



City of Palmer, Alaska

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

Year Ended December 31, 2020

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 Audit of the Financial Statements

Opinions

We have audited the 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, 2020, 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.

In our opinion, the accompanying financial statements 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, 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Palmer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Palmer's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Palmer's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Palmer's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 7-19, the budgetary comparison information on pages 72-73, and the Schedules of Net Pension and Other Postemployment Benefits (OPEB) Liability and Pension and OPEB Contributions on pages 74-75, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 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* (Uniform Guidance) for the year ended December 31, 2020, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund financial statements and schedule of expenditures of federal awards, as 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 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.

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, 2019 (not presented herein), and have issued our report thereon dated August 25, 2020, 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, 2019 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 2019 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2019 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, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2021 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 17, 2021

Management's Discussion and Analysis

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CITY OF PALMER, ALASKA

Management's Discussion and Analysis

December 31, 2020

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, 2020. 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 2020 fiscal year by \$100,812,709 (total net position). Of the total net position, \$4,796,051 is Unrestricted Net Position.
- As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$10,516,679, an increase of \$2,736,755.
- The fund balance is comprised of Nonspendable, Committed, Assigned and Unassigned classifications. Unassigned fund balance for the General Fund was \$6,122,312 or 72.2% of total General Fund expenditures. The Nonspendable fund balance was \$2,247,861 which consists of prepaid insurance, inventory, and advances to other funds. The remaining balance, \$418,089, was assigned for vested unpaid vacation and sick leave.
- At year end the City's outstanding loans and bonds payable totaled \$7,282,841 a net decrease of \$394,902 from the previous year.

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.

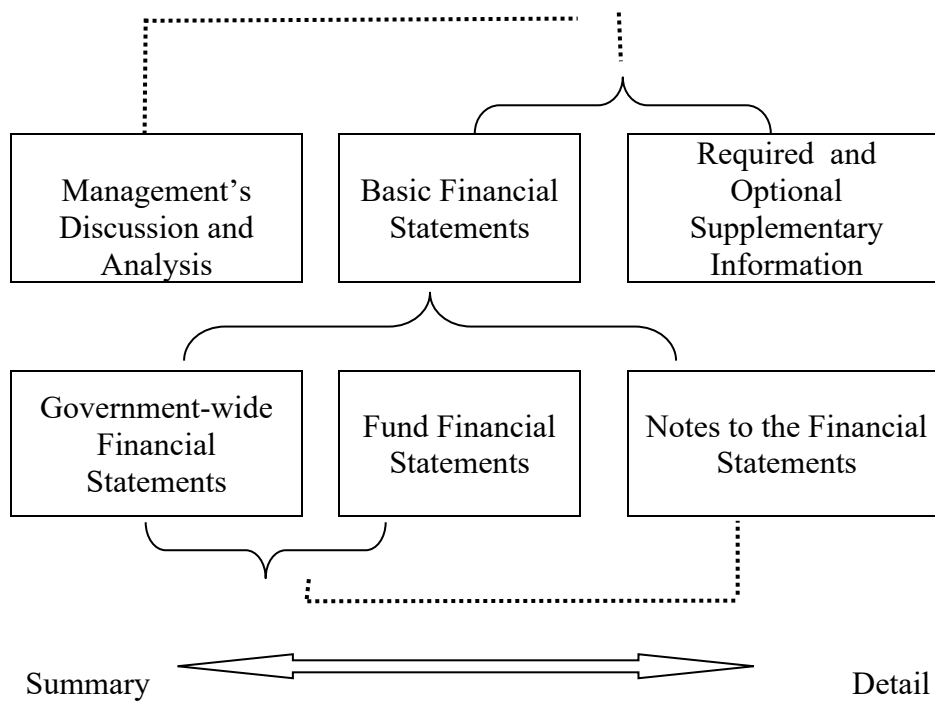
- The Government-wide Financial Statements provide both long-term and short-term information about the City's overall financial status.
- The Fund Financial Statements focus on individual parts of Palmer's government, reporting the City's operations in more detail than the Government-wide Statements.
- 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.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

- 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**



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.

CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

Overview of Financial Statements, continued

Illustration A-2			
Major Features of City of Palmer’s Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund 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 nine individual governmental funds with the addition of the CARES Act Special Revenue fund in 2020. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and CARES Act Fund, considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. The seven nonmajor governmental funds include Special Revenue Funds: Narcotics Grant, Police Grants, Neighborhood Parks Development, and Asset Forfeiture; and Capital Projects Funds: Capital Projects, Equipment and Road Improvements. The Governmental Funds financial statements are located at pages 25-28 of the report. The combining statements for the nonmajor funds can be found on pages 82-88 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 34-69 of this report.

Government-wide Financial Analysis

At the close of the 2020 fiscal year, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) totaled \$100,812,709 (see Table A-1). Of this amount \$96,011,827, or 95.24%, 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 \$4,796,051 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
2020 and 2019**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$11,900,694	8,668,070	2,339,392	1,604,660	14,240,086	10,272,730
Capital assets	20,318,882	21,005,399	83,068,596	84,808,371	103,387,478	105,813,770
Deferred outflows	<u>1,135,594</u>	<u>924,258</u>	<u>118,716</u>	<u>87,795</u>	<u>1,254,310</u>	<u>1,012,053</u>
Total assets and Deferred outflows	<u>33,355,170</u>	<u>30,597,727</u>	<u>85,526,704</u>	<u>86,500,826</u>	<u>118,881,874</u>	<u>117,098,553</u>
Long-term liabilities outstanding	7,988,439	7,041,629	7,344,699	7,478,617	15,333,138	14,520,246
Other liabilities	1,224,693	1,277,921	931,585	994,983	2,156,278	2,272,904
Deferred Inflows	<u>520,523</u>	<u>609,042</u>	<u>59,226</u>	<u>58,846</u>	<u>579,749</u>	<u>667,888</u>
Total liabilities and Deferred Inflows	<u>9,733,655</u>	<u>8,928,592</u>	<u>8,335,510</u>	<u>8,532,446</u>	<u>18,069,165</u>	<u>17,461,038</u>
Net position:						
Net investment in capital assets	19,803,713	20,294,328	76,208,114	77,660,446	96,011,827	97,954,774
Restricted	4,831	14,425	-	-	4,831	14,425
Unrestricted (deficit)	<u>3,812,971</u>	<u>1,360,382</u>	<u>983,080</u>	<u>307,934</u>	<u>4,796,051</u>	<u>1,668,316</u>
Total net position	<u>\$23,621,515</u>	<u>21,669,135</u>	<u>77,191,194</u>	<u>77,968,380</u>	<u>100,812,709</u>	<u>99,637,515</u>

As reflected in Table A-2, the City's net position increased by \$1,175,194 as a result of current year activity. Revenues exceeded expenditures and transfers in the governmental activities by \$1,952,380 and in the business-type activities expenses exceeded revenues by \$(777,186).

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**

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Program revenues:						
Charges for service	\$ 1,641,613	\$1,994,902	5,113,424	5,034,092	6,755,037	7,028,994
Operating grants and contributions	7,205,078	873,000	46,068	35,578	7,251,146	908,578
Capital grants and contributions	-	614,482	802,976	1,105,700	802,976	1,720,182
General revenues:						
Property taxes	1,355,828	1,329,970	-	-	1,355,828	1,329,970
Sales taxes	7,602,129	7,500,312	-	-	7,602,129	7,500,312
Other	<u>314,345</u>	<u>480,585</u>	<u>-</u>	<u>-</u>	<u>314,345</u>	<u>480,585</u>
 Total revenues	<u>18,118,993</u>	<u>12,793,251</u>	<u>5,962,468</u>	<u>6,175,370</u>	<u>24,081,461</u>	<u>20,513,382</u>
 Expenses:						
General government	3,456,870	2,670,661	-	-	3,456,870	2,670,661
Public safety	5,959,886	4,595,772	-	-	5,959,886	4,595,772
Public works	1,928,011	2,467,056	-	-	1,928,011	2,467,056
Community services	5,022,749	1,667,984	-	-	5,022,749	1,667,984
Water and sewer utility	-	-	4,123,485	3,945,478	4,123,485	3,945,478
Airport	-	-	1,057,455	902,899	1,057,455	902,899
Nonmajor Enterprise Funds	-	-	1,348,560	1,322,196	1,348,560	1,322,196
Interest expense	<u>9,251</u>	<u>13,335</u>	<u>-</u>	<u>-</u>	<u>9,251</u>	<u>13,335</u>
 Total expenses	<u>16,376,767</u>	<u>11,414,808</u>	<u>6,529,500</u>	<u>6,170,573</u>	<u>22,906,267</u>	<u>17,585,381</u>
 Increase in net position before transfers	1,742,226	1,378,443	(567,032)	4,797	1,175,194	1,383,240
Transfers	<u>210,154</u>	<u>86,663</u>	<u>(210,154)</u>	<u>(86,663)</u>	<u>-</u>	<u>-</u>
Increase (decrease) net position	1,952,380	1,465,106	(777,186)	(81,866)	1,175,194	1,383,240
Beginning 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>
Ending net position	\$ <u>23,621,515</u>	<u>21,669,135</u>	<u>77,191,194</u>	<u>77,968,380</u>	<u>100,812,709</u>	<u>99,637,515</u>

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Governmental Activities

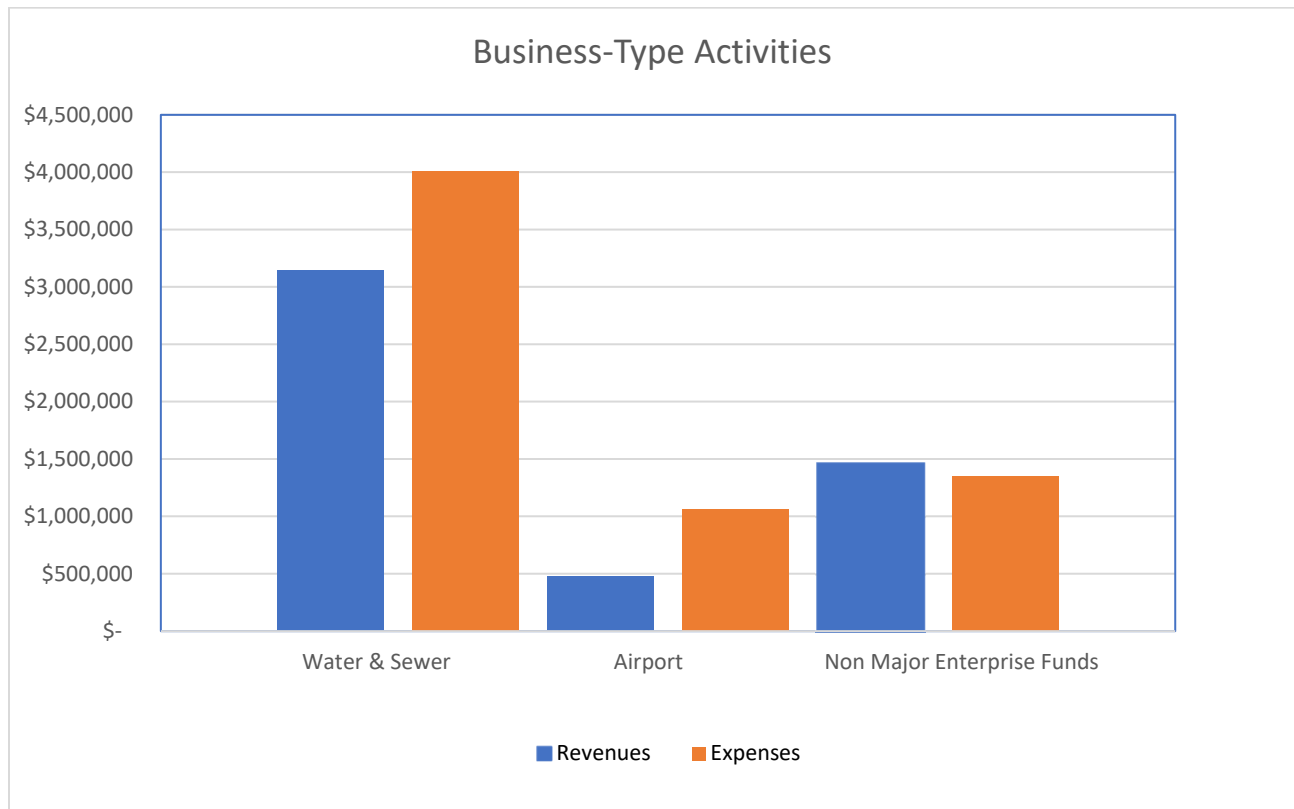
Governmental activities increased the City of Palmer's net position by \$1,952,380. Property taxes increased by \$25,858 and sales tax collections increased by \$101,817. The City's expenses increased in the amount of \$4,961,959. This was due primarily to the City receiving Coronavirus Relief and Economic Security (CARES) Act grant funds. These funds were used for small business and nonprofit grants, housing and utility assistance and City COVID-19 mitigation and relief expenses. Net transfers from business-type activities was \$210,154.

