380
Total Deferred Outflows of Resources	11,841	-	-	11,841
Total Assets and Deferred Outflows of Resources	\$ 1,487,118	\$ 1,908,107	\$ 217,783	\$ 3,613,008
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts payable	\$ 64,423	\$ 6,165	\$ -	\$ 70,588
Accrued payroll and employee benefits	3,344	-	-	3,344
Vested unpaid vacation and sick leave	10,215	-	-	10,215
Unearned revenue	-	36,623	-	36,623
Total Current Liabilities	77,982	42,788	-	120,770
Long-term Liabilities				
Net pension liability	198,361	-	-	198,361
Net other postemployment benefits liability	2,955	-	-	2,955
Advance from other fund	-	621,858	-	621,858
Total Long-term Liabilities	201,316	621,858	-	823,174
Total Liabilities	279,298	664,646	-	943,944
Deferred Inflows of Resources				
Related to pensions	4,399	-	-	4,399
Related to other postemployment benefits	3,787	-	-	3,787
Total Deferred Inflows of Resources	8,186	-	-	8,186
Net Position				
Net investment in capital assets	498,667	1,864,856	-	2,363,523
Unrestricted (deficit)	700,967	(621,395)	217,783	297,355
Total Net Position	1,199,634	1,243,461	217,783	2,660,878
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,487,118	\$ 1,908,107	\$ 217,783	\$ 3,613,008

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

<i>Year Ended December 31, 2019</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 811,702	\$ 589,287	\$ -	\$ 1,400,989
Operating Expenses				
Salaries and employee benefits	112,402	-	-	112,402
Administrative services	128,928	417,000	-	545,928
Other operating expenses	442,701	103,658	-	546,359
Depreciation	68,820	48,687	-	117,507
Total Operating Expenses	752,851	569,345	-	1,322,196
Operating Income	58,851	19,942	-	78,793
Nonoperating Revenues				
State PERS relief	4,793	-	-	4,793
Income Before Transfers	63,644	19,942	-	83,586
Transfers in	-	57,012	-	57,012
Transfers out	(44,775)	(31,440)	-	(76,215)
Change in Net Position	18,869	45,514	-	64,383
Net Position, beginning	1,180,765	1,197,947	217,783	2,596,495
Net Position, ending	\$ 1,199,634	\$ 1,243,461	\$ 217,783	\$ 2,660,878

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

<i>Year Ended December 31, 2019</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash receipts from customers and users	\$ 752,720	\$ 598,031	\$ -	\$ 1,350,751
Payments to suppliers	(444,551)	(512,712)	-	(957,263)
Payments to employees	(131,431)	-	-	(131,431)
Payments for interfund services used	(128,928)	-	-	(128,928)
Net cash flows from operating activities	47,810	85,319	-	133,129
Cash Flows for Noncapital Financing Activities				
Transfers out	(44,775)	(31,440)	-	(76,215)
Net cash flows for noncapital financing activities	(44,775)	(31,440)	-	(76,215)
Cash Flows for Capital and Related Financing Activities				
Transfers in	-	57,012	-	57,012
Purchase of property, plant and equipment	(41,733)	(69,005)	-	(110,738)
Net cash flows for capital and related financing activities	(41,733)	(11,993)	-	(53,726)
Net Increase (Decrease) in Cash and Investments	(38,698)	41,886	-	3,188
Cash and Investments, beginning	794,814	-	369	795,183
Cash and Investments, ending	\$ 756,116	\$ 41,886	\$ 369	\$ 798,371
Reconciliation of Operating Income to Net				
Cash Flows from Operating Activities				
Operating income	\$ 58,851	\$ 19,942	\$ -	\$ 78,793
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	68,820	48,687	-	117,507
Noncash expense - PERS relief	4,793	-	-	4,793
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(57,485)	-	-	(57,485)
Unbilled revenue	(1,497)	-	-	(1,497)
Prepaid expenses	(34,455)	700	-	(33,755)
Inventories	-	1,792	-	1,792
Net other postemployment benefits asset	(859)	-	-	(859)
Deferred outflows of resources related to pensions	(318)	-	-	(318)
Deferred outflows of resources related to other postemployment benefits	(138)	-	-	(138)
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	32,605	5,454	-	38,059
Unearned revenue	-	8,744	-	8,744
Accrued payroll and employee benefits	414	-	-	414
Vested unpaid vacation and sick leave	(4,039)	-	-	(4,039)
Net pension liability	(2,359)	-	-	(2,359)
Net other postemployment benefits liability	(15,475)	-	-	(15,475)
Deferred inflows of resources related to pensions	2,477	-	-	2,477
Deferred inflows of resources related to other postemployment benefits	(3,525)	-	-	(3,525)
Net Cash Flows from Operating Activities	\$ 47,810	\$ 85,319	\$ -	\$ 133,129

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>	2019	2018
Assets		
Cash and investments	\$ 3,101,216	\$ 3,174,590
Receivables, net of allowance for uncollectibles:		
Sales taxes	808,195	773,619
Property taxes	224,579	305,367
Accounts	28,744	50,362
Assessments:		
Current	6,100	12,063
Delinquent	34,167	32,595
Deferred	61,679	71,703
Prepaid insurance	263,720	211,686
Inventory	15,585	13,618
Due from other funds	206,172	292,180
Advances to other funds	2,076,518	1,981,772
Total Assets	\$ 6,826,675	\$ 6,919,555
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Accounts payable	\$ 193,163	\$ 165,646
Accrued payroll and employee benefits	288,307	241,312
Deposits	9,206	8,966
Unearned revenue	56,416	56,701
Total Liabilities	547,092	472,625
Deferred Inflows of Resources		
Deferred property taxes	52,192	52,192
Deferred assessments	101,947	116,361
Total Deferred Inflows of Resources	154,139	168,553
Total Liabilities and Deferred Inflows of Resources	701,231	641,178
Fund Balance		
Nonspendable:		
Prepaid insurance and inventory	279,305	225,304
Advances to other funds	2,076,518	1,981,772
Assigned for vested unpaid vacation and sick leave	404,763	421,763
Unassigned	3,364,858	3,649,538
Total Fund Balance	6,125,444	6,278,377
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,826,675	\$ 6,919,555

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

<i>Years Ended December 31,</i>	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Sales taxes	\$ 7,491,000	\$ 7,500,312	\$ 9,312	\$ 7,279,716
Real and personal property taxes	1,400,000	1,329,970	(70,030)	1,294,866
Total taxes	8,891,000	8,830,282	(60,718)	8,574,582
Licenses and permits:				
Business licenses	64,500	60,800	(3,700)	69,425
Permits	267,544	267,848	304	181,823
Total licenses and permits	332,044	328,648	(3,396)	251,248
Fines and forfeitures	109,651	107,110	(2,541)	115,021
Intergovernmental:				
Community assistance	165,400	165,318	(82)	196,076
Liquor licenses	15,000	15,000	-	12,700
Electric and telephone co-op tax	131,000	130,774	(226)	135,143
State PERS relief	262,069	262,069	-	180,392
Library grants	17,400	10,500	(6,900)	1,453
Public safety grants	3,641	3,641	-	7,500
Motor vehicle tax	233,405	213,441	(19,964)	54,939
Total intergovernmental	827,915	800,743	(27,172)	588,203
Special assessments	28,700	17,103	(11,597)	26,862
Charges for services:				
Administrative service charges - other funds	638,905	638,905	-	621,718
Grant administration fees	14,205	14,205	-	5,708
Fire protection	388,574	388,115	(459)	375,963
Community center fees	42,000	40,870	(1,130)	39,600
Library fees	17,200	20,604	3,404	22,397