Business-Type Activities

The City's business-type activities had a decrease of \$777,186 in net position. Transfers accounted for 27% of this decrease with the remainder resulting from operating revenue and basic charges for services exceeding expenses.

The following graph shows expenses and operating revenues for all of the business-type activities in 2020. 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.

Program Revenue & Expenses - Business-Type Activity



CITY OF PALMER, ALASKA

Management's Discussion and Analysis

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, 2020, the City's governmental funds reported combined ending fund balances of \$10,516,679, an increase of \$2,736,755. Of the ending balance, \$5,982,374, 56.88% is unassigned and available to the City for future spending. The remaining fund balance is nonspendable, restricted, committed or assigned. The increase of total fund balance during the year is mostly attributed to the decrease of expenditures due to COVID-19 Public Health Emergency and the use of the CARES Act Funds for COVID-19 mitigation 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 2020 due to cash transfers into the fund.

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 \$1,022,667, an increase of \$445,521 from 2019. This is due to recognizing unbilled consumption and the decrease in overall operating expenses from prior year.

The Refuse Fund unrestricted net position is \$725,795, an increase of \$24,828 from that amount in 2019.

The Golf Course unrestricted net position shows a deficit of \$509,783 compared to a deficit of \$621,395 at the end of 2019. Operating revenues were above operating expense by \$93,612. Depreciation constitutes \$50,850 of those expenses.

The Airport Fund unrestricted net position shows a deficit of \$473,382 compared to a deficit of \$566,567 at the end of 2019. The decrease of the deficit is due to operating income of \$49,038 prior to depreciation.

The Land Development Fund unrestricted net position did not change from 2019. There is no change from the prior year due to no activity in the fund during the year.

CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

General Fund Budgetary Highlights

The original adopted budget anticipated a decrease to the fund balance of \$442,429. However, the final adopted budget projected an overall decrease to the fund balance of \$376,160.

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

- Transfers in were increased by \$301,578 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 \$545,300 to account for capital costs with the Capital Projects Fund including Equipment and Roads Fund and the Airport Fund. Revenues were increased by \$17,455 which included increases for PERS relief and Motor Vehicle Tax. 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 decreased expenditures by \$292,536 primarily due to the COVID-19 Public Health Emergency.

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, 2020, totals \$103,387,478 (net of accumulated depreciation). This amount represents a \$2,426,292 decrease over the previous year.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 1,858,738	1,858,738	3,002,073	3,002,073	4,860,811	4,860,811
Buildings	1,752,946	2,100,468	67,595	80,837	1,820,541	2,181,305
Improvements other than buildings	12,435,934	13,109,231	78,085,548	55,691,199	90,521,482	68,800,430
Machinery and equipment	3,148,132	3,098,029	1,723,817	1,269,955	4,871,949	4,367,984
Construction work in progress	<u>1,123,132</u>	<u>838,933</u>	<u>189,563</u>	<u>24,764,307</u>	<u>1,312,695</u>	<u>25,603,240</u>
Total capital assets	<u>\$20,318,8822</u>	<u>1,005,399</u>	<u>83,068,596</u>	<u>84,808,371</u>	<u>103,387,478</u>	<u>105,813,770</u>

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

CITY OF PALMER, ALASKA

Management’s Discussion and Analysis

Long-term debt – The following table summarizes the City’s long-term debt at December 31, 2020.

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

	Governmental Activities		Business-type Activities		Total Activities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
GO Bonds	\$ 432,636	529,818	-	-	432,636	529,818
Loans payable	<u>-</u>	<u>-</u>	<u>6,850,205</u>	<u>7,147,925</u>	<u>6,850,205</u>	<u>7,147,925</u>
Total	<u>432,636</u>	<u>529,818</u>	<u>6,850,205</u>	<u>7,147,925</u>	<u>7,282,841</u>	<u>7,677,743</u>
Compensated Absences	418,089	404,763	52,996	52,562	471,085	457,325
Capital Lease Payable	110,375	217,049	-	-	110,375	217,049
Net pension liability	7,631,720	6,268,599	795,057	603,307	8,426,777	6,871,906
Net OPEB	<u>14,083</u>	<u>217,837</u>	<u>1,602</u>	<u>25,372</u>	<u>15,685</u>	<u>243,209</u>
Total long-term debt	<u>\$8,606,903</u>	<u>7,638,066</u>	<u>7,699,860</u>	<u>7,829,166</u>	<u>16,306,763</u>	<u>15,467,232</u>

Capital Asset and Debt Administration, continued

In 2020 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 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 Wastewater Treatment Plant Facility Improvements. The City continues to make scheduled payments to USDA. The USDA Loan bears 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.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets (2021) 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 adopted the Alaska Remote Seller Uniform Sales Tax Code in March of 2020.
- The City will continue to monitor the fiscal and economic impacts of the COVID-19 Public Health Emergency.
- The City continues with improvements to the Airport and the Wastewater Treatment Plant Facility.

These various factors were taken into consideration in the development of the City's 2021 annual budget. The annual budget is adopted for the General, Enterprise and Capital Projects Funds. Major aspects of the adopted 2021 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 2020 at 3%.
- Budgeted expenditures in the General Fund decreased by \$302,975 from 2020 excluding transfers.

The State of Alaska Public Health Disaster Emergency due to COVID-19 was still in effect at the start of 2021. Distribution of the COVID-19 vaccination became widely available in the spring of 2021.

The City has until the end of December 2021 to spend the final draw of the CARES Act funds. These funds will be used primarily for personnel costs substantially dedicated to responding to mitigating the impacts of the COVID-19 public health emergency. On March 11, 2021, new administration in Washington signed the American Rescue Plan Act (ARPA) into law. ARPA is the latest COVID relief package and includes funding for state and local aid. The City plans to use these funds for upgrades to the Wastewater Treatment Plant.

CITY OF PALMER, ALASKA

Management's Discussion and Analysis

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:

Finance Director
City of Palmer
231 W Evergreen Ave. Palmer, Alaska 99645
Telephone: (907) 745-3271
Email: financedepatment@palmerak.org

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Basic Financial Statements

City of Palmer, Alaska

Statement of Net Position

<i>December 31, 2020</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 6,924,498	\$ 2,699,471	\$ 9,623,969
Receivables, net of allowance for uncollectibles:			
Grants and shared revenues	679,610	270,358	949,968
Sales taxes	916,035	-	916,035
Property taxes	155,024	-	155,024
Accounts	35,509	449,521	485,030
Assessments	91,201	-	91,201
Unbilled revenue	-	461,226	461,226
Prepaid expenses:			
Insurance	450,816	-	450,816
Other	-	700	700
Internal balances	1,992,713	(1,992,713)	-
Inventories	14,695	160,527	175,222
Land held for sale	-	217,414	217,414
Capital assets not being depreciated	2,981,870	3,191,636	6,173,506
Capital assets, net of accumulated depreciation	17,337,012	79,876,960	97,213,972
Net other postemployment benefits asset	640,593	72,888	713,481
Total Assets	32,219,576	85,407,988	117,627,564
Deferred Outflows of Resources			
Unamortized loss on refunding	27,842	-	27,842
Related to pensions	751,048	78,130	829,178
Related to other postemployment benefits	356,704	40,586	397,290
Total Deferred Outflows of Resources	1,135,594	118,716	1,254,310
Total Assets and Deferred Outflows of Resources	\$ 33,355,170	\$ 85,526,704	\$ 118,881,874

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Statement of Net Position, continued

<i>December 31, 2020</i>	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Accounts payable	\$ 396,583	\$ 131,731	\$ 528,314
Capital related accounts payable	-	10,277	10,277
Accrued payroll and employee benefits	106,352	5,417	111,769
Customer deposits	8,236	274,834	283,070
Accrued interest payable	6,200	21,693	27,893
Unearned revenue	88,858	132,472	221,330
Noncurrent liabilities:			
Due within one year:			
Vested unpaid vacation and sick leave	418,089	52,996	471,085
Bonds and loans	90,000	302,165	392,165
Capital lease, current portion	110,375	-	110,375
Due in more than one year:			
Loans payable	-	6,548,040	6,548,040
General obligation bonds, including unamortized premium	342,636	-	342,636
Net pension liability	7,631,720	795,057	8,426,777
Net other postemployment benefits liability	14,083	1,602	15,685
Total Liabilities	9,213,132	8,276,284	17,489,416
Deferred Inflows of Resources			
Related to other postemployment benefits	520,523	59,226	579,749
Net Position			
Net investment in capital assets	19,803,713	76,208,114	96,011,827
Restricted	4,831	-	4,831
Unrestricted	3,812,971	983,080	4,796,051
Total Net Position	23,621,515	77,191,194	100,812,709
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 33,355,170	\$ 85,526,704	\$ 118,881,874

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, 2020</i>							
Governmental Activities							
General government	\$ 3,456,870	\$ 709,472	\$ 690,426	\$ -	\$ (2,056,972)	\$ -	\$ (2,056,972)
Public safety	5,959,886	616,017	2,995,533	-	(2,348,336)	-	(2,348,336)
Public works	1,928,011	99,495	150,392	-	(1,678,124)	-	(1,678,124)
Community services	5,022,749	216,629	3,368,727	-	(1,437,393)	-	(1,437,393)
Unallocated interest	9,251	-	-	-	(9,251)	-	(9,251)
Total Governmental Activities	16,376,767	1,641,613	7,205,078	-	(7,530,076)	-	(7,530,076)
Business-type Activities							
Water and sewer	4,123,485	3,155,400	31,591	92,203	-	(844,291)	(844,291)
Airport	1,057,455	494,094	8,371	710,773	-	155,783	155,783
Refuse	767,489	789,247	6,106	-	-	27,864	27,864
Golf course	581,071	674,683	-	-	-	93,612	93,612
Total Business-type Activities	6,529,500	5,113,424	46,068	802,976	-	(567,032)	(567,032)
Totals	\$ 22,906,267	\$ 6,755,037	\$ 7,251,146	\$ 802,976	(7,530,076)	(567,032)	(8,097,108)
General Revenues							
Property taxes					1,355,828	-	1,355,828
Sales taxes					7,602,129	-	7,602,129
Grants and entitlements not restricted to a specific purpose					208,341	-	208,341
Investment income					51,555	-	51,555
Other					54,449	-	54,449
Transfers					210,154	(210,154)	-
Total General Revenues and Transfers					9,482,456	(210,154)	9,272,302
Change in Net Position					1,952,380	(777,186)	1,175,194
Net Position, beginning					21,669,135	77,968,380	99,637,515
Net Position, ending					\$23,621,515	\$77,191,194	\$100,812,709

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Governmental Funds
Balance Sheet

<i>December 31, 2020</i>	Major Funds			Total Governmental Funds
	General	CARES Act Special Revenue	Nonmajor Funds	
Assets				
Cash and investments	\$ 5,165,840	\$ -	\$ 1,758,658	\$ 6,924,498
Receivables, net of allowance for uncollectibles:				
Grants and shared revenues	-	653,661	25,949	679,610
Sales taxes	916,035	-	-	916,035
Property taxes	155,024	-	-	155,024
Accounts	35,509	-	-	35,509
Assessments	91,201	-	-	91,201
Prepaid insurance	310,513	140,303	-	450,816
Inventory	14,695	-	-	14,695
Due from other funds	789,043	-	-	789,043
Advances to other funds	1,922,653	-	-	1,922,653
Total Assets	\$ 9,400,513	\$ 793,964	\$ 1,784,607	\$ 11,979,084
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 302,912	\$ 93,291	\$ 380	\$ 396,583
Accrued payroll and employee benefits	106,352	-	-	106,352
Deposits	8,236	-	-	8,236
Due to other funds	-	700,308	18,675	718,983
Unearned revenue	51,358	-	37,500	88,858
Total Liabilities	468,858	793,599	56,555	1,319,012
Deferred Inflows of Resources				
Deferred property taxes	52,192	-	-	52,192
Deferred assessments	91,201	-	-	91,201
Total Deferred Inflows of Resources	143,393	-	-	143,393
Total Liabilities and Deferred Inflows of Resources	612,251	793,599	56,555	1,462,405
Fund Balances				
Nonspendable:				
Prepaid insurance and inventory	325,208	140,303	-	465,511
Advances to other funds	1,922,653	-	-	1,922,653
Restricted for public safety	-	-	4,831	4,831
Committed:				
Capital projects and equipment	-	-	1,656,463	1,656,463
Public safety	-	-	14,519	14,519
Parks	-	-	52,239	52,239
Assigned - vested unpaid vacation and sick leave	418,089	-	-	418,089
Unassigned (deficit)	6,122,312	(139,938)	-	5,982,374
Total Fund Balances	8,788,262	365	1,728,052	10,516,679
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,400,513	\$ 793,964	\$ 1,784,607	\$ 11,979,084

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Position
December 31, 2020

Total fund balances for governmental funds		\$ 10,516,679
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	1,123,132	
Buildings	11,382,558	
Improvements other than buildings	24,784,597	
Machinery and equipment	11,030,080	
Accumulated depreciation	<u>(29,860,223)</u>	
Total capital assets		20,318,882
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	91,201	
Delinquent property taxes receivable	52,192	
Net other postemployment benefits asset	<u>640,593</u>	
Total long-term assets		783,986
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	(390,000)	
Capital lease payable	(110,375)	
Unamortized premium	(42,636)	
Accrued interest	(6,200)	
Vested unpaid vacation and sick leave	(418,089)	
Net pension liability	(7,631,720)	
Net other postemployment benefits liability	<u>(14,083)</u>	
Total long-term liabilities		(8,613,103)
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.		
		27,842
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	751,048	
Deferred outflows of resources related to other postemployment benefits	356,704	
Deferred inflows of resources related to other postemployment benefits	<u>(520,523)</u>	
Total deferred pension and OPEB items		<u>587,229</u>
Total Net Position of Governmental Activities		<u>\$ 23,621,515</u>

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2020	Major Funds			Total Governmental Funds
	General	CARES Act Special Revenue	Nonmajor Funds	
Revenues				
Taxes	\$ 8,957,957	\$ -	\$ -	\$ 8,957,957
Licenses and permits	157,039	-	-	157,039
Fines and forfeitures	74,542	-	-	74,542
Intergovernmental	669,723	6,400,278	30,062	7,100,063
Special assessments	11,693	-	-	11,693
Charges for services	1,411,416	-	-	1,411,416
Miscellaneous	105,639	365	219,541	325,545
Total Revenues	11,388,009	6,400,643	249,603	18,038,255
Expenditures				
Current:				
General government	2,949,721	353,023	-	3,302,744
Public safety	2,257,876	2,686,321	277,458	5,221,655
Public works	1,818,689	11,450	-	1,830,139
Community services	1,345,203	3,349,484	-	4,694,687
Debt service	107,850	-	-	107,850
Capital outlay	-	-	354,579	354,579
Total Expenditures	8,479,339	6,400,278	632,037	15,511,654
Excess of Revenues Over (Under) Expenditures	2,908,670	365	(382,434)	2,526,601
Other Financing Sources (Uses)				
Transfers in	299,448	-	491,700	791,148
Transfers out	(545,300)	-	(35,694)	(580,994)
Total Other Financing Sources (Uses)	(245,852)	-	456,006	210,154
Net Change in Fund Balances	2,662,818	365	73,572	2,736,755
Fund Balances, beginning	6,125,444	-	1,654,480	7,779,924
Fund Balances, ending	\$ 8,788,262	\$ 365	\$ 1,728,052	\$ 10,516,679

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, 2020

Net change in fund balances - total governmental funds		\$ 2,736,755
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 (\$1,743,118) exceeded capital outlays (\$1,056,601).		
		(686,517)
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.		
		(10,746)
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	\$ 191,674	
Decrease in unamortized bond premium	12,182	
Decrease in unamortized loss on refunding	(7,954)	
		195,902
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	1,417	
Vested unpaid vacation and sick leave	(13,326)	
Net pension liability and related accounts	(781,203)	
Net other postemployment benefits liability and related accounts	510,098	
		(283,014)
Change in Net Position of Governmental Activities		\$ 1,952,380

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Net Position

<i>December 31, 2020</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	\$ 1,944,731	\$ -	\$ 754,740	\$ 2,699,471
Receivables:				
Accounts	309,432	20,299	119,790	449,521
Grants	10,893	259,465	-	270,358
Prepaid expenses	-	-	700	700
Inventory	160,527	-	-	160,527
Unbilled revenue	397,207	-	64,019	461,226
Total Current Assets	2,822,790	279,764	939,249	4,041,803
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	1,637,128	1,341,376	1,585,037	4,563,541
Improvements other than buildings	93,903,753	28,403,952	667,234	122,974,939
Construction work in progress	135,247	54,316	-	189,563
Total property, plant and equipment	95,781,359	31,721,691	4,127,997	131,631,047
Less accumulated depreciation	(29,736,502)	(17,005,031)	(1,820,918)	(48,562,451)
Net property, plant and equipment	66,044,857	14,716,660	2,307,079	83,068,596
Other asset - Net other postemployment benefits asset	49,983	13,244	9,661	72,888
Total Noncurrent Assets	66,094,840	14,729,904	2,534,154	83,358,898
Total Assets	68,917,630	15,009,668	3,473,403	87,400,701
Deferred Outflows of Resources				
Related to pensions	53,285	14,325	10,520	78,130
Related to other postemployment benefits	27,832	7,375	5,379	40,586
Total Deferred Outflows of Resources	81,117	21,700	15,899	118,716
Total Assets and Deferred Outflows of Resources	\$ 68,998,747	\$ 15,031,368	\$ 3,489,302	\$ 87,519,417

See accompanying notes to basic financial statements.

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

<i>December 31, 2020</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	\$ 88,340	\$ 5,408	\$ 37,983	\$ 131,731
Capital related accounts payable	2,592	7,685	-	10,277
Accrued payroll and employee benefits	3,441	1,140	836	5,417
Current portion of loans payable	302,165	-	-	302,165
Vested unpaid vacation and sick leave	20,377	20,584	12,035	52,996
Due to other funds	-	70,060	-	70,060
Unearned revenue	-	95,264	37,208	132,472
Accrued interest payable	21,693	-	-	21,693
Customer deposits	274,834	-	-	274,834
Total Current Liabilities	713,442	200,141	88,062	1,001,645
Long-term Liabilities, net of current portion				
Loans payable	6,548,040	-	-	6,548,040
Advances from other fund	1,000,000	454,660	467,993	1,922,653
Net pension liability	480,825	129,921	184,311	795,057
Net other postemployment benefits liability	1,099	291	212	1,602
Total Long-term Liabilities	8,029,964	584,872	652,516	9,267,352
Total Liabilities	8,743,406	785,013	740,578	10,268,997
Deferred Inflows of Resources				
Related to other postemployment benefits	40,614	10,762	7,850	59,226
Net Position				
Net investment in capital assets	59,192,060	14,708,975	2,307,079	76,208,114
Unrestricted (deficit)	1,022,667	(473,382)	433,795	983,080
Total Net Position	60,214,727	14,235,593	2,740,874	77,191,194
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 68,998,747	\$ 15,031,368	\$ 3,489,302	\$ 87,519,417

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, 2020</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Operating Revenues	\$ 3,147,019	\$ 472,317	\$ 1,463,930	\$ 5,083,266
Operating Expenses				
Salaries and employee benefits	657,233	153,867	103,971	915,071
Administrative services	404,183	92,153	560,139	1,056,475
Other operating expenses	889,301	177,259	556,846	1,623,406
Depreciation	2,052,692	634,176	127,604	2,814,472
Total Operating Expenses	4,003,409	1,057,455	1,348,560	6,409,424
Operating Income (Loss)	(856,390)	(585,138)	115,370	(1,326,158)
Nonoperating Revenues (Expenses)				
State PERS relief	31,591	8,371	6,106	46,068
Miscellaneous income	8,381	21,777	-	30,158
Interest expense	(120,076)	-	-	(120,076)
Total Nonoperating Revenues (Expenses)	(80,104)	30,148	6,106	(43,850)
Income (Loss) Before Contributions and Transfers	(936,494)	(554,990)	121,476	(1,370,008)
Capital contributions	92,203	710,773	-	802,976
Transfers in	-	16,600	37,000	53,600
Transfers out	(185,274)	-	(78,480)	(263,754)
Change in Net Position	(1,029,565)	172,383	79,996	(777,186)
Net Position, beginning	61,244,292	14,063,210	2,660,878	77,968,380
Net Position, ending	\$ 60,214,727	\$ 14,235,593	\$ 2,740,874	\$ 77,191,194

See accompanying notes to basic financial statements.

City of Palmer, Alaska
Proprietary Funds
Statement of Cash Flows

<i>Year Ended December 31, 2020</i>	Major Enterprise Funds		Nonmajor	Total
	Water and	Airport	Enterprise	Proprietary
	Sewer		Funds	Funds
Cash Flows from Operating Activities				
Cash receipts from customers and users	\$ 3,128,102	\$ 517,573	\$ 1,465,886	\$ 5,111,561
Payments to suppliers	(891,710)	(175,032)	(971,331)	(2,038,073)
Payments to employees	(561,329)	(127,538)	(128,542)	(817,409)
Payments for interfund services used	(404,183)	(92,153)	(143,139)	(639,475)
Net cash flows from operating activities	1,270,880	122,850	222,874	1,616,604
Cash Flows for Noncapital Financing Activities				
Transfers out	(185,274)	-	(78,480)	(263,754)
Cash Flows for Capital and Related Financing Activities				
Capital contributions received	211,840	683,632	-	895,472
Purchase of capital assets	(356,466)	(713,374)	(71,160)	(1,141,000)
Decrease in due to other funds	-	(109,708)	-	(109,708)
Decrease in advances from other funds	-	-	(153,865)	(153,865)
Transfers in	-	16,600	37,000	53,600
Principal payments on loans payable	(297,720)	-	-	(297,720)
Interest paid	(120,076)	-	-	(120,076)
Net cash flows for capital and related financing activities	(562,422)	(122,850)	(188,025)	(873,297)
Net Increase in Cash and Investments	523,184	-	(43,631)	479,553
Cash and Investments, beginning	1,421,547	-	798,371	2,219,918
Cash and Investments, ending	\$ 1,944,731	\$ -	\$ 754,740	\$ 2,699,471

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2020</i>	Major Enterprise Funds		Nonmajor Enterprise Funds	Total Proprietary Funds
	Water and Sewer	Airport		
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities				
Operating income (loss)	\$ (856,390)	\$ (585,138)	\$ 115,370	\$ (1,326,158)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	2,052,692	634,176	127,604	2,814,472
Noncash expense - PERS relief	31,591	8,371	6,106	46,068
Other revenues	8,381	21,777	-	30,158
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(19,170)	(12,617)	5,076	(26,711)
Unbilled revenue	(27,668)	-	(3,705)	(31,373)
Prepaid expenses	-	-	33,755	33,755
Inventories	5,375	-	1,365	6,740
Net other postemployment benefits asset	(45,620)	(12,091)	(8,802)	(66,513)
Deferred outflows of resources related to pensions	(21,569)	(5,611)	(4,059)	(31,239)
Deferred outflows of resources related to other postemployment benefits	288	29	1	318
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(7,784)	2,227	(32,605)	(38,162)
Accrued payroll and employee benefits	(13,836)	(3,422)	(2,508)	(19,766)
Vested unpaid vacation and sick leave	(3,111)	1,725	1,820	434
Unearned revenue	-	36,096	585	36,681
Customer deposits	19,540	-	-	19,540
Net pension liability	163,684	42,116	(14,050)	191,750
Net other postemployment benefits liability	(16,710)	(4,317)	(2,743)	(23,770)
Deferred inflows of resources related to pensions	(19,082)	(5,895)	(4,399)	(29,376)
Deferred inflows of resources related to other postemployment benefits	20,269	5,424	4,063	29,756
Net Cash Flows from Operating Activities	\$ 1,270,880	\$ 122,850	\$ 222,874	\$ 1,616,604
Noncash Capital and Related Financing Activities				
Purchase of capital assets on account	\$ 2,592	\$ 7,685	\$ -	\$ 10,277

See accompanying notes to basic financial statements.

City of Palmer, Alaska

Notes to Basic Financial Statements December 31, 2020

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 statement. 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 funds:

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

The *CARES Act Special Revenue Fund* accounts for the activity of the City related to expenditures of the federal funding received under The CARES Act program.

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 includes 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 expenses 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 and OPEB 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.

Subsequent events

The City has evaluated events and transactions for potential recognition or disclosure through August 17, 2021, the date on which the financial statements were available to be issued.

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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

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 or statement of net position 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, 2020.

Cash and cash equivalents	\$ 6,882,516
Investments	2,741,453
Total Cash and Investments	\$ 9,623,969

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.

Investment maturities at December 31, 2020 are as follows:

<i>Investment Type</i>	Investment Maturities (in Years)		
	Less than 1	1-5	
Certificates of deposit	\$ 752,542	\$ 261,767	\$ 1,014,309
AMLIP pooled investments	1,727,144	-	1,727,144
Total Investments	\$ 2,479,686	\$ 261,767	\$ 2,741,453

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.

The AMLIP is an external investment pool, which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements on the Pool. The Pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the Pool is voluntary. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the Pool are reviewed for fair value by an independent pricing service. As of December 31, 2020, the fair value of the investments in the Pool approximates amortized cost and is equal to the value of Pool shares. The City had no unfunded commitments to the Pool. The City can redeem its investment in AMLIP on a daily basis with no prior notification.

Certificates of deposit that are noncallable are not held at fair value, but instead recorded at amortized cost. Management believes that these approximate fair value.

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 yearend.

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.

City of Palmer, Alaska

Notes to Basic Financial Statements

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, 2020 because investments were held by a custodian in the name of the City.