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>	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Dispatch	\$ 90,000	\$ 90,000	\$ -	\$ 90,000
Ice rink revenues	251,050	240,008	(11,042)	255,045
Building rental	68,183	68,300	117	64,096
Planning and zoning	1,000	779	(221)	5,353
Public safety	50,000	50,000	-	50,000
Total charges for services	1,561,117	1,551,786	(9,331)	1,529,880
Miscellaneous:				
Investment income	85,000	113,015	28,015	36,000
Property and equipment sales	15,362	15,877	515	-
Other	54,650	55,601	951	84,017
Total miscellaneous	155,012	184,493	29,481	120,017
Total Revenues	11,905,439	11,820,165	(85,274)	11,205,813
Expenditures				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	275,142	268,399	6,743	247,328
Audit	43,259	43,036	223	43,259
Advertising	10,000	8,227	1,773	7,048
Dues and subscriptions	8,840	8,255	585	7,846
Travel	10,758	9,081	1,677	8,222
Education and training	6,542	6,542	-	4,563
Legal fees	22,642	21,396	1,246	20,367
Services	2,000	451	1,549	1,936
Telephone	9,750	9,667	83	9,178
Insurance	6,322	6,322	-	4,346
Operating supplies	6,000	1,938	4,062	3,266
Services - Sister City program	7,500	7,225	275	5,124
Council donations	17,500	15,649	1,851	13,427

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
General government, continued:					
Mayor/Council/Clerk, continued:					
Website and broadcasting	\$ 3,000	\$ 3,000	\$ -	\$ 2,625	
Computer services	6,600	2,703	3,897		4,634
Election	15,325	15,324	1		8,370
Office equipment	15,000	14,999	1		5,339
Codification consulting services	17,110	14,264	2,846		10,699
Repairs and maintenance	1,643	1,642	1		998
Office supplies	6,000	2,020	3,980		5,548
Total Mayor/Council/Clerk	490,933	460,140	30,793		414,123
Administration:					
Salaries and employee benefits	1,054,100	1,054,095	5		915,936
Dues and subscriptions	500	499	1		359
Travel	620	615	5		593
Education and training	655	655	-		300
Legal fees	3,500	4,248	(748)		5,410
Services	5,000	4,966	34		8,861
Telephone	6,450	6,421	29		5,108
Insurance	9,457	9,457	-		6,592
Operating supplies	7,957	7,325	632		8,591
Repairs and maintenance	500	-	500		-
Office equipment	14,575	14,573	2		3,943
Computer services	69,700	68,827	873		64,726
Miscellaneous	323	322	1		469
Total administration	1,173,337	1,172,003	1,334		1,020,888
Buildings:					
Services	6,365	6,297	68		5,397
Power	16,127	16,063	64		18,047
Heat	2,550	2,507	43		2,525
Water and sewer	1,592	1,592	-		1,417

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
General government, continued:					
Buildings, continued:					
Insurance	\$ 4,017	\$ 4,016	\$ 1	\$	3,527
Telephone	17,464	17,464	-		16,715
Operating supplies	1,300	1,272	28		1,618
Office supplies	8,000	7,743	257		7,582
Repairs and maintenance	8,692	8,690	2		11,876
Equipment	-	-	-		639
Miscellaneous	7,000	6,993	7		7,621
Total buildings	73,107	72,637	470		76,964
City manager:					
Salaries and employee benefits	425,019	417,385	7,634		406,569
Advertising	24,830	24,830	-		22,901
Dues and subscriptions	1,355	983	372		3,321
Travel	3,000	819	2,181		3,258
Education and training	3,000	1,035	1,965		3,996
Legal fees	5,000	4,903	97		5,277
Services	20,766	20,395	371		11,556
Telephone	3,000	2,932	68		5,276
Insurance	8,552	8,452	100		6,313
Operating supplies	-	-	-		1,988
Small tools and equipment	5,660	5,659	1		5,211
Discretionary	5,103	5,103	-		-
Fuel	500	243	257		313
Repairs and maintenance	128,616	123,602	5,014		115,990
Office supplies	5,535	5,534	1		3,264
Board stipends	8,400	3,250	5,150		3,800
Miscellaneous	7,984	3,714	4,270		8,847
Total city manager	656,320	628,839	27,481		607,880
Community development:					
Salaries and employee benefits	535,841	533,238	2,603		460,891
Advertising	2,000	1,597	403		1,713
Dues and subscriptions	2,200	1,433	767		1,701

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
General government, continued:					
Community development, continued:					
Travel	\$ 3,000	\$ -	\$ 3,000	\$ -	-
Education and training	3,000	1,354	1,646	1,466	1,466
Legal fees	7,500	3,148	4,352	8,136	8,136
Services	5,450	5,196	254	2,727	2,727
Telephone	3,400	3,349	51	3,824	3,824
Power	7,020	7,016	4	7,645	7,645
Heat	2,500	2,407	93	2,760	2,760
Water and sewer	1,650	1,600	50	1,494	1,494
Insurance	9,675	9,652	23	7,101	7,101
Operating supplies	950	646	304	818	818
Equipment	5,745	3,781	1,964	4,874	4,874
Fuel	1,750	1,732	18	1,737	1,737
Repairs and maintenance	1,500	1,358	142	1,984	1,984
Annexation and community planning	15,000	14,334	666	26	26
Rental and lease	3,500	1,651	1,849	1,641	1,641
Vehicle supplies	-	-	-	52	52
Office supplies	3,500	3,336	164	4,057	4,057
Board stipends	4,200	2,850	1,350	2,550	2,550
Miscellaneous	4,550	3,352	1,198	4,542	4,542
Total community development	623,931	603,030	20,901	521,739	521,739
Total general government	3,017,628	2,936,649	80,979	2,641,594	2,641,594
Public safety:					
Police department:					
Salaries and employee benefits	3,286,681	3,286,617	64	3,067,289	3,067,289
Advertising	1,000	460	540	-	-
Dues and subscriptions	700	490	210	482	482
Travel	25,342	25,338	4	10,198	10,198
Education and training	12,444	11,873	571	26,084	26,084
Legal fees	20,700	20,261	439	61,023	61,023
Services	55,752	54,465	1,287	53,299	53,299
Telephone	21,730	21,438	292	18,030	18,030
Power	37,437	37,434	3	39,319	39,319

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Public safety, continued:					
Police department, continued:					
Heat	\$ 15,800	\$ 15,729	\$ 71	\$	16,756
Water and sewer	11,681	11,347	334		11,168
Fuel	30,000	29,920	80		32,864
Insurance	53,185	53,185	-		42,197
Vehicle insurance	26,800	26,750	50		27,047
Office supplies	9,000	7,927	1,073		9,164
Vehicle supplies	1,000	-	1,000		-
Uniform purchases and allowances	15,050	14,684	366		15,414
Operating supplies	16,175	15,623	552		16,908
Repairs and maintenance	36,940	36,902	38		26,547
Community planning	5,025	5,023	2		5,154
Janitorial supplies	2,500	2,399	101		2,542
Equipment	55,312	52,655	2,657		64,926
Rowland Memorial Fund	2,000	2,000	-		2,000
Miscellaneous	3,152	3,151	1		3,018
Total police department	3,745,406	3,735,671	9,735		3,551,429
Fire department:					
Salaries and employee benefits	341,084	340,812	272		332,443
Volunteer firemen salaries and benefits	271,080	270,548	532		201,988
Dues and subscriptions	3,540	3,539	1		743
Education and training	22,061	22,047	14		21,396
Services	21,030	20,841	189		25,152
Telephone	9,645	9,643	2		9,718
Power	9,806	9,805	1		9,043
Heat	6,100	6,068	32		6,478
Water and sewer	5,240	5,239	1		2,943
Fuel	22,200	22,149	51		20,958
Legal	100	84	16		164
Rental and lease	14,755	14,755	-		14,755
Insurance	11,359	11,359	-		8,341
Vehicle insurance	18,100	18,100	-		18,100
Office supplies	3,425	3,408	17		3,265

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Public safety, continued:					
Fire department, continued:					
Vehicle supplies	\$ 22,000	\$ 21,166	\$ 834	\$ 14,045	
Uniform purchases and allowances	2,500	2,493	7	4,058	
Operating supplies	3,423	3,307	116	2,102	
Repairs and maintenance	39,437	38,512	925	35,196	
Small tools	13,741	13,716	25	19,872	
Janitorial supplies	1,210	1,209	1	1,137	
Equipment	48,567	47,546	1,021	39,716	
Total fire department	890,403	886,346	4,057	791,613	
Total public safety	4,635,809	4,622,017	13,792	4,343,042	
Public works:					
Administration:					
Salaries and employee benefits	655,352	655,278	74	665,858	
Advertising	130	128	2	-	
Travel	713	710	3	-	
Education and training	395	395	-	773	
Legal fees	480	476	4	3,853	
Services	59,550	59,548	2	17,886	
Telephone	7,160	7,157	3	6,988	
Power	15,195	15,191	4	16,105	
Heat	14,370	14,365	5	16,851	
Water and sewer	11,385	11,385	-	10,653	
Insurance	26,414	26,414	-	19,768	
Vehicle insurance	19,948	19,943	5	18,978	
Repairs and maintenance	11,861	11,860	1	6,633	
Small tools	629	628	1	747	
Janitorial supplies	400	392	8	-	
Equipment	17,332	17,302	30	21,769	
Office supplies	2,240	2,213	27	2,504	
Christmas lighting	10,439	10,438	1	10,358	
Miscellaneous	5,300	5,298	2	-	
Total administration	859,293	859,121	172	819,724	

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Public works, continued:					
Roads:					
Salaries and employee benefits	\$ 403,349	\$ 403,343	\$ 6	\$ 323,614	
Services	46,759	46,759	-	57,018	
Operating supplies	4,525	4,523	2	12,246	
Repairs and maintenance	50,896	44,982	5,914	16,819	
Rental and lease	17,172	17,170	2	9,567	
Dust control and chemicals	2,005	2,004	1	4,650	
Road salt and sand	94,482	94,471	11	82,646	
Crack sealing	20,115	20,115	-	31,683	
Safety equipment	1,947	1,946	1	2,496	
Total roads	641,250	635,313	5,937	540,739	
Engineering	825	825	-	8,613	
Street lighting:					
Power	101,132	101,130	2	105,301	
Operating supplies	3,602	3,600	2	2,787	
Repairs and maintenance	38,999	29,198	9,801	16,534	
Total street lighting	143,733	133,928	9,805	124,622	
Motor vehicle maintenance:					
Salaries and employee benefits	148,820	148,818	2	136,909	
Fuel	28,402	28,400	2	39,790	
Vehicle supplies	31,099	31,098	1	17,744	
Repairs and maintenance	45,402	45,401	1	28,937	
Small tools and equipment	16,305	16,302	3	19,937	
Total motor vehicle maintenance	270,028	270,019	9	243,317	
Total public works	1,915,129	1,899,206	15,923	1,737,015	

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Community services:					
Tourist center:					
Services	\$ 173,310	\$ 171,800	\$ 1,510	\$ 168,730	
Telephone	2,580	2,479	101	2,305	
Fuel	2,620	2,619	1	2,810	
Power	3,200	3,137	63	3,406	
Water and sewer	1,970	1,967	3	1,643	
Insurance	2,600	2,595	5	1,828	
Janitorial supplies	1,000	802	198	1,423	
Repairs and maintenance	1,250	765	485	5,207	
Total tourist center	188,530	186,164	2,366	187,352	
Community center building:					
Services	7,000	6,960	40	2,292	
Power	5,500	4,953	547	5,374	
Heat	5,000	4,416	584	5,045	
Water and sewer	3,360	3,356	4	2,557	
Insurance	895	893	2	660	
Operating supplies	12,300	10,332	1,968	4,102	
Rental and lease	500	500	-	500	
Repairs and maintenance	5,618	4,190	1,428	6,259	
Total community center building	40,173	35,600	4,573	26,789	
Parks and recreation:					
Salaries and employee benefits	97,170	97,164	6	86,664	
Fuel	5,985	5,984	1	5,239	
Operating supplies	31,291	30,632	659	20,655	
Power	579	578	1	312	
Water, sewer and garbage	662	662	-	700	
Services	560	560	-	760	
Repairs and maintenance	4,102	4,100	2	30,346	
Total parks and recreation	140,349	139,680	669	144,676	
Arena:					
Salaries and employee benefits	220,459	209,756	10,703	196,132	
Advertising	1,500	-	1,500	156	
Services	23,130	23,058	72	13,047	

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>	2019			2018	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Expenditures, continued:					
Community services, continued:					
Arena, continued:					
Telephone	\$ 3,850	\$ 3,828	\$ 22	\$	3,977
Power	95,400	95,390	10		113,376
Heat	40,000	32,696	7,304		35,889
Water and sewer	10,000	7,635	2,365		14,959
Rental and lease	2,000	-	2,000		1,334
Fuel	4,000	2,001	1,999		4,494
Insurance	7,710	7,702	8		5,593
Operating supplies	8,403	6,413	1,990		8,962
Janitorial supplies	5,000	4,557	443		3,628
Learn to skate	907	840	67		2,580
Small tools and equipment	1,245	1,242	3		440
Repairs and maintenance	31,470	24,328	7,142		29,227
Legal fees	-	-	-		943
Total arena	455,074	419,446	35,628		434,737
Library:					
Salaries and employee benefits	516,036	503,266	12,770		440,652
Subscriptions and dues	112	112	-		498
Travel	6,458	6,457	1		428
Education and training	4,090	1,807	2,283		828
Services	32,366	16,025	16,341		29,141
Telephone	7,341	7,298	43		7,581
Power	36,437	36,437	-		38,124
Heat	6,563	5,170	1,393		5,215
Water and sewer	4,161	4,161	-		3,967
Rental and lease	539	324	215		324
Insurance	9,953	9,853	100		7,367
Books and subscriptions	48,095	48,095	-		44,485