4. Deferred Inflows of Resources and Unearned Revenue

At December 31, 2020, 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	91,201
Total Deferred Inflows of Resources	\$ 143,393
Unearned Revenue - grant drawdowns	\$ 88,858

5. Capital Assets

The following summarizes the changes in capital assets for the year ended December 31, 2020:

	Balance January 1, 2020	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2020
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 1,858,738	\$ -	\$ -	\$ 1,858,738
Construction in progress	838,933	362,303	(78,104)	1,123,132
Total assets not being depreciated	2,697,671	362,303	(78,104)	2,981,870
<i>Capital assets being depreciated:</i>				
Buildings	11,382,558	-	-	11,382,558
Improvements other than buildings	24,601,496	183,101	-	24,784,597
Machinery and equipment	10,480,169	589,301	(39,390)	11,030,080
Total assets being depreciated	46,464,223	772,402	(39,390)	47,197,235
Less accumulated depreciation for:				
Buildings	9,282,090	347,522	-	9,629,612
Improvements other than buildings	11,492,265	856,398	-	12,348,663
Machinery and equipment	7,382,140	539,198	(39,390)	7,881,948
Total accumulated depreciation	28,156,495	1,743,118	(39,390)	29,860,223
Total capital assets being depreciated, net	18,307,728	(970,716)	-	17,337,012
Governmental Activity Capital Assets, net	\$ 21,005,399	\$ (608,413)	\$ (78,104)	\$ 20,318,882

City of Palmer, Alaska

Notes to Basic Financial Statements

	Balance January 1, 2020	Additions and Reclassifications	Deletions and Reclassifications	Balance December 31, 2020
Business-type Activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 3,002,073	\$ -	\$ -	\$ 3,002,073
Construction work in progress	24,764,307	907,011	(25,481,755)	189,563
Total assets not being depreciated	27,766,380	907,011	(25,481,755)	3,191,636
<i>Capital assets being depreciated:</i>				
Buildings	900,931	-	-	900,931
Improvements other than buildings	98,010,284	24,964,655	-	122,974,939
Machinery and equipment	3,878,755	684,786	-	4,563,541
Total assets being depreciated	102,789,970	25,649,441	-	128,439,411
Less accumulated depreciation for:				
Buildings	820,094	13,242	-	833,336
Improvements other than buildings	42,319,085	2,570,306	-	44,889,391
Machinery and equipment	2,608,800	230,924	-	2,839,724
Total accumulated depreciation	45,747,979	2,814,472	-	48,562,451
Total capital assets being depreciated, net	57,041,991	22,834,969	-	79,876,960
Business-type Activity Capital Assets, net	\$ 84,808,371	\$ 23,741,980	\$ (25,481,755)	\$ 83,068,596

Depreciation expense was charged to the functions as follows for the year ended December 31, 2020:

Governmental Activities	
General government	\$ 67,058
Public safety	561,361
Public works	716,579
Community services	398,120
Total Governmental Activities	\$ 1,743,118
Business-type Activities	
Water and sewer	\$ 2,052,692
Airport	634,176
Refuse	76,754
Golf course	50,850
Total Business-type Activities	\$ 2,814,472

City of Palmer, Alaska

Notes to Basic Financial Statements

Construction Commitments

The City has various active construction projects as of December 31, 2020. 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, 2020, follows:

Due to the General Fund from:

CARES Act Special Revenue Fund for operating costs	\$	700,308
Nonmajor governmental funds for operating costs		18,675
Airport Enterprise Fund for operating costs		70,060
Total Due to the General Fund		\$ 789,043

Advances from the General Fund to:

Water and Sewer Enterprise Fund for capital costs	\$	1,000,000
Airport Enterprise Fund for operating costs		454,660
Nonmajor enterprise funds for operating costs		467,993
Total Advances to Other Funds		\$ 1,922,653

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	\$	185,274
Nonmajor enterprise funds for payment in lieu of tax		78,480
Nonmajor governmental funds for return of capital		35,694

From General Fund to:

Airport Enterprise Fund for return of capital		16,600
Nonmajor governmental funds to cover capital costs		491,700
Nonmajor enterprise funds to cover capital costs		37,000

Total Transfers to Other Funds	\$	844,748
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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, 2020, 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, 2020, follows:

Governmental Activities	Balance January 1, 2020	Additions	Retired	Balance December 31, 2020	Due Within One Year
\$865,000 refunding Ice Rink general obligation bonds, due in annual installments of \$90,000 to \$110,250, plus interest ranging from 4.0% to 5.0% through 2024	\$ 475,000	\$ -	\$ 85,000	\$ 390,000	\$ 90,000
Unamortized premium on Ice Rink GO bonds	54,818	-	12,182	42,636	-
Vested unpaid vacation and sick leave	404,763	412,556	339,230	418,089	418,089
Capital lease payable	217,049	-	106,674	110,375	110,375
Total Governmental Activities	\$ 1,151,630	\$ 412,556	\$ 543,086	\$ 961,100	\$ 618,464

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, 2020	Additions	Retired	Balance December 31, 2020	Due Within One Year
<i>Loans Payable:</i>					
\$411,000 State of Alaska Water Utility loan due in annual installments of \$24,202 including interest at 1.5% through 2025	\$ 138,148	\$	\$ 21,867	\$ 116,281	\$ 22,195
\$604,000 State of Alaska Water Utility loan due in annual installments of \$34,230 including interest at 1.5% through 2024	163,707		31,774	131,933	32,251
\$782,000 State of Alaska Water Utility loan due in annual installments of \$39,100 plus interest at 1.5% through 2027	312,800		39,100	273,700	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	661,882		78,489	583,393	79,666
\$1,071,429 State of Alaska Water Utility loan due in annual installments of \$55,679 Including interest at 1.5% through 2037	872,625		42,589	830,036	43,228
\$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 Department of Agriculture Community Facilities Loans and Grant Program loan due in semi-annual installments of 85,870 including interest at 1.875% through 2058	4,692,815	-	83,901	4,608,914	85,725
Vested unpaid vacation and sick leave	52,562	50,456	50,022	52,996	52,996
Total Business-type Activities	\$ 7,200,487	\$ 50,456	\$ 347,742	\$ 6,903,201	\$ 355,161

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
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	\$ 390,000	\$ 49,100	\$ 439,100

Business-type Activities	Loans Payable		
<i>Year Ending December 31,</i>	Principal	Interest	Total
2021	\$ 302,165	\$ 115,046	\$ 417,211
2022	306,439	110,183	416,622
2023	310,785	105,251	416,036
2024	314,975	100,473	415,448
2025	287,381	95,176	382,557
2026-2030	979,448	414,443	1,393,891
2031-2035	794,636	342,455	1,137,091
2036-2040	697,381	272,677	970,058
2041-2045	646,237	212,463	858,700
2046-2050	709,471	149,229	858,700
2051-2055	778,891	79,809	858,700
2056-2058	416,448	11,780	428,228
	6,544,257	\$ 2,008,985	\$ 8,553,242
Loans not in repayment status	305,948		
Total Business-type Activities Loans Payable	\$ 6,850,205		

Debt Covenants

All significant bond covenants have been complied with as of December 31, 2020. 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>	<i>2020</i>
Assets Held Under Capital Lease - Radio Equipment	\$ 659,048

The obligation under the capital lease is as follows:

<i>December 31,</i>	<i>2020</i>
Lease payable to lessor, payable in annual payments of \$114,206, including interest at a fixed rate of 3.47% per annum	\$ 110,375
Less current portion	(110,375)
Long-term Portion	\$ -

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>	
2021	\$ 114,206
Less amount representing interest	(3,831)
Present Value of Future Minimum Lease Payments	\$ 110,375

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City of Palmer, Alaska

Notes to Basic Financial Statements

8. 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	CARES Act Special Revenue Fund	Nonmajor Funds	Totals
Nonspendable:				
Prepaid insurance and inventory	\$ 325,208	\$ 140,303	\$ -	\$ 465,511
Advances to other funds	1,922,653	-	-	1,922,653
Total nonspendable	2,247,861	140,303	-	2,388,164
Restricted for public safety	-	-	4,831	4,831
Committed:				
Public safety	-	-	14,519	14,519
Parks	-	-	52,239	52,239
Capital projects and equipment	-	-	1,656,463	1,656,463
Total committed	-	-	1,723,221	1,723,221
Assigned - vested unpaid vacation and sick leave	418,089	-	-	418,089
Unassigned (deficit)	6,122,312	(139,938)	-	5,982,374
Total Fund Balances	\$ 8,788,262	\$ 365	\$ 1,728,052	\$ 10,516,679

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City of Palmer, Alaska

Notes to Basic Financial Statements

9. Pension and Other Postemployment Benefit Plan

General Information About the Plan

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

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

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

(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% of 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, 2019 and June 30, 2020 were determined in the June 30, 2016 and June 30, 2017 actuarial valuations, respectively. The City's contribution rates for the 2020 calendar year were as follows:

<i>January 1, 2020 to June 30, 2020</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%

City of Palmer, Alaska

Notes to Basic Financial Statements

<i>July 1, 2020 to December 31, 2020</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	22.00%	26.58%	8.85%
Postemployment healthcare (ARHCT)	0.00%	4.27%	0.00%
Total Contribution Rates	22.00%	30.85%	8.85%

In 2020, the City was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2019 to June 30, 2020	City Fiscal Year January 1, 2020 to December 31, 2020
Employer contributions (including DBUL)	\$ 474,838	\$ 508,085
Nonemployer contributions (on-behalf)	303,541	349,056
Total Contributions	\$ 778,379	\$ 857,141

In addition, employee contributions to the Plan totaled \$151,508 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, 2020, 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:

	2020
City proportionate share of NPL	\$ 8,426,777
State's proportionate share of NPL associated with the City	3,489,508
Total Net Pension Liability	\$ 11,916,285

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2020 measurement date, the City's proportion was 0.14280 percent, which was an increase of 0.01727 from its proportion measured as of June 30, 2019.

City of Palmer, Alaska

Notes to Basic Financial Statements

For the year ended December 31, 2020, the City recognized pension expense of \$162,570 and on-behalf revenue of \$303,541 for support provided by the State. At December 31, 2020, 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	\$ 26,732	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	342,971	-
Changes in proportion and differences between City contributions and proportionate share of contributions	179,557	-
City contributions subsequent to the measurement date	279,918	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 829,178	\$ -

The \$279,918 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 ending December 31, 2021. 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,

2021	\$	212,350
2022		120,613
2023		127,484
2024		88,813
Total Amortization	\$	549,260

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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, 2019, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 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-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit-weighted, rolled back to 2006, and projected 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, 2019 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. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

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 2.36%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	0%	(1.09)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The discount rate used did not change from the prior measurement date. 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	0.14280%	\$ 10,956,591	\$ 8,426,777	\$ 6,304,968

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/drb/pers>.

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended December 31, 2020 to cover a portion of the City's employer match contributions. For the year ended December 31, 2020, forfeitures reduced pension expense by \$8,148.

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, 2020, 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, 2020 were \$151,507 and \$242,412, respectively. The City contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit Other Postemployment Benefits (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/drb/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, 2020 were as follows:

<i>January 1, 2020 to June 30, 2020</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%

<i>July 1, 2020 to December 31, 2020</i>	Other	Police/Fire
Alaska Retiree Healthcare Trust	0.00%	0.00%
Retiree Medical Plan	1.27%	1.27%
Occupational Death and Disability Benefits	0.31%	0.70%
Total Contribution Rates	1.58%	1.97%

In 2020, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2019 to June 30, 2020	City Fiscal Year January 1, 2020 to December 31, 2020
Employer contributions - ARHCT	\$ 189,665	\$ 140,340
Employer contributions - RMP	39,447	39,235
Employer contributions - ODD	10,764	11,399
Total Contributions	\$ 239,876	\$ 190,974

City of Palmer, Alaska

Notes to Basic Financial Statements

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

At December 31, 2020, the City reported an asset for its proportionate share of the net OPEB asset (NOA) 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:

	2020
City's proportionate share of NOA - ARHCT	\$ 646,570
City's proportionate share of NOA - ODD	66,911
Total City's Proportionate Share of NOA	\$ 713,481
State's proportionate share of the ARHCT NOA associated with the City	268,248
Total Net OPEB Asset	\$ 981,729

At December 31, 2020, the City report a liability for its proportionate share of the net OPEB liability (NOL) associated with the City's participation in the RMP Plan. The amount recognized by the City for its proportionate share was \$15,685.

The total OPEB liabilities (asset) for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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, 2019 Measurement Date Employer Proportion	June 30, 2020 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.12550%	0.14278%	0.01728 %
RMP	0.23802%	0.22114%	(0.01688)%
ODD	0.27434%	0.24545%	(0.02889)%

Collective Totals (All Plans)

For the year ended December 31, 2020, the City recognized collective OPEB expense of \$(360,986) and revenue of \$(172,625) for support provided by the Plans.