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued:					
Community services, continued:					
Library, continued:					
Operating supplies	\$ 23,370	\$ 13,573	\$ 9,797	\$	15,775
Repairs and maintenance	12,030	11,940	90		9,375
Equipment	8,793	6,077	2,716		17,473
Miscellaneous	5,207	5,206	1		4,503
Total library	721,551	675,801	45,750		625,736
Total community services	1,545,677	1,456,691	88,986		1,419,290
Debt service on bonds:					
Principal	80,000	80,000	-		80,000
Interest	26,850	26,850	-		30,050
Total debt service on bonds	106,850	106,850	-		110,050
Total Expenditures	11,221,093	11,021,413	199,680		10,250,991
Excess of Revenues Over Expenditures	684,346	798,752	114,406		954,822
Other Financing Sources (Uses)					
Transfers in	254,123	254,123	-		256,487
Transfers out	(1,292,519)	(1,205,808)	86,711		(1,199,812)
Total Other Financing Sources (Uses)	(1,038,396)	(951,685)	86,711		(943,325)
Net Change in Fund Balance	<u>\$ (354,050)</u>	<u>(152,933)</u>	<u>\$ 201,117</u>		11,497
Fund Balance, beginning		<u>6,278,377</u>			<u>6,266,880</u>
Fund Balance, ending		<u>\$ 6,125,444</u>			<u>\$ 6,278,377</u>

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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>	2019	2018
Assets		
Cash and investments	\$ 66,212	\$ 51,820
Grants receivable	2,471	407
Total Assets	\$ 68,683	\$ 52,227
Liabilities and Fund Balance		
Liabilities - Unearned revenue	\$ 37,500	\$ -
Fund Balance		
Committed for public safety	31,183	52,227
Total Liabilities and Fund Balance	\$ 68,683	\$ 52,227

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

<i>Years Ended December 31,</i>	2019	2018
Revenues		
Intergovernmental - federal government	\$ 19,920	\$ 11,670
Miscellaneous income	135,000	135,000
Total Revenues	154,920	146,670
Expenditures -		
Public safety - salaries and employee benefits	175,964	121,148
Net Change in Fund Balance	(21,044)	25,522
Fund Balance, beginning	52,227	26,705
Fund Balance, ending	\$ 31,183	\$ 52,227

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

<i>December 31,</i>	2019	2018
Assets		
Grants receivable	\$ 31,201	\$ 27,571
Liabilities and Fund Balance		
Liabilities - Due to other funds	\$ 26,404	\$ 22,774
Fund Balance		
Committed for public safety	4,797	4,797
Total Liabilities and Fund Balance	\$ 31,201	\$ 27,571

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - federal government	\$ 18,200	\$ 11,394	\$ (6,806)	\$ 11,245
Miscellaneous income	125,000	122,929	(2,071)	47,040
Total Revenues	143,200	134,323	(8,877)	58,285
Expenditures - public safety:				
Salaries and employee benefits	126,014	129,546	(3,532)	51,558
Travel	2,500	1,938	562	2,680
Training	2,500	405	2,095	431
Supplies	6,000	529	5,471	2,184
Fuel	8,050	1,905	6,145	1,432
Total Expenditures	145,064	134,323	10,741	58,285
Net Change in Fund Balance	<u>\$ (1,864)</u>	-	<u>\$ 1,864</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>	2019	2018
Assets		
Cash and investments	\$ 49,039	\$ 38,839
Fund Balance		
Committed for parks	\$ 49,039	\$ 38,839

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>	2019	2018
Revenues - development fees	\$ 10,200	\$ 10,102
Expenditures	-	-
Net Change in Fund Balance	10,200	10,102
Fund Balance, beginning	38,839	28,737
Fund Balance, ending	\$ 49,039	\$ 38,839

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

<i>December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 14,425	\$ 41,032
Fund Balance		
Restricted for public safety	\$ 14,425	\$ 41,032

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

<i>Years Ended December 31,</i>	2019	2018
Revenues		
State forfeiture funds	\$ -	\$ 6,982
Expenditures - equipment	26,607	35,670
Net Change in Fund Balance	(26,607)	(28,688)
Fund Balance, beginning	41,032	69,720
Fund Balance, ending	\$ 14,425	\$ 41,032

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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>	2019	2018
Assets		
Cash and investments	\$ 242,935	\$ 358,257
Grants receivable	120,819	53,455
Total Assets	\$ 363,754	\$ 411,712
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 13,370	\$ 23,897
Fund Balance		
Committed for capital projects	350,384	387,815
Total Liabilities and Fund Balance	\$ 363,754	\$ 411,712

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Revenues					
Intergovernmental:					
State of Alaska	\$ 23,277	\$ 23,277	\$ -	\$ 196,795	
Federal government	258,720	229,605	(29,115)	-	
Total Revenues	281,997	252,882	(29,115)	196,795	
Expenditures					
General government -					
deferred maintenance	2,936	-	2,936	-	
Capital outlay:					
Park improvements	100,204	-	100,204	-	
Public video	98,465	58,848	39,617	1,535	
Library front doors	3,054	-	3,054	21,945	
LED street light upgrades	45,000	45,000	-	47,226	
Parking lot update	45,000	43,470	1,530	138,774	
Ice arena equipment	40,000	23,846	16,154	10,000	
Crosswalk project	10,927	3,152	7,775	14,073	
Depot expansion	555	-	555	-	
COP matching funds-PSB	17,058	17,058	-	47,942	
Palmer bike rack project	961	-	961	-	

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Expenditures, continued					
Capital outlay, continued:					
ADA sidewalk	\$ 338,400	\$ 300,173	\$ 38,227	\$ -	
Property acquisition	70,097	69,668	429	-	
Public safety building repair	-	-	-	141,069	
Depot updates piping	10,000	-	10,000	-	
Public works storage building	23,277	23,277	-	55,727	
Building maintenance	100,000	11,035	88,965	-	
City hall office renovations	29,704	-	29,704	-	
Total capital outlay	932,702	595,527	337,175	478,291	
Total Expenditures	935,638	595,527	340,111	478,291	
Excess of Revenues Over (Under)					
Expenditures	(653,641)	(342,645)	310,996	(281,496)	
Other Financing Sources (Uses)					
Transfers in	305,214	305,214	-	384,329	
Total Other Financing Sources (Uses)	305,214	305,214	-	384,329	
Net Change in Fund Balance	\$ (348,427)	(37,431)	\$ 310,996	102,833	
Fund Balance, beginning		387,815		284,982	
Fund Balance, ending		\$ 350,384		\$ 387,815	

City of Palmer, Alaska
Equipment Capital Project Fund
Balance Sheet

<i>December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 547,052	\$ 550,064
Grants receivable	109,728	-
Total Assets	\$ 656,780	\$ 550,064
Liabilities		
Accounts payable	\$ 75,905	\$ -
Fund Balance		
Committed for equipment replacement	580,875	550,064
Total Liabilities and Fund Balance	\$ 656,780	\$ 550,064

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>	2019		Variance with Budget	2018
	Budget	Actual		Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ 326,868	\$ 312,100	\$ (14,768)	\$ 49,434
Federal government	49,500	49,500	-	-
E911 revenue	-	-	-	53,276
Total Revenues	376,368	361,600	(14,768)	102,710
Expenditures - capital outlay:				
Administrative services	11,992	12,885	(893)	1,681
Dispatch equipment	53,276	53,276	-	99,721
Clerk/Council equipment	4,915	-	4,915	-
Police equipment	372,165	210,084	162,081	135,306
Public works equipment	336,015	335,501	514	219,557
Fire equipment	315,218	277,177	38,041	127,410
Total Expenditures	1,093,581	888,923	204,658	583,675
Excess of Revenues Over (Under) Expenditures	(717,213)	(527,323)	189,890	(480,965)
Other Financing Sources				
Transfers in	558,134	558,134	-	412,000
Total Other Financing Sources	558,134	558,134	-	412,000
Net Change in Fund Balance	\$ (159,079)	30,811	\$ 189,890	(68,965)
Fund Balance, beginning		550,064		619,029
Fund Balance, ending		\$ 580,875		\$ 550,064