City of Palmer, Alaska

Notes to Basic Financial Statements

At December 31, 2020, 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	\$ 82	\$ (77,691)
Changes in assumptions	22,028	(492,227)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	268,739	-
Changes in proportion and differences between City contributions and proportionate share of contributions	31,764	(9,831)
City contributions subsequent to the measurement date	74,677	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans	\$ 397,290	\$ (579,749)

The \$74,677 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, 2021. 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,

2021		\$ (468,869)
2022		88,803
2023		95,598
2024		65,753
2025		(6,538)
Thereafter		(13,883)
Total Amortization		\$ (257,136)

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City of Palmer, Alaska

Notes to Basic Financial Statements

ARHCT Plan

At December 31, 2020, 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	\$ -	\$ (51,870)
Changes in assumptions	-	(450,697)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	259,421	-
Changes in proportion and differences between City contributions and proportionate share of contributions	23,265	-
City contributions subsequent to the measurement date	49,205	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to ARHCT Plan	\$ 331,891	\$ (502,567)

The \$49,205 reported as 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, 2021. 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,

2021	\$ (481,388)
2022	92,339
2023	99,147
2024	70,021
Total Amortization	\$ (219,881)

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City of Palmer, Alaska

Notes to Basic Financial Statements

RMP

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the RMP from the following sources:

<i>RMP</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82	\$ (3,371)
Changes in assumptions	22,028	(40,550)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	7,023	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,282	(3,195)
City contributions subsequent to the measurement date	19,386	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to RMP	\$ 50,801	\$ (47,116)

The \$19,386 reported as 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, 2021. 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,

2021	\$ (1,787)
2022	(386)
2023	(411)
2024	(947)
2025	(2,639)
Thereafter	(9,531)
Total Amortization	\$ (15,701)

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City of Palmer, Alaska

Notes to Basic Financial Statements

ODD Plan

At December 31, 2020, 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	\$ -	\$ (22,450)
Changes in assumptions	-	(980)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	2,295	-
Changes in proportion and differences between City contributions and proportionate share of contributions	6,217	(6,636)
City contributions subsequent to the measurement date	6,086	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to ODD Plan	\$ 14,598	\$ (30,066)

The \$6,086 reported as 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, 2021. 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,

2021		\$ (3,694)
2022		(3,150)
2023		(3,138)
2024		(3,321)
2025		(3,899)
Thereafter		(4,352)
Total Amortization		\$ (21,554)

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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, 2020 was determined by actuarial valuations as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020.

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, 2020 measurement date were allocated to employers based on the present value of contributions for FY 2022-2039, as determined by projections based on the June 30, 2019 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%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
Participation (ARHCT)	100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2019 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. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.

City of Palmer, Alaska

Notes to Basic Financial Statements

3. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
4. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

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 2.36% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 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	26%	6.24 %
Global equity (non-U.S.)	18%	6.67 %
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01 %
Real assets	13%	3.82 %
Private equity	11%	10.00 %
Cash equivalents	0%	(1.09)%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2020 was 7.38%. The discount rate used did not change from the prior measurement date. 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 for 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	0.14278%	\$ 674,682	\$ (646,570)	\$ (1,740,957)
RMP	0.22114%	\$ 97,172	\$ 15,685	\$ (45,997)
ODD	0.24545%	\$ (62,876)	\$ (66,911)	\$ (70,136)

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 2019 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	0.14278%	\$ (1,869,272)	\$ (646,570)	\$ 834,052
RMP	0.22114%	\$ (55,037)	\$ 15,685	\$ 111,882
ODD	0.24545%	\$ 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

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

City of Palmer, Alaska

Notes to Basic Financial Statements

Contribution Rate

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, 2020, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,159 per year for each full-time employee, and \$1.38 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2020, the City contributed \$39,234 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

10. 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, 2020.

11. 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.

City of Palmer, Alaska

Notes to Basic Financial Statements

12. 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.

Airport

The City has 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, in conjunction with its ongoing airport operations, advises that it is investigating and researching land use compatibility with airport activities, such as potential trespass and grant assurance compliance. The potential trespass on airport land involves a structure allegedly used by a former pro se litigant who sought damages from the City due to alleged airport noise. See *Ray Briggs v. City of Palmer, Alaska*, Case No. 3PA-07-001480 Civil.

Another matter the City is investigating for grant assurance compliance is the grant of an access easement by the City to property owners, recorded on December 12, 1979, Book 204, Page 789 (Palmer Recording District). The City advises it will report such airport activities to the FAA and work cooperatively with 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.

Water and Sewer

Federal Consent Decree 3:16-cs-00204 TMB/DOJ No. 90-5-1-1-09888

The City has been in ongoing communication with the Alaska Department of Environmental Conservation, the U.S. Environmental Protection Agency, and the U.S. Department of Justice regarding compliance with wastewater utility discharge permit requirements based on Clean Water Act standards and the City's Alaska Pollution Discharge Elimination System (AKPDES) and National Pollution Discharge Elimination System Permits. The City agreed to a Consent Decree to include a \$192,000 plus interest monetary penalty along with a schedule to upgrade the wastewater treatment plant to attain Clean Water Act compliance. The Consent Decree was filed on October 26, 2016. The Court approved the Consent Decree on December 22, 2016. On January 19, 2021, the parties filed with the U.S. District Court of Alaska a First Material Modification to Consent Decree. Pursuant to the Reporting Requirements, the City has continued to file its Quarterly Reports in accordance with US DOJ Issued City of Palmer Federal Consent Decree with its last report filed on October 23, 2020.

City of Palmer, Alaska

Notes to Basic Financial Statements

13. 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. 87 - Leases - Effective for year-end December 31, 2022, 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. 91 - Conduit Debt Obligations - Effective for year-end December 31, 2022. 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, 2022. 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).

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).

City of Palmer, Alaska

Notes to Basic Financial Statements

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.

GASB Statement No. 96 - Subscription-based Information Technology Arrangements - Effective for year-end December 31, 2023, This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITs) for government end users (governments).

14. COVID-19

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 and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the coronavirus as a pandemic, based on the rapid increase in exposure globally.

The City’s operations are heavily dependent on the ability to collect sales taxes and charges for services. Additionally, access to grants and contracts from the federal government and the State of Alaska may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to adversely impact the tax revenue base, demand for certain services, and to depress the value of the City’s investments in marketable securities. The situation may also adversely impact the City’s ability to deploy its workforce as effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services. As such, this may hinder the ability for the City to meet the needs of its constituents. As such, the City’s financial condition and liquidity may be negatively impacted for the fiscal year 2021.

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. The City received \$7,566,546 in payments from the Coronavirus Relief Fund (CRF), passed through the State of Alaska, for the year ended December 31, 2020. The City applied \$6,400,278 in CRF funding toward eligible expenditures in fiscal year 2020. The City continues to examine 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.

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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, 2020</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 9,061,500	\$ 9,022,000	\$ 8,957,957	\$ (64,043)
Licenses and permits	197,300	197,300	157,039	(40,261)
Fines and forfeitures	95,000	95,000	74,542	(20,458)
Intergovernmental	545,784	669,799	669,723	(76)
Special assessments	-	23,200	11,693	(11,507)
Charges for services	1,524,722	1,508,819	1,411,416	(97,403)
Miscellaneous	184,287	109,930	105,639	(4,291)
Total Revenues	11,608,593	11,626,048	11,388,009	(238,039)
Expenditures				
General government	3,905,605	3,369,798	2,949,721	420,077
Public safety	4,720,436	4,728,607	2,257,876	2,470,731
Public works	2,076,384	1,935,603	1,818,689	116,914
Community services	1,348,597	1,616,628	1,345,203	271,425
Debt service	-	107,850	107,850	-
Total Expenditures	12,051,022	11,758,486	8,479,339	3,279,147
Excess of Revenues Over (Under) Expenditures	(442,429)	(132,438)	2,908,670	3,041,108
Other Financing Sources (Uses)				
Transfers in	-	301,578	299,448	(2,130)
Transfers out	-	(545,300)	(545,300)	-
Total Other Financing Sources (Uses)	-	(243,722)	(245,852)	(2,130)
Net Change in Fund Balance	<u>\$ (442,429)</u>	<u>\$ (376,160)</u>	2,662,818	<u>\$ 3,038,978</u>
Fund Balance, beginning			<u>6,125,444</u>	
Fund Balance, ending			<u>\$ 8,788,262</u>	

See accompanying notes to Required Supplementary Information.

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

<i>Year Ended December 31, 2020</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 7,566,546	\$ 7,566,546	\$ 6,400,278	\$ (1,166,268)
Miscellaneous - investment income	-	-	365	365
Total Revenues	7,566,546	7,566,546	6,400,643	(1,165,903)
Expenditures				
General government	1,100,000	925,126	353,023	572,103
Public safety	860,000	2,975,975	2,686,321	289,654
Public works	30,000	14,549	11,450	3,099
Community services	5,576,546	3,650,896	3,349,484	301,412
Total Expenditures	7,566,546	7,566,546	6,400,278	1,166,268
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	365	<u>\$ 365</u>
Fund Balance, beginning			<u>-</u>	
Fund Balance, ending			<u>\$ 365</u>	

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>	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.14280%	0.12553%	0.14197%	0.13696%	0.16745%	0.15223%
City's Proportionate Share of the Net Pension Liability	\$ 8,426,777	\$ 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	\$ 3,489,508	\$ 2,732,694	\$ 2,042,764	\$ 2,638,507	\$ 1,181,359	\$ 1,977,456
Total Net Pension Liability	\$11,916,285	\$ 9,604,600	\$ 9,097,421	\$ 9,718,501	\$10,540,898	\$ 9,360,460
City's Covered Payroll	\$ 4,394,858	\$ 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	191.74%	157.52%	162.65%	160.24%	212.05%	164.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%

Schedule of City Contributions

<i>Years Ended December 31,</i>	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 508,085	\$ 508,283	\$ 510,983	\$ 521,201	\$ 467,070	\$ 446,116
Contributions Relative to the Contractually Required Contribution	\$ 508,085	\$ 508,283	\$ 510,983	\$ 521,201	\$ 467,070	\$ 446,116
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 4,320,853	\$ 4,468,862	\$ 4,256,180	\$ 4,418,368	\$ 4,418,334	\$ 4,406,408
Contributions as a Percentage of Covered Payroll	11.76%	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)

Years Ended December 31,	ARHCT			RMP			ODD		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.14278%	0.12550%	0.14190%	0.22114%	0.23802%	0.22752%	0.24545%	0.27434%	0.22752%
City's Proportionate Share of the Net OPEB Liability (Asset)	\$ (646,570)	\$ 186,265	\$ 1,456,787	\$ 15,685	\$ 56,944	\$ 28,951	\$ (66,911)	\$ (66,515)	\$ (44,188)
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	\$ (268,248)	\$ 74,117	\$ 423,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Net OPEB Liability (Asset)	\$ (914,818)	\$ 260,382	\$ 1,879,805	\$ 15,685	\$ 56,944	\$ 28,951	\$ (66,911)	\$ (66,515)	\$ (44,188)
City's Covered Payroll	\$ 4,394,858	\$ 1,535,877	\$ 4,337,274	\$ 4,394,858	\$ 1,535,877	\$ 4,337,274	\$ 4,394,858	\$ 1,535,877	\$ 4,337,274
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-14.71%	12.13%	33.59%	0.36%	3.71%	0.67%	-1.52%	-4.33%	-1.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	106.15%	98.13%	88.12%	95.23%	83.17%	88.71%	283.80%	297.43%	270.62%

Schedule of City Contributions

Years Ended December 31,	ARHCT			RMP			ODD		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Contractually Required Contributions	\$ 140,340	\$ 193,006	\$ 166,459	\$ 39,235	\$ 33,444	\$ 26,371	\$ 11,399	\$ 10,996	\$ 8,272
Contributions Relative to the Contractually Required Contribution	140,340	193,006	166,459	39,235	33,444	26,371	11,399	10,996	8,272
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 1,290,703	\$ 1,507,347	\$ 1,564,407	\$ 3,030,150	\$ 2,961,515	\$ 2,691,773	\$ 3,030,150	\$ 2,961,515	\$ 2,691,773
Contributions as a Percentage of Covered Payroll	10.87%	12.80%	10.64%	1.29%	1.13%	0.98%	0.38%	0.37%	0.31%

See accompanying notes to Required Supplementary Information.

City of Palmer, Alaska

Notes to Required Supplementary Information December 31, 2020

1. Budgetary Comparison Schedules

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

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

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

The City publishes its annual budget document and it is available on the City's website at: www.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, 2020, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 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. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

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

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, 2020

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 Asset and Liability

This table is presented based on the Plan measurement date. For December 31, 2020, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 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. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
3. The Further Consolidated Appropriations Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
4. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

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

In 2019, 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.

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.

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.

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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, 2020</i>								
Assets								
Cash and investments	\$ 45,125	\$ -	\$ 52,239	\$ 4,831	\$ 376,500	\$ 550,294	\$ 729,669	\$ 1,758,658
Grants receivable	2,098	23,851	-	-	-	-	-	25,949
Total Assets	\$ 47,223	\$ 23,851	\$ 52,239	\$ 4,831	\$ 376,500	\$ 550,294	\$ 729,669	\$ 1,784,607
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380
Due to other funds	-	18,675	-	-	-	-	-	18,675
Unearned revenue	37,500	-	-	-	-	-	-	37,500
Total Liabilities	37,500	19,055	-	-	-	-	-	56,555
Fund Balances								
Restricted for public safety	-	-	-	4,831	-	-	-	4,831
Committed:								
Capital projects and equipment	-	-	-	-	376,500	550,294	729,669	1,656,463
Public safety	9,723	4,796	-	-	-	-	-	14,519
Parks	-	-	52,239	-	-	-	-	52,239
Total Fund Balances	9,723	4,796	52,239	4,831	376,500	550,294	729,669	1,728,052
Total Liabilities and Fund Balances	\$ 47,223	\$ 23,851	\$ 52,239	\$ 4,831	\$ 376,500	\$ 550,294	\$ 729,669	\$ 1,784,607

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

	Special Revenue Funds				Capital Project Funds			Total Nonmajor Governmen- tal Funds
	Narcotics Grant	Police Grants	Neighborhood Parks Development	Asset Forfeiture	Capital Projects	Equipment	Road Improve- ments	
<i>Year Ended December 31, 2020</i>								
Revenues								
Federal government	\$ 17,019	\$ 8,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,232
State of Alaska	-	-	-	4,830	-	-	-	4,830
Miscellaneous	130,000	86,341	3,200	-	-	-	-	219,541
Total Revenues	147,019	94,554	3,200	4,830	-	-	-	249,603
Expenditures								
Public safety	168,479	94,555	-	14,424	-	-	-	277,458
Capital outlay	-	-	-	-	19,890	305,581	29,108	354,579
Total Expenditures	168,479	94,555	-	14,424	19,890	305,581	29,108	632,037
Excess of Revenues Over (Under) Expenditures	(21,460)	(1)	3,200	(9,594)	(19,890)	(305,581)	(29,108)	(382,434)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	81,700	275,000	135,000	491,700
Transfers out	-	-	-	-	(35,694)	-	-	(35,694)
Total Other Financing Sources (Uses)	-	-	-	-	46,006	275,000	135,000	456,006
Net Change in Fund Balances	(21,460)	(1)	3,200	(9,594)	26,116	(30,581)	105,892	73,572
Fund Balances, beginning	31,183	4,797	49,039	14,425	350,384	580,875	623,777	1,654,480
Fund Balances, ending	\$ 9,723	\$ 4,796	\$ 52,239	\$ 4,831	\$ 376,500	\$ 550,294	\$ 729,669	\$ 1,728,052

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Nonmajor Enterprise Funds

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

<i>December 31, 2020</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	\$ 754,371	\$ -	\$ 369	\$ 754,740
Accounts receivable	119,790	-	-	119,790
Unbilled revenue	64,019	-	-	64,019
Prepaid expenses	-	700	-	700
Total Current Assets	938,180	700	369	939,249
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	1,091,613	493,424	-	1,585,037
Improvements other than buildings	-	667,234	-	667,234
Total property, plant and equipment	1,144,280	2,983,717	-	4,127,997
Less accumulated depreciation	(688,207)	(1,132,711)	-	(1,820,918)
Net Property, Plant and Equipment	456,073	1,851,006	-	2,307,079
Other Asset - Net Other Postemployment Benefits Asset	9,661	-	-	9,661
Total Assets	1,403,914	1,851,706	217,783	3,473,403
Deferred Outflows of Resources				
Related to pensions	10,520	-	-	10,520
Related to other postemployment benefits	5,379	-	-	5,379
Total Deferred Outflows of Resources	15,899	-	-	15,899
Total Assets and Deferred Outflows of Resources	\$ 1,419,813	\$ 1,851,706	\$ 217,783	\$ 3,489,302
Liabilities, Deferred Inflows of Resources, and Net Position				
Current Liabilities				
Accounts payable	\$ 32,701	\$ 5,282	\$ -	\$ 37,983
Accrued payroll and employee benefits	836	-	-	836
Vested unpaid vacation and sick leave	12,035	-	-	12,035
Unearned revenue	-	37,208	-	37,208
Total Current Liabilities	45,572	42,490	-	88,062
Long-term Liabilities				
Net pension liability	184,311	-	-	184,311
Net other postemployment benefits liability	212	-	-	212
Advance from other fund	-	467,993	-	467,993
Total Long-term Liabilities	184,523	467,993	-	652,516
Total Liabilities	230,095	510,483	-	740,578
Deferred Inflows of Resources				
Related to pensions	-	-	-	-
Related to other postemployment benefits	7,850	-	-	7,850
Total Deferred Inflows of Resources	7,850	-	-	7,850
Net Position				
Net investment in capital assets	456,073	1,851,006	-	2,307,079
Unrestricted (deficit)	725,795	(509,783)	217,783	433,795
Total Net Position	1,181,868	1,341,223	217,783	2,740,874
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,419,813	\$ 1,851,706	\$ 217,783	\$ 3,489,302

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

<i>Year Ended December 31, 2020</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Operating Revenues	\$ 789,247	\$ 674,683	\$ -	\$ 1,463,930
Operating Expenses				
Salaries and employee benefits	103,971	-	-	103,971
Administrative services	143,139	417,000	-	560,139
Other operating expenses	443,625	113,221	-	556,846
Depreciation	76,754	50,850	-	127,604
Total Operating Expenses	767,489	581,071	-	1,348,560
Operating Income (Loss)	21,758	93,612	-	115,370
Nonoperating Revenues				
State PERS relief	6,106	-	-	6,106
Income (Loss) Before Transfers	27,864	93,612	-	121,476
Transfers in	-	37,000	-	37,000
Transfers out	(45,630)	(32,850)	-	(78,480)
Change in Net Position	(17,766)	97,762	-	79,996
Net Position, beginning	1,199,634	1,243,461	217,783	2,660,878
Net Position, ending	\$ 1,181,868	\$ 1,341,223	\$ 217,783	\$ 2,740,874

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

<i>Year Ended December 31, 2020</i>	Refuse	Golf Course	Land Development	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Cash receipts from customers and users	\$ 790,618	\$ 675,268	\$ -	\$ 1,465,886
Payments to suppliers	(440,892)	(530,439)	-	(971,331)
Payments to employees	(128,542)	-	-	(128,542)
Payments for interfund services used	(143,139)	-	-	(143,139)
Net cash flows from operating activities	78,045	144,829	-	222,874
Cash Flows for Noncapital Financing Activities				
Transfers out	(45,630)	(32,850)	-	(78,480)
Cash Flows for Capital and Related Financing Activities				
Decrease in advances to other funds	-	(153,865)	-	(153,865)
Transfers in	-	37,000	-	37,000
Purchase of property, plant and equipment	(34,160)	(37,000)	-	(71,160)
Net cash flows for capital and related financing activities	(34,160)	(153,865)	-	(188,025)
Net Increase (Decrease) in Cash and Investments	(1,745)	(41,886)	-	(43,631)
Cash and Investments, beginning	756,116	41,886	369	798,371
Cash and Investments, ending	\$ 754,371	\$ -	\$ 369	\$ 754,740
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities				
Operating income (loss)	\$ 21,758	\$ 93,612	\$ -	\$ 115,370
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	76,754	50,850	-	127,604
Noncash expense - PERS relief	6,106	-	-	6,106
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	5,076	-	-	5,076
Unbilled revenue	(3,705)	-	-	(3,705)
Prepaid expenses	34,455	(700)	-	33,755
Inventories	-	1,365	-	1,365
Net other postemployment benefits asset	(8,802)	-	-	(8,802)
Deferred outflows of resources related to pensions	(4,059)	-	-	(4,059)
Deferred outflows of resources related to other postemployment benefits	1	-	-	1
Increase (decrease) in liabilities and deferred inflows of resources:				
Accounts payable	(31,722)	(883)	-	(32,605)
Unearned revenue	-	585	-	585
Accrued payroll and employee benefits	(2,508)	-	-	(2,508)
Vested unpaid vacation and sick leave	1,820	-	-	1,820
Net pension liability	(14,050)	-	-	(14,050)
Net other postemployment benefits liability	(2,743)	-	-	(2,743)
Deferred inflows of resources related to pensions	(4,399)	-	-	(4,399)
Deferred inflows of resources related to other postemployment benefits	4,063	-	-	4,063
Net Cash Flows from Operating Activities	\$ 78,045	\$ 144,829	\$ -	\$ 222,874

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>	2020	2019
Assets		
Cash and investments	\$ 5,165,840	\$ 3,101,216
Receivables, net of allowance for uncollectibles:		
Sales taxes	916,035	808,195
Property taxes	155,024	224,579
Accounts	35,509	28,744
Assessments:		
Current	4,360	6,100
Delinquent	34,498	34,167
Deferred	52,343	61,679
Prepaid insurance	310,513	263,720
Inventory	14,695	15,585
Due from other funds	789,043	206,172
Advances to other funds	1,922,653	2,076,518
Total Assets	\$ 9,400,513	\$ 6,826,675
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Accounts payable	\$ 302,912	\$ 193,163
Accrued payroll and employee benefits	106,352	288,307
Deposits	8,236	9,206
Unearned revenue	51,358	56,416
Total Liabilities	468,858	547,092
Deferred Inflows of Resources		
Deferred property taxes	52,192	52,192
Deferred assessments	91,201	101,947
Total Deferred Inflows of Resources	143,393	154,139
Total Liabilities and Deferred Inflows of Resources	612,251	701,231
Fund Balance		
Nonspendable:		
Prepaid insurance and inventory	325,208	279,305
Advances to other funds	1,922,653	2,076,518
Assigned for vested unpaid vacation and sick leave	418,089	404,763
Unassigned	6,122,312	3,364,858
Total Fund Balance	8,788,262	6,125,444
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 9,400,513	\$ 6,826,675

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

<i>Years Ended December 31,</i>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Revenues				
Taxes:				
Sales taxes	\$ 7,678,000	\$ 7,602,129	\$ (75,871)	\$ 7,500,312
Real and personal property taxes	1,344,000	1,355,828	11,828	1,329,970
Total taxes	9,022,000	8,957,957	(64,043)	8,830,282
Licenses and permits:				
Business licenses	72,000	60,910	(11,090)	60,800
Permits	125,300	96,129	(29,171)	267,848
Total licenses and permits	197,300	157,039	(40,261)	328,648
Fines and forfeitures	95,000	74,542	(20,458)	107,110
Intergovernmental:				
Community assistance	78,000	77,979	(21)	165,318
Liquor licenses	17,200	17,200	-	15,000
Electric and telephone co-op tax	130,400	130,362	(38)	130,774
State PERS relief	313,399	313,397	(2)	262,069
Library grants	7,000	7,000	-	10,500
Public safety grants	-	-	-	3,641
Motor vehicle tax	123,800	123,785	(15)	213,441
Total intergovernmental	669,799	669,723	(76)	800,743
Special assessments	23,200	11,693	(11,507)	17,103
Charges for services:				
Administrative service charges - other funds	644,172	644,172	-	638,905
Grant administration fees	5,000	4,390	(610)	14,205
Fire protection	327,831	332,652	4,821	388,115
Community center fees	42,000	23,700	(18,300)	40,870
Library fees	17,200	7,629	(9,571)	20,604

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Revenues, continued:				
Charges for services, continued:				
Dispatch	\$ 90,000	\$ 90,000	\$ -	\$ 90,000
Ice rink revenues	260,950	187,631	(73,319)	240,008
Building rental	68,666	68,823	157	68,300
Planning and zoning	3,000	2,419	(581)	779
Public safety	50,000	50,000	-	50,000
Total charges for services	1,508,819	1,411,416	(97,403)	1,551,786
Miscellaneous:				
Investment income	55,000	51,190	(3,810)	113,015
Property and equipment sales	2,100	2,097	(3)	15,877
Other	52,830	52,352	(478)	55,601
Total miscellaneous	109,930	105,639	(4,291)	184,493
Total Revenues	11,626,048	11,388,009	(238,039)	11,820,165
Expenditures				
General government:				
Mayor/Council/Clerk:				
Salaries and benefits	278,728	265,770	12,958	268,399
Audit	37,571	36,343	1,228	43,036
Advertising	8,000	4,090	3,910	8,227
Dues and subscriptions	8,850	7,356	1,494	8,255
Travel	12,000	4,492	7,508	9,081
Education and training	6,000	3,969	2,031	6,542
Legal fees	34,056	34,056	-	21,396
Services	2,000	311	1,689	451
Telephone	9,750	8,961	789	9,667
Insurance	8,512	8,059	453	6,322
Operating supplies	4,000	1,442	2,558	1,938
Services - Sister City program	13,500	345	13,155	7,225
Council donations	14,500	13,700	800	15,649