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

<i>December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 623,777	\$ 448,777
Fund Balance		
Committed for roads and streets	\$ 623,777	\$ 448,777

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>	2019			2018
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay	\$ 623,778	\$ -	\$ 623,778	\$ 51,222
Other Financing Sources - transfers in	175,000	175,000	-	368,261
Net Change in Fund Balance	<u>\$ (448,778)</u>	175,000	<u>\$ 623,778</u>	317,039
Fund Balance, beginning		<u>448,777</u>		<u>131,738</u>
Fund Balance, ending		<u>\$ 623,777</u>		<u>\$ 448,777</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>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,421,547	\$ 1,292,558
Receivables:		
Grants and loans	130,530	86,613
Accounts	290,262	85,235
Unbilled revenue	369,539	261,641
Inventories - materials and supplies	165,902	150,385
Total Current Assets	2,377,780	1,876,432
Property, Plant and Equipment:		
Land	45,164	45,164
Buildings	60,067	60,067
Machinery and equipment	1,553,337	1,397,027
Improvements other than buildings	77,775,258	77,765,230
Construction work in progress	16,065,055	15,925,961
Total property, plant and equipment	95,498,881	95,193,449
Less accumulated depreciation	(27,683,810)	(25,655,599)
Net Property, Plant and Equipment	67,815,071	69,537,850
Other Asset - Net other postemployment benefits asset	4,363	-
Total Assets	70,197,214	71,414,282
Deferred Outflows of Resources		
Related to pensions	31,716	30,099
Related to other postemployment benefits	28,120	27,419
Total Deferred Outflows of Resources	59,836	57,518
Total Assets and Deferred Outflows of Resources	\$ 70,257,050	\$ 71,471,800

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

<i>December 31,</i>	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 96,124	\$ 168,623
Capital related accounts payable	76,580	118,994
Accrued payroll and employee benefits	17,277	17,595
Vested unpaid vacation and sick leave	23,488	37,948
Current portion of loans payable	297,987	308,001
Accrued interest payable	21,693	21,693
Customer deposits	255,294	246,364
Total Current Liabilities	788,443	919,218
Long-term Liabilities, net of current portion		
Loans payable	6,849,938	7,147,661
Advance from other fund	1,000,000	1,000,000
Net pension liability	317,141	329,128
Net other postemployment benefits liability	17,809	96,411
Total Long-term Liabilities	8,184,888	8,573,200
Total Liabilities	8,973,331	9,492,418
Deferred Inflows of Resources		
Related to pensions	19,082	6,496
Related to other postemployment benefits	20,345	38,250
Total Deferred Inflows of Resources	39,427	44,746
Net Position		
Net investment in capital assets	60,667,146	61,963,194
Unrestricted (deficit)	577,146	(28,558)
Total Net Position	61,244,292	61,934,636
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 70,257,050	\$ 71,471,800

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>	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Water sales	\$ 1,525,431	\$ 1,729,141	\$ 203,710	\$ 1,454,044
Sewer services	1,388,694	1,560,076	171,382	1,287,615
Connection fees	38,800	37,055	(1,745)	50,200
Miscellaneous	28,000	29,155	1,155	30,665
Total Operating Revenues	2,980,925	3,355,427	374,502	2,822,524
Operating Expenses Excluding Depreciation				
Water:				
Salaries and employee benefits	323,990	205,326	(118,664)	264,760
Administrative services	193,142	193,142	-	190,614
Audit	11,851	11,789	(62)	11,851
Advertising	2,500	2,083	(417)	2,043
Travel	1,920	1,919	(1)	-
Education and training	4,035	4,033	(2)	538
Legal fees	2,500	-	(2,500)	103
Engineering	6,000	5,522	(478)	-
Services	34,660	34,269	(391)	25,048
Telephone	10,550	10,543	(7)	10,281
Power	127,300	127,300	-	117,954
Heat	6,500	6,114	(386)	10,357
Fuel	7,275	7,271	(4)	6,447
Equipment rental	1,200	-	(1,200)	-
Insurance	19,369	19,367	(2)	14,859
Office supplies	2,500	2,198	(302)	2,291
Operating supplies	9,545	9,942	397	4,762
Repairs and maintenance	121,995	117,153	(4,842)	75,886
Small tools	3,000	1,774	(1,226)	793
Chemicals	10,500	10,155	(345)	8,648
Permits	9,000	8,967	(33)	8,967
Equipment	29,125	(4,162)	(33,287)	12,943
Miscellaneous	17,275	17,274	(1)	18,911
Total water	955,732	791,979	(163,753)	788,056

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>	2019		Variance with	2018
	Budget	Actual	Budget	Actual
Operating Expenses Excluding Depreciation, continued				
Sewer:				
Salaries and employee benefits	\$ 395,774	\$ 270,922	\$ 124,852	\$ 305,080
Administrative services	223,211	223,211	-	219,500
Audit	10,741	10,686	55	10,741
Education and training	4,000	2,409	1,591	1,770
Legal	2,500	126	2,374	19,320
Engineering	80,002	-	80,002	-
Services	65,950	58,131	7,819	36,079
Telephone	13,400	13,367	33	11,660
Power	262,400	256,354	6,046	256,677
Heat	22,800	22,781	19	15,541
Fuel	15,000	8,225	6,775	10,888
Equipment rental	4,500	3,762	738	-
Insurance	33,025	32,714	311	21,727
Office supplies	7,250	2,273	4,977	1,521
Operating supplies	25,000	16,343	8,657	21,209
Repairs and maintenance	75,000	54,335	20,665	48,182
Small tools	5,000	1,977	3,023	3,382
Equipment	10,075	9,792	283	12,858
Permits	12,000	8,967	3,033	8,967
Chemicals	500	463	37	-
Miscellaneous	4,000	3,684	316	3,462
Total sewer	1,272,128	1,000,522	271,606	1,008,564
Total Operating Expenses Excluding Depreciation	2,227,860	1,792,501	435,359	1,796,620
Operating Income Before Depreciation	753,065	1,562,926	809,861	1,025,904
Depreciation	-	2,028,211	(2,028,211)	2,021,755
Operating Income (Loss)	753,065	(465,285)	(1,218,350)	(995,851)

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>	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Nonoperating Revenues (Expenses)				
State PERS relief	\$ 19,012	\$ 24,349	\$ 5,337	\$ 6,518
Miscellaneous income	8,613	8,614	1	12,853
Interest expense	(124,780)	(124,766)	14	(117,325)
Total Nonoperating Revenues (Expenses)	(97,155)	(91,803)	5,352	(97,954)
Income (Loss) Before Contributions and Transfers	655,910	(557,088)	(1,212,998)	(1,093,805)
Capital contributions	136,854	44,652	(92,202)	3,488,771
Transfers out	(177,908)	(177,908)	-	(169,380)
Change In Net Position	<u>\$ 614,856</u>	(690,344)	<u>\$ (1,305,200)</u>	2,225,586
Net Position, beginning		<u>61,934,636</u>		<u>59,709,050</u>
Net Position, ending		<u>\$ 61,244,292</u>		<u>\$ 61,934,636</u>

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

<i>Years Ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 3,060,046	\$ 2,820,604
Payments to suppliers	(987,916)	(712,504)
Payments to employees	(569,266)	(557,983)
Payments for interfund services used	(416,353)	(410,114)
Net cash flows from operating activities	1,086,511	1,140,003
Cash Flows for Noncapital Financing Activities		
Transfers out	(177,908)	(169,380)
Net cash flows for noncapital financing activities	(177,908)	(169,380)
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	735	3,751,052
Purchase of property, plant and equipment and construction work in progress	(347,846)	(6,396,915)
Proceeds from loans	-	2,496,286
Principal payments on loans payable	(307,737)	(263,255)
Interest paid	(124,766)	(117,325)
Net cash flows for capital and related financing activities	(779,614)	(530,157)
Net Increase in Cash and Investments	128,989	440,466
Cash and Investments, beginning	1,292,558	852,092
Cash and Investments, ending	\$ 1,421,547	\$ 1,292,558

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

<i>Years Ended December 31,</i>	2019	2018
Reconciliation of Operating Loss to Net		
Cash Flows from Operating Activities		
Operating loss	\$ (465,285)	\$ (995,851)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,028,211	2,021,755
Noncash expense - PERS relief	24,349	6,518
Other revenues	8,614	12,853
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(205,027)	(92,368)
Unbilled revenue	(107,898)	56,975
Inventories - materials and supplies	(15,517)	5,192
Net other postemployment benefits asset	(4,363)	-
Deferred outflows of resources related to pensions	(1,617)	(1,882)
Deferred outflows of resources related to other postemployment benefits	(701)	(20,939)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(72,499)	98,970
Accrued payroll and employee benefits	(318)	17,372
Vested unpaid vacation and sick leave	(14,460)	843
Customer deposits	8,930	20,620
Net pension liability	(11,987)	(1,728)
Net other postemployment benefits liability	(78,602)	20,519
Deferred inflows of resources related to pensions	12,586	(47,096)
Deferred inflows of resources related to other postemployment benefits	(17,905)	38,250
Net Cash Flows from Operating Activities	\$ 1,086,511	\$ 1,140,003
Noncash Capital and Related Financing Activities		
Purchase of capital assets on account	\$ 76,580	\$ 118,994

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

<i>December 31,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 7,682	\$ 8,126
Grants	232,324	323,195
Total Current Assets	240,006	331,321
Property, Plant and Equipment		
Land	1,412,289	1,412,289
Buildings	509,758	509,758
Machinery and equipment	811,541	811,541
Improvements other than buildings	19,567,792	18,984,196
Construction work in progress	8,699,252	8,096,303
Total property, plant and equipment	31,000,632	29,814,087
Less accumulated depreciation	(16,370,855)	(15,779,130)
Net Property, Plant and Equipment	14,629,777	14,034,957
Other Asset - Net other postemployment benefits asset	1,153	-
Total Assets	14,870,936	14,366,278
Deferred Outflows of Resources		
Related to pensions	8,714	8,286
Related to other postemployment benefits	7,404	7,219
Total Deferred Outflows of Resources	16,118	15,505
Total Assets and Deferred Outflows of Resources	\$ 14,887,054	\$ 14,381,783

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

<i>December 31,</i>	2019	2018
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 3,181	\$ 7,894
Accrued payroll and employee benefits	4,562	4,033
Vested unpaid vacation and sick leave	18,859	13,786
Due to other funds	179,768	269,406
Unearned revenue	59,168	78,642
Total Current Liabilities	265,538	373,761
Long-term Liabilities		
Advance from other fund	454,660	359,914
Net pension liability	87,805	90,973
Net other postemployment benefits liability	4,608	25,382
Total Long-term Liabilities	547,073	476,269
Total Liabilities	812,611	850,030
Deferred Inflows of Resources		
Related to pensions	5,895	2,568
Related to other postemployment benefits	5,338	10,070
Total Deferred Inflows of Resources	11,233	12,638
Net Position		
Net investment in capital assets	14,629,777	14,034,957
Unrestricted (deficit)	(566,567)	(515,842)
Total Net Position	14,063,210	13,519,115
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,887,054	\$ 14,381,783

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Operating Revenues					
Aviation fuel - revenue sharing	\$ 16,567	\$ 16,421	\$ (146)	\$ 10,014	
Tiedown fees	29,266	29,267	1	27,715	
Land leases	186,254	185,957	(297)	170,634	
Agricultural land leases	8,100	6,952	(1,148)	7,307	
Miscellaneous	30,359	30,465	106	35,052	
Total Operating Revenues	270,546	269,062	(1,484)	250,722	
Operating Expenses Excluding Depreciation					
Salaries and employee benefits	130,184	108,965	21,219	133,359	
Administrative services	93,624	93,624	-	107,881	
Audit	2,085	2,083	2	2,094	
Advertising	1,500	1,407	93	1,895	
Subscriptions and dues	300	275	25	317	
Education and training	1,750	15	1,735	2,106	
Legal fees	4,000	2,996	1,004	1,089	
Services	14,093	10,897	3,196	23,682	
Telephone	4,780	4,778	2	3,931	
Power	16,357	16,357	-	14,679	
Heat	4,880	4,875	5	5,643	
Water, sewer and garbage	400	388	12	404	
Fuel	4,000	3,549	451	7,446	
Insurance	14,622	14,567	55	12,813	
Operating supplies	2,500	1,069	1,431	1,555	
Rental and lease	500	-	500	404	
Repairs and maintenance	52,997	39,183	13,814	33,310	
Building and improvements	1,500	-	1,500	-	
Engineering	7,500	3,910	3,590	8,996	
Office equipment	1,310	850	460	-	
Small tools and equipment	1,000	36	964	1,481	
Board stipends	2,400	1,350	1,050	950	
Total Operating Expenses Excluding Depreciation	362,282	311,174	51,108	364,035	

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>	2019		Variance with Budget	2018	
	Budget	Actual		Budget	Actual
Operating Loss Before Depreciation	\$ (91,736)	\$ (42,112)	\$ 49,624	\$ (113,313)	
Depreciation	-	591,725	(591,725)	556,733	
Operating Loss	(91,736)	(633,837)	(542,101)	(670,046)	
Nonoperating Revenues - State PERS relief	5,025	6,436	1,411	1,694	
Loss Before Contributions and Transfers	(86,711)	(627,401)	(540,690)	(668,352)	
Capital contributions	1,671,055	1,061,048	(610,007)	799,101	
Transfers in	197,159	110,448	(86,711)	50,222	
Change in Net Position	<u>\$ 1,781,503</u>	544,095	<u>\$ (1,237,408)</u>	180,971	
Net Position, beginning		<u>13,519,115</u>		<u>13,338,144</u>	
Net Position, ending		<u>\$14,063,210</u>		<u>\$13,519,115</u>	