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Mayor/Council/Clerk, continued:				
Website and broadcasting	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Computer services	6,000	4,791	1,209	2,703
Election	15,915	15,915	-	15,324
Office equipment	6,100	3,007	3,093	14,999
Codification consulting services	16,100	10,253	5,847	14,264
Repairs and maintenance	1,000	225	775	1,642
Office supplies	6,000	2,234	3,766	2,020
Total Mayor/Council/Clerk	491,582	428,319	63,263	460,140
Administration:				
Salaries and employee benefits	1,100,955	1,054,190	46,765	1,054,095
Advertising	420	126	294	-
Dues and subscriptions	48,215	48,212	3	499
Travel	1,500	-	1,500	615
Education and training	1,500	223	1,277	655
Legal fees	8,520	5,980	2,540	4,248
Services	30,060	4,640	25,420	4,966
Telephone	6,000	3,720	2,280	6,421
Insurance	13,686	12,858	828	9,457
Operating supplies	9,000	6,216	2,784	7,325
Repairs and maintenance	1,500	-	1,500	-
Office equipment	7,574	2,791	4,783	14,573
Computer services	80,000	72,007	7,993	68,827
Miscellaneous	325	324	1	322
Total administration	1,309,255	1,211,287	97,968	1,172,003
Buildings:				
Services	5,800	5,347	453	6,297
Power	18,000	16,400	1,600	16,063
Heat	3,005	3,002	3	2,507
Water and sewer	1,600	1,600	-	1,592

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Buildings, continued:				
Insurance	\$ 5,121	\$ 5,053	\$ 68	\$ 4,016
Telephone	16,828	16,826	2	17,464
Operating supplies	1,147	318	829	1,272
Office supplies	8,500	7,793	707	7,743
Repairs and maintenance	6,200	5,173	1,027	8,690
Miscellaneous	8,000	6,015	1,985	6,993
Total buildings	74,201	67,527	6,674	72,637
City manager:				
Salaries and employee benefits	446,327	378,836	67,491	417,385
Advertising	22,660	20,777	1,883	24,830
Dues and subscriptions	2,000	610	1,390	983
Travel	3,286	95	3,191	819
Education and training	3,714	3,714	-	1,035
Legal fees	9,400	9,398	2	4,903
Services	14,793	2,910	11,883	20,395
Telephone	3,945	3,943	2	2,932
Insurance	11,319	10,584	735	8,452
Small tools and equipment	4,000	1,948	2,052	5,659
Discretionary	5,000	-	5,000	5,103
Fuel	1,062	1,061	1	243
Repairs and maintenance	135,000	134,351	649	123,602
Office supplies	3,000	2,325	675	5,534
Board stipends	8,400	1,500	6,900	3,250
Miscellaneous	12,000	2,022	9,978	3,714
Total city manager	685,906	574,074	111,832	628,839
Community development:				
Salaries and employee benefits	582,328	476,142	106,186	533,238
Advertising	2,000	1,585	415	1,597
Dues and subscriptions	2,200	2,026	174	1,433

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
General government, continued:				
Community development, continued:				
Travel	\$ 1,757	\$ -	\$ 1,757	\$ -
Education and training	3,000	855	2,145	1,354
Legal fees	33,636	33,635	1	3,148
Services	4,009	3,654	355	5,196
Telephone	3,076	3,076	-	3,349
Power	7,000	6,714	286	7,016
Heat	3,743	3,742	1	2,407
Water and sewer	1,564	1,564	-	1,600
Insurance	13,190	12,516	674	9,652
Operating supplies	1,269	1,266	3	646
Equipment	3,417	2,261	1,156	3,781
Fuel	1,500	1,485	15	1,732
Repairs and maintenance	1,500	1,255	245	1,358
Annexation and community planning	127,990	106,064	21,926	14,334
Rental and lease	3,500	1,692	1,808	1,651
Office supplies	3,300	2,973	327	3,336
Board stipends	4,200	1,450	2,750	2,850
Miscellaneous	4,675	4,559	116	3,352
Total community development	808,854	668,514	140,340	603,030
Total general government	3,369,798	2,949,721	420,077	2,936,649
Public safety:				
Police department:				
Salaries and employee benefits	3,200,211	1,107,023	2,093,188	3,286,617
Advertising	500	240	260	460
Dues and subscriptions	700	329	371	490
Travel	8,300	8,185	115	25,338
Education and training	18,639	18,579	60	11,873
Legal fees	5,600	5,474	126	20,261
Services	142,501	141,329	1,172	54,465
Telephone	20,600	19,922	678	21,438
Power	32,771	32,752	19	37,434

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Police department, continued:				
Heat	\$ 19,577	\$ 19,576	\$ 1	\$ 15,729
Water and sewer	12,146	12,144	2	11,347
Fuel	22,197	21,173	1,024	29,920
Insurance	70,037	65,489	4,548	53,185
Vehicle insurance	27,500	26,553	947	26,750
Office supplies	8,625	7,638	987	7,927
Uniform purchases and allowances	26,904	26,903	1	14,684
Operating supplies	16,348	16,016	332	15,623
Repairs and maintenance	26,508	22,360	4,148	36,902
Community planning	1,000	577	423	5,023
Janitorial supplies	3,466	3,465	1	2,399
Equipment	83,386	82,291	1,095	52,655
Rowland Memorial Fund	2,000	2,000	-	2,000
Miscellaneous	3,820	3,819	1	3,151
Total police department	3,753,336	1,643,837	2,109,499	3,735,671
Fire department:				
Salaries and employee benefits	364,162	169,663	194,499	340,812
Volunteer firemen salaries and benefits	306,447	155,591	150,856	270,548
Dues and subscriptions	980	976	4	3,539
Education and training	9,343	7,485	1,858	22,047
Services	31,299	29,380	1,919	20,841
Telephone	9,630	9,276	354	9,643
Power	11,883	11,882	1	9,805
Heat	7,170	7,168	2	6,068
Water and sewer	3,900	3,080	820	5,239
Fuel	17,100	17,050	50	22,149
Legal	900	108	792	84
Rental and lease	19,295	19,295	-	14,755
Insurance	15,210	14,411	799	11,359
Vehicle insurance	17,857	17,600	257	18,100
Office supplies	3,520	3,516	4	3,408

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public safety, continued:				
Fire department, continued:				
Vehicle supplies	\$ 22,940	\$ 22,938	\$ 2	\$ 21,166
Uniform purchases and allowances	7,945	7,945	-	2,493
Operating supplies	3,640	3,640	-	3,307
Repairs and maintenance	52,888	45,531	7,357	38,512
Small tools	9,782	9,781	1	13,716
Janitorial supplies	1,500	712	788	1,209
Equipment	57,880	57,011	869	47,546
Total fire department	975,271	614,039	361,232	886,346
Total public safety	4,728,607	2,257,876	2,470,731	4,622,017
Public works:				
Administration:				
Salaries and employee benefits	643,342	627,902	15,440	655,278
Advertising	500	-	500	128
Travel	100	53	47	710
Education and training	100	99	1	395
Legal fees	2,700	2,601	99	476
Services	60,200	60,149	51	59,548
Telephone	7,100	7,050	50	7,157
Power	15,930	15,930	-	15,191
Heat	19,127	19,127	-	14,365
Water and sewer	11,758	11,757	1	11,385
Insurance	34,489	32,610	1,879	26,414
Vehicle insurance	17,440	17,368	72	19,943
Repairs and maintenance	11,637	11,636	1	11,860
Small tools	873	873	-	628
Janitorial supplies	625	620	5	392
Equipment	23,950	23,949	1	17,302
Office supplies	3,260	3,251	9	2,213
Christmas lighting	9,130	9,130	-	10,438
Computer expense	5,563	5,563	-	5,298
Operating supplies	418	418	-	-
Total administration	868,242	850,086	18,156	859,121

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Public works, continued:				
Roads:				
Salaries and employee benefits	\$ 412,679	\$ 394,128	\$ 18,551	\$ 403,343
Services	70,421	70,420	1	46,759
Operating supplies	3,565	3,565	-	4,523
Repairs and maintenance	30,500	30,471	29	44,982
Rental and lease	7,542	7,541	1	17,170
Dust control and chemicals	8,157	6,970	1,187	2,004
Road salt and sand	79,779	79,295	484	94,471
Crack sealing	10,000	8,955	1,045	20,115
Safety equipment	1,500	884	616	1,946
Total roads	624,143	602,229	21,914	635,313
Engineering	7,500	909	6,591	825
Street lighting:				
Power	102,400	102,370	30	101,130
Operating supplies	1,700	1,601	99	3,600
Repairs and maintenance	15,580	15,578	2	29,198
Total street lighting	119,680	119,549	131	133,928
Motor vehicle maintenance:				
Salaries and employee benefits	211,710	142,460	69,250	148,818
Fuel	39,460	39,459	1	28,400
Vehicle supplies	16,350	16,312	38	31,098
Repairs and maintenance	28,282	28,261	21	45,401
Small tools and equipment	20,236	19,424	812	16,302
Total motor vehicle maintenance	316,038	245,916	70,122	270,019
Total public works	1,935,603	1,818,689	116,914	1,899,206

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services:				
Tourist center:				
Services	\$ 175,870	\$ 175,870	\$ -	\$ 171,800
Telephone	2,242	2,241	1	2,479
Heat	3,135	3,135	-	2,619
Power	3,000	2,937	63	3,137
Water and sewer	1,445	1,444	1	1,967
Insurance	3,720	3,486	234	2,595
Janitorial supplies	1,000	946	54	802
Repairs and maintenance	2,582	2,406	176	765
Total tourist center	192,994	192,465	529	186,164
Community center building:				
Services	7,160	5,993	1,167	6,960
Telephone	3,000	-	3,000	-
Power	5,500	5,393	107	4,953
Heat	5,340	5,338	2	4,416
Water and sewer	3,440	3,440	-	3,356
Insurance	1,380	1,338	42	893
Operating supplies	10,450	4,003	6,447	10,332
Rental and lease	500	500	-	500
Repairs and maintenance	6,935	3,926	3,009	4,190
Total community center building	43,705	29,931	13,774	35,600
Parks and recreation:				
Salaries and employee benefits	117,292	103,122	14,170	97,164
Fuel	2,619	2,619	-	5,984
Operating supplies	14,835	11,572	3,263	30,632
Power	1,123	1,123	-	578
Water, sewer and garbage	760	760	-	662
Services	100	-	100	560
Repairs and maintenance	11,553	2,377	9,176	4,100
Total parks and recreation	148,282	121,573	26,709	139,680
Arena:				
Salaries and employee benefits	253,198	208,774	44,424	209,756
Advertising	1,500	24	1,476	-
Services	15,898	9,947	5,951	23,058

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>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Arena, continued:				
Telephone	\$ 3,850	\$ 3,848	\$ 2	\$ 3,828
Power	93,400	93,400	-	95,390
Heat	40,000	37,300	2,700	32,696
Water and sewer	10,000	8,673	1,327	7,635
Rental and lease	1,000	-	1,000	-
Fuel	3,687	2,123	1,564	2,001
Insurance	10,358	9,815	543	7,702
Operating supplies	7,500	5,780	1,720	6,413
Janitorial supplies	5,000	1,275	3,725	4,557
Learn to skate	3,000	-	3,000	840
Small tools and equipment	1,435	1,435	-	1,242
Repairs and maintenance	35,000	23,494	11,506	24,328
Total arena	484,826	405,888	78,938	419,446
Library:				
Salaries and employee benefits	554,187	450,404	103,783	503,266
Subscriptions and dues	400	-	400	112
Travel	4,000	125	3,875	6,457
Education and training	3,500	605	2,895	1,807
Services	26,647	15,161	11,486	16,025
Telephone	7,500	7,446	54	7,298
Power	38,000	22,746	15,254	36,437
Heat	7,900	7,078	822	5,170
Water and sewer	4,400	3,829	571	4,161
Rental and lease	324	324	-	324
Insurance	13,129	12,375	754	9,853
Books and subscriptions	45,494	45,494	-	48,095

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Expenditures, continued:				
Community services, continued:				
Library, continued:				
Operating supplies	\$ 18,334	\$ 15,053	\$ 3,281	\$ 13,573
Repairs and maintenance	10,000	7,437	2,563	11,940
Equipment	8,000	2,264	5,736	6,077
Miscellaneous	5,006	5,005	1	5,206
Total library	746,821	595,346	151,475	675,801
Total community services	1,616,628	1,345,203	271,425	1,456,691
Debt service on bonds:				
Principal	85,000	85,000	-	80,000
Interest	22,850	22,850	-	26,850
Total debt service on bonds	107,850	107,850	-	106,850
Total Expenditures	11,758,486	8,479,339	3,279,147	11,021,413
Excess of Revenues Over (Under) Expenditures	(132,438)	2,908,670	3,041,108	798,752
Other Financing Sources (Uses)				
Transfers in	301,578	299,448	(2,130)	254,123
Transfers out	(545,300)	(545,300)	-	(1,205,808)
Total Other Financing Uses	(243,722)	(245,852)	(2,130)	(951,685)
Net Change in Fund Balance	<u>\$ (376,160)</u>	2,662,818	<u>\$ 3,038,978</u>	(152,933)
Fund Balance, beginning		<u>6,125,444</u>		<u>6,278,377</u>
Fund Balance, ending		<u>\$ 8,788,262</u>		<u>\$ 6,125,444</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.

CARES Act

This fund accounts for the activity of the City related to expenditures of the federal funding received under the CARES Act program.