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

Years Ended December 31,	2019	2018
Cash Flows for Operating Activities		
Cash receipts from customers and users	\$ 250,032	\$ 256,972
Payments to employees	(124,040)	(125,202)
Payments to suppliers	(113,298)	(120,326)
Payments for interfund services used	(93,624)	(107,881)
Net cash flows for operating activities	(80,930)	(96,437)
Cash Flows for Noncapital Financing Activities		
Increase in advance from General Fund	94,746	247,325
Net cash flows for noncapital financing activities	94,746	247,325
Cash Flows for Capital and Related Financing Activities		
Capital contributions received	1,151,919	746,976
Transfers in	110,448	50,222
Increase (decrease) in due to other funds	(89,638)	269,406
Purchase of property, plant and equipment and construction work in progress	(1,186,545)	(1,225,531)
Net cash flows for capital and related financing activities	(13,816)	(158,927)
Net Decrease in Cash and Investments	-	(8,039)
Cash and Investments, beginning	-	8,039
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net		
Cash Flows for Operating Activities		
Operating loss	\$ (633,837)	\$ (670,046)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	591,725	556,733
Non-cash expense - PERS relief	6,436	1,694
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	444	(1,674)
Net other postemployment benefits asset	(1,153)	-
Deferred outflows of resources related to pensions	(428)	(489)
Deferred outflows of resources related to other postemployment benefits	(185)	(5,513)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(4,713)	2,469
Accrued payroll and employee benefits	529	4,033
Vested unpaid vacation and sick leave	5,073	5,650
Unearned revenue	(19,474)	7,924
Net pension liability	(3,168)	(449)
Net other postemployment benefits liability	(20,774)	5,402
Deferred inflows of resources related to pensions	3,327	(12,241)
Deferred inflows of resources related to other postemployment benefits	(4,732)	10,070
Net Cash Flows for Operating Activities	\$ (80,930)	\$ (96,437)

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

<i>December 31,</i>	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 756,116	\$ 794,814
Accounts receivable	124,866	67,381
Unbilled revenue	60,314	58,817
Prepaid expenses	34,455	-
Total Current Assets	975,751	921,012
Property, Plant and Equipment		
Buildings	52,667	52,667
Machinery and equipment	1,057,453	1,015,720
Total property, plant and equipment	1,110,120	1,068,387
Less accumulated depreciation	(611,453)	(542,633)
Net Property, Plant and Equipment	498,667	525,754
Other Asset - Net other postemployment benefits asset	859	-
Total Assets	1,475,277	1,446,766
Deferred Outflows of Resources		
Related to pensions	6,461	6,143
Related to other postemployment benefits	5,380	5,242
Total Deferred Outflows of Resources	11,841	11,385
Total Assets and Deferred Outflows of Resources	\$ 1,487,118	\$ 1,458,151
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 64,423	\$ 31,818
Accrued payroll and employee benefits	3,344	2,930
Vested unpaid vacation and sick leave	10,215	14,254
Total Current Liabilities	77,982	49,002
Long-term Liabilities		
Net pension liability	198,361	200,720
Net other postemployment benefits liability	2,955	18,430
Total Long-term Liabilities	201,316	219,150
Total Liabilities	279,298	268,152
Deferred Inflows of Resources		
Related to pensions	4,399	1,922
Related to other postemployment benefits	3,787	7,312
Total Deferred Inflows of Resources	8,186	9,234
Net Position		
Net investment in capital assets	498,667	525,754
Unrestricted	700,967	655,011
Total Net Position	1,199,634	1,180,765
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,487,118	\$ 1,458,151

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

Years Ended December 31,	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - solid waste collection fees	\$ 748,550	\$ 811,702	\$ 63,152	\$ 729,249
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	135,659	112,402	23,257	114,685
Administrative services	128,928	128,928	-	123,660
Advertising	1,788	1,787	1	2,370
Audit	2,402	2,390	12	2,402
Services	390,015	394,258	(4,243)	367,140
Fuel	14,775	14,774	1	15,322
Insurance	8,867	8,867	-	7,107
Vehicle insurance	5,600	5,846	(246)	5,525
Operating supplies	2,539	2,537	2	1,562
Repairs and maintenance	9,386	9,385	1	14,969
Equipment	84,915	448	84,467	2,140
Miscellaneous	2,410	2,409	1	2,322
Total Operating Expenses Excluding Depreciation	787,284	684,031	103,253	659,204
Operating Income (Loss) Before Depreciation	(38,734)	127,671	166,405	70,045
Depreciation	-	68,820	(68,820)	67,826
Operating Income (Loss)	(38,734)	58,851	97,585	2,219
Nonoperating Revenues				
State PERS relief	3,743	4,793	1,050	1,253
Income (Loss) Before Transfers	(34,991)	63,644	98,635	3,472
Transfers out	(44,775)	(44,775)	-	(42,660)
Change in Net Position	<u>\$ (79,766)</u>	18,869	<u>\$ 98,635</u>	(39,188)
Net Position, beginning		<u>1,180,765</u>		<u>1,219,953</u>
Net Position, ending		<u>\$ 1,199,634</u>		<u>\$1,180,765</u>

City of Palmer, Alaska

Refuse Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 752,720	\$ 726,549
Payments to suppliers	(444,551)	(419,455)
Payments to employees	(131,431)	(111,873)
Payments for interfund services used	(128,928)	(123,660)
Net cash flows from operating activities	47,810	71,561
Cash Flows for Noncapital Financing Activities		
Transfers out	(44,775)	(42,660)
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(41,733)	-
Net Increase (Decrease) in Cash and Investments	(38,698)	28,901
Cash and Investments, beginning	794,814	765,913
Cash and Investments, ending	\$ 756,116	\$ 794,814
Reconciliation of Operating Income to Net		
Cash Flows from Operating Activities		
Operating income	\$ 58,851	\$ 2,219
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	68,820	67,826
Noncash expense - PERS relief	4,793	1,253
(Increase) decrease in assets and deferred outflows of resources:		
Prepaid expenses	(34,455)	-
Accounts receivable	(57,485)	(1,015)
Unbilled revenue	(1,497)	(1,685)
Net other postemployment benefits asset	(859)	-
Deferred outflows of resources related to pensions	(318)	(362)
Deferred outflows of resources related to other postemployment benefits	(138)	(4,003)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	32,605	1,404
Accrued payroll and employee benefits	414	2,930
Vested unpaid vacation and sick leave	(4,039)	1,148
Net pension liability	(2,359)	(332)
Net other postemployment benefits liability	(15,475)	3,922
Deferred inflows of resources related to pensions	2,477	(9,056)
Deferred inflows of resources related to other postemployment benefits	(3,525)	7,312
Net Cash Flows from Operating Activities	\$ 47,810	\$ 71,561

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

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and investments	\$ 41,886	\$ -
Prepaid expenses	-	700
Inventories - materials and supplies	1,365	3,157
Total Current Assets	43,251	3,857
Property, Plant and Equipment		
Land and land improvements	1,544,620	1,544,620
Buildings	278,439	254,559
Machinery and equipment	456,424	411,299
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,946,717	2,877,712
Less accumulated depreciation	(1,081,861)	(1,033,174)
Net Property, Plant and Equipment	1,864,856	1,844,538
Total Assets	\$ 1,908,107	\$ 1,848,395
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 6,165	\$ 711
Unearned revenue	36,623	27,879
Total Current Liabilities	42,788	28,590
Long-term Liabilities		
Advance from other fund	621,858	621,858
Total Liabilities	664,646	650,448
Net Position		
Net investment in capital assets	1,864,856	1,844,538
Unrestricted (deficit)	(621,395)	(646,591)
Total Net Position	1,243,461	1,197,947
Total Liabilities and Net Position	\$ 1,908,107	\$ 1,848,395

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

Years Ended December 31,	2019		2018	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Golf course fees:				
Green fees	\$ 411,365	\$ 411,365	\$ -	\$ 351,682
Driving range fees	40,300	40,300	-	26,515
Golf cart rentals and trail fees	137,326	137,325	(1)	110,103
Golf club rentals	-	-	-	5,670
Clubhouse revenues:				
Beer and wine sales	-	-	-	49,406
Snack bar	-	-	-	62,140
Merchandise sales	-	249	249	184,668
Miscellaneous	-	48	48	447
Total Operating Revenues	588,991	589,287	296	790,631
Operating Expenses Excluding Depreciation				
Golf management contract	417,000	417,000	-	650,000
Audit	3,122	3,106	16	3,122
Services	20,468	20,468	-	16,633
Power	23,164	23,163	1	24,944
Heat	1,600	1,477	123	1,516
Water and sewer	2,447	2,447	-	3,041
Rental and lease	9,336	9,335	1	9,118
Insurance	9,475	9,474	1	8,120
Vehicle insurance	320	300	20	225
Operating supplies	700	700	-	22,057
Legal fees	845	841	4	-
Repairs and maintenance	43,947	20,062	23,885	18,428
Merchandise	-	1,791	(1,791)	16,487
Equipment	55,904	10,494	45,410	21,795
Total Operating Expenses Excluding Depreciation	588,328	520,658	67,670	795,486
Operating Income (Loss) Before Depreciation	663	68,629	67,966	(4,855)

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Depreciation	\$ -	\$ 48,687	\$ (48,687)	\$ 47,518	
Operating Income (Loss) Before Transfers	663	19,942	19,279	(52,373)	
Transfer in	57,012	57,012	-	-	
Transfers out	(31,440)	(31,440)	-	(44,447)	
Change in Net Position	<u>\$ 26,235</u>	45,514	<u>\$ 19,279</u>	(96,820)	
Net Position, beginning		<u>1,197,947</u>		<u>1,294,767</u>	
Net Position, ending		<u>\$ 1,243,461</u>		<u>\$ 1,197,947</u>	

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

<i>Years Ended December 31,</i>	2019	2018
Cash Flows for Operating Activities		
Cash receipts from customers and users	\$ 598,031	\$ 793,528
Payments to suppliers	(512,712)	(779,706)
Net cash flows for operating activities	85,319	13,822
Cash Flows for Noncapital Financing Activities		
Increase in advance from General Fund	-	30,625
Transfers out	(31,440)	(44,447)
Net cash flows for noncapital financing activities	(31,440)	(13,822)
Cash Flows for Capital and Related Financing Activities		
Transfers in	57,012	-
Purchase of property, plant and equipment	(69,005)	-
Net cash flows for capital and related financing activities	(11,993)	-
Net Increase in Cash and Investments	41,886	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ 41,886	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating gain (loss)	\$ 19,942	\$ (52,373)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	48,687	47,518
(Increase) decrease in assets:		
Prepaid expenses	700	(700)
Inventories - materials and supplies	1,792	16,487
Increase (decrease) in liabilities:		
Accounts payable	5,454	(7)
Unearned revenue	8,744	2,897
Net Cash Flows from Operating Activities	\$ 85,319	\$ 13,822

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

<i>Years Ended December 31,</i>	2019	2018
Assets		
Cash and investments	\$ 369	\$ 369
Land held for sale	217,414	217,414
Total Assets	\$ 217,783	\$ 217,783
Liabilities and Net Position		
Net Position - Unrestricted	\$ 217,783	\$ 217,783
Total Liabilities and Net Position	\$ 217,783	\$ 217,783

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>	2019			2018	
	Budget	Actual	Variance with Budget	Actual	
Transfers out	\$ -	\$ -	\$ -	\$ (15,000)	
Change in Net Position	\$ -	-	\$ -	(15,000)	
Net Position, beginning		217,783		232,783	
Net Position, ending		\$ 217,783		\$ 217,783	

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

<i>Years Ended December 31,</i>	2019	2018
Cash Flows for Noncapital Financing Activities		
Transfers out	\$ -	\$ (15,000)
Net Decrease in Cash and Investments	-	(15,000)
Cash and Investments, beginning	369	15,369
Cash and Investments, ending	\$ 369	\$ 369

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Schedule of Federal Expenditures

City of Palmer, Alaska

Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expend- itures
Department of Transportation				
Airport Improvement Program 2017	20.106		\$ -	\$ 44,754
Airport Improvement Program 2018	20.106		-	484,551
Airport Improvement Program 2019	20.106		-	<u>531,743</u>
Total CFDA 20.106				<u>1,061,048</u>
Passed through State of Alaska Department of Transportation-				
Highway Safety Cluster - National Priority Safety Programs				
ASTEPI DUI Enforcement	20.616	405d M5HVE-19-01-FA(A)-10	-	11,394
Highway Planning and Construction Cluster -				
Highway Planning and Construction	20.205	TA18006	-	<u>229,605</u>
Total Department of Transportation				<u>1,302,047</u>
Department of Justice				
Public Safety Partnership and Community Policing Grants				
DEA Opiate Task Force (Overtime) 2019	16.710		-	13,289
DEA Opiate Task Force (Overtime) 2020	16.710		-	<u>6,630</u>
Total Department of Justice				<u>19,919</u>
Department of Agriculture				
Passed through State of Alaska Department of Natural				
Resources - Cooperative Forestry Assistance				
Water and Waste Proposal System for	10.664	N/A	-	3,641
Rural Communities	10.760		-	<u>36,087</u>
Total Department of Agriculture				<u>39,728</u>
Institute of Museum and Library Services				
Passed through State of Alaska Department of Education				
and Early Development				
Grants to States:				
Continuing Education Grant	45.310	CED-19-759-01 Beth Skow	-	1,250
Continuing Education Grant	45.310	CED-20-759-02 Joy Bailey	-	<u>1,250</u>
Total Institute of Museum and Library Services				<u>2,500</u>
Department of Homeland Security				
Passed through State of Alaska Department of Homeland				
Security & Emergency Management -				
Homeland Security Grant Program	97.067	20SHSP-GY19	-	<u>49,500</u>
Total Expenditures of Federal Awards				<u>\$ 1,413,694</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

City of Palmer, Alaska

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of City of Palmer under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Palmer, it is not intended to and does not present the financial position, changes in net position or cash flows of City of Palmer.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

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Single Audit Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palmer, as of and for the year ended December 31, 2019, 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 August 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
August 25, 2020



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3601 C Street, Suite 600
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited City of Palmer's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Palmer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Palmer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Palmer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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Report on Internal Control Over Compliance

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

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

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

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

BDO USA, LLP

Anchorage, Alaska
August 25, 2020

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

Section I - Summary of Auditor's Results
Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

Noncompliance material to financial statements noted?	___ yes	<u>X</u> no
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified?	___ yes	<u>X</u> (none reported)

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

Unmodified

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

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
20.106	Airport Improvement Program	Department of Transportation

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

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

Summary Schedule of Prior Audit Findings Year Ended December 31, 2019

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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