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
CARES Act Special Revenue Fund
Balance Sheet

<i>December 31,</i>	2020
Assets	
Grants receivable	\$ 653,661
Prepaid insurance	140,303
Total Assets	
	\$ 793,964
 Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 93,291
Due to other funds	700,308
Total Liabilities	
	793,599
 Fund Balance (Deficit)	
Nonspendable - prepaid insurance	140,303
Unassigned (deficit)	(139,938)
Total Fund Balance	
	365
Total Liabilities and Fund Balance	
	\$ 793,964

City of Palmer, Alaska
CARES Act Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance

<i>Year Ended December 31,</i>	<i>2020</i>
Revenues	
Intergovernmental - federal government passed through the State of Alaska	\$ 6,400,278
Miscellaneous - investment income	365
Total Revenues	6,400,643
Expenditures	
General government:	
COVID-19 mitigation	92,564
Salaries and employee benefits	25,126
COVID-19 recovery	235,333
Total general government	353,023
Public safety:	
COVID-19 mitigation	30,195
Salaries and employee benefits	2,225,975
COVID-19 recovery	430,151
Total public safety	2,686,321
Public works:	
COVID-19 mitigation	6,901
Salaries and employee benefits	4,549
Total public works	11,450
Community services:	
COVID-19 mitigation	22,275
Salaries and employee benefits	19,152
COVID-19 recovery	115,509
Small business grants	2,061,799
Nonprofit grants	975,000
Housing assistance grants	109,697
Utility assistance grants	46,052
Total community services	3,349,484
Total Expenditures	6,400,278
Net Change in Fund Balance	365
Fund Balance, beginning	-
Fund Balance, ending	\$ 365

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

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 45,125	\$ 66,212
Grants receivable	2,098	2,471
Total Assets	\$ 47,223	\$ 68,683
Liabilities and Fund Balance		
Liabilities - Unearned revenue	\$ 37,500	\$ 37,500
Fund Balance		
Committed for public safety	9,723	31,183
Total Liabilities and Fund Balance	\$ 47,223	\$ 68,683

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

<i>Years Ended December 31,</i>	2020			2019
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - federal government	\$ -	\$ 17,019	\$ 17,019	\$ 19,920
Miscellaneous income	130,000	130,000	-	135,000
Total Revenues	130,000	147,019	17,019	154,920
Expenditures				
Public safety - salaries and employee benefit	142,325	168,479	(26,154)	175,964
Net Change in Fund Balance	<u>\$ (12,325)</u>	(21,460)	<u>\$ (9,135)</u>	(21,044)
Fund Balance, beginning		<u>31,183</u>		<u>52,227</u>
Fund Balance, ending		<u>\$ 9,723</u>		<u>\$ 31,183</u>

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

<i>December 31,</i>	2020	2019
Assets		
Grants receivable	\$ 23,851	\$ 31,201
Liabilities and Fund Balance		
Liabilities		
Due to other funds	\$ 18,675	\$ 26,404
Accounts payable	380	-
Total Liabilities	19,055	26,404
Fund Balance		
Committed for public safety	4,796	4,797
Total Liabilities and Fund Balance	\$ 23,851	\$ 31,201

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>	2020			2019
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental - federal government	\$ 31,200	\$ 8,213	\$ (22,987)	\$ 11,394
Miscellaneous income	125,000	86,341	(38,659)	122,929
Total Revenues	156,200	94,554	(61,646)	134,323
Expenditures - public safety:				
Salaries and employee benefits	142,541	92,582	49,959	129,546
Travel	2,500	-	2,500	1,938
Training	1,500	180	1,320	405
Supplies	3,000	412	2,588	529
Fuel	5,330	1,381	3,949	1,905
Total Expenditures	154,871	94,555	60,316	134,323
Net Change in Fund Balance	<u>\$ 1,329</u>	(1)	<u>\$ (1,330)</u>	-
Fund Balance, beginning		<u>4,797</u>		<u>4,797</u>
Fund Balance, ending		<u>\$ 4,796</u>		<u>\$ 4,797</u>

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

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 52,239	\$ 49,039
Fund Balance		
Committed for parks	\$ 52,239	\$ 49,039

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>	2020	2019
Revenues - development fees	\$ 3,200	\$ 10,200
Net Change in Fund Balance	3,200	10,200
Fund Balance, beginning	49,039	38,839
Fund Balance, ending	\$ 52,239	\$ 49,039

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

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 4,831	\$ 14,425
Fund Balance		
Restricted for public safety	\$ 4,831	\$ 14,425

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

<i>Years Ended December 31,</i>	2020	2019
Revenues		
State forfeiture funds	\$ 4,830	\$ -
Expenditures - Public safety - equipment		
	14,424	26,607
Net Change in Fund Balance	(9,594)	(26,607)
Fund Balance, beginning	14,425	41,032
Fund Balance, ending	\$ 4,831	\$ 14,425

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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>	2020	2019
Assets		
Cash and investments	\$ 376,500	\$ 242,935
Grants receivable	-	120,819
Total Assets	\$ 376,500	\$ 363,754
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 13,370
Fund Balance		
Committed for capital projects	376,500	350,384
Total Liabilities and Fund Balance	\$ 376,500	\$ 363,754

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>	2020			2019	
	Budget	Actual	Variance with Budget	Actual	
Revenues					
Intergovernmental:					
State of Alaska	\$ -	\$ -	\$ -	\$	23,277
Federal government	-	-	-	-	229,605
Total Revenues	-	-	-	-	252,882
Expenditures					
Capital outlay:					
Park improvements	100,204	1,100	99,104	-	-
Public video	39,617	9,194	30,423	58,848	58,848
LED street light upgrades	-	-	-	45,000	45,000
Parking lot update	1,530	-	1,530	43,470	43,470
Ice arena equipment	36,154	-	36,154	23,846	23,846
Crosswalk project	7,775	2,075	5,700	3,152	3,152
Depot expansion	555	-	555	-	-
COP matching funds-PSB	-	-	-	17,058	17,058
Palmer bike rack project	461	-	461	-	-
ADA sidewalk	70,812	783	70,029	300,173	300,173
Property acquisition	429	-	429	69,668	69,668
Depot updates piping	10,000	6,738	3,262	-	-
Public works storage building	-	-	-	23,277	23,277
Building maintenance	88,965	-	88,965	11,035	11,035
Total capital outlay	356,502	19,890	336,612	595,527	595,527
Total Expenditures	356,502	19,890	336,612	595,527	595,527
Excess of Revenues Over (Under)					
Expenditures	(356,502)	(19,890)	336,612	(342,645)	(342,645)
Other Financing Sources (Uses)					
Transfers in	81,700	81,700	-	305,214	305,214
Transfers out	(35,694)	(35,694)	-	-	-
Total Other Financing Sources (Uses)	46,006	46,006	-	305,214	305,214
Net Change in Fund Balance	<u>\$ (310,496)</u>	26,116	<u>\$ 336,612</u>	(37,431)	(37,431)
Fund Balance, beginning		<u>350,384</u>		<u>387,815</u>	387,815
Fund Balance, ending		<u>\$ 376,500</u>		<u>\$ 350,384</u>	350,384

City of Palmer, Alaska
Equipment Capital Project Fund
Balance Sheet

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 550,294	\$ 547,052
Grants receivable	-	109,728
Total Assets	\$ 550,294	\$ 656,780
Liabilities		
Accounts payable	\$ -	\$ 75,905
Fund Balance		
Committed for equipment replacement	550,294	580,875
Total Liabilities and Fund Balance	\$ 550,294	\$ 656,780

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>	2020			2019
	Budget	Actual	Variance with Budget	Actual
Revenues				
Intergovernmental:				
State of Alaska	\$ -	\$ -	\$ -	\$ 312,100
Federal government	69,678	-	(69,678)	49,500
Total Revenues	69,678	-	(69,678)	361,600
Expenditures - capital outlay:				
Administrative services	-	-	-	12,885
Dispatch equipment	-	-	-	53,276
Clerk/Council equipment	4,915	-	4,915	-
Police equipment	316,990	168,905	148,085	210,084
Public works equipment	175,264	102,776	72,488	335,501
Fire equipment	37,150	33,900	3,250	277,177
Total Expenditures	534,319	305,581	228,738	888,923
Excess of Revenues Over (Under) Expenditures	(464,641)	(305,581)	159,060	(527,323)
Other Financing Sources - Transfers in	275,000	275,000	-	558,134
Net Change in Fund Balance	<u>\$ (189,641)</u>	(30,581)	<u>\$ 159,060</u>	30,811
Fund Balance, beginning		<u>580,875</u>		<u>550,064</u>
Fund Balance, ending		<u>\$ 550,294</u>		<u>\$ 580,875</u>

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

<i>December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 729,669	\$ 623,777
Fund Balance		
Committed for roads and streets	\$ 729,669	\$ 623,777

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>	2020			2019
	Budget	Actual	Variance with Budget	Actual
Expenditures - capital outlay	\$ 758,778	\$ 29,108	\$ 729,670	\$ -
Other Financing Sources - transfers in	135,000	135,000	-	175,000
Net Change in Fund Balance	<u>\$ (623,778)</u>	105,892	<u>\$ 729,670</u>	175,000
Fund Balance, beginning		<u>623,777</u>		<u>448,777</u>
Fund Balance, ending		<u>\$ 729,669</u>		<u>\$ 623,777</u>

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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>	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,944,731	\$ 1,421,547
Receivables:		
Grants and loans	10,893	130,530
Accounts	309,432	290,262
Unbilled revenue	397,207	369,539
Inventories - materials and supplies	160,527	165,902
Total Current Assets	2,822,790	2,377,780
Property, Plant and Equipment:		
Land	45,164	45,164
Buildings	60,067	60,067
Machinery and equipment	1,637,128	1,553,337
Improvements other than buildings	93,903,753	77,775,258
Construction work in progress	135,247	16,065,055
Total property, plant and equipment	95,781,359	95,498,881
Less accumulated depreciation	(29,736,502)	(27,683,810)
Net Property, Plant and Equipment	66,044,857	67,815,071
Other Asset - Net other postemployment benefits asset	49,983	4,363
Total Assets	68,917,630	70,197,214
Deferred Outflows of Resources		
Related to pensions	53,285	31,716
Related to other postemployment benefits	27,832	28,120
Total Deferred Outflows of Resources	81,117	59,836
Total Assets and Deferred Outflows of Resources	\$ 68,998,747	\$ 70,257,050

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

<i>December 31,</i>	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 88,340	\$ 96,124
Capital related accounts payable	2,592	76,580
Accrued payroll and employee benefits	3,441	17,277
Vested unpaid vacation and sick leave	20,377	23,488
Current portion of loans payable	302,165	297,987
Accrued interest payable	21,693	21,693
Customer deposits	274,834	255,294
Total Current Liabilities	713,442	788,443
Long-term Liabilities, net of current portion		
Loans payable	6,548,040	6,849,938
Advance from other fund	1,000,000	1,000,000
Net pension liability	480,825	317,141
Net other postemployment benefits liability	1,099	17,809
Total Long-term Liabilities	8,029,964	8,184,888
Total Liabilities	8,743,406	8,973,331
Deferred Inflows of Resources		
Related to pensions	-	19,082
Related to other postemployment benefits	40,614	20,345
Total Deferred Inflows of Resources	40,614	39,427
Net Position		
Net investment in capital assets	59,192,060	60,590,566
Unrestricted	1,022,667	653,726
Total Net Position	60,214,727	61,244,292
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 68,998,747	\$ 70,257,050

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>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Water sales	\$ 1,580,300	\$ 1,609,463	\$ 29,163	\$ 1,729,141
Sewer services	1,456,600	1,484,998	28,398	1,560,076
Connection fees	28,410	28,410	-	37,055
Miscellaneous	24,149	24,148	(1)	29,155
Total Operating Revenues	3,089,459	3,147,019	57,560	3,355,427
Operating Expenses Excluding Depreciation				
Water:				
Salaries and employee benefits	385,099	296,218	88,881	205,326
Administrative services	195,712	195,712	-	193,142
Audit	10,001	9,955	46	11,789
Advertising	200	-	200	2,083
Travel	600	600	-	1,919
Education and training	2,700	2,673	27	4,033
Legal fees	1,000	-	1,000	-
Engineering	6,000	4,483	1,517	5,522
Services	32,179	31,219	960	34,269
Telephone	10,500	10,499	1	10,543
Power	136,604	136,604	-	127,300
Heat	7,800	7,731	69	6,114
Fuel	4,200	4,192	8	7,271
Equipment rental	500	-	500	-
Insurance	23,785	22,635	1,150	19,367
Office supplies	3,500	2,125	1,375	2,198
Operating supplies	11,155	11,154	1	9,942
Repairs and maintenance	69,965	60,482	9,483	117,153
Small tools	1,800	1,651	149	1,774
Chemicals	10,000	9,889	111	10,155
Permits	9,312	9,312	-	8,967
Equipment	324,816	18,246	306,570	(4,162)
Miscellaneous	16,923	16,921	2	17,274
Total water	1,264,351	852,301	412,050	791,979

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>	2020		Variance with	2019
	Budget	Actual	Budget	Actual
Operating Expenses Excluding Depreciation, continued				
Sewer:				
Salaries and employee benefits	\$ 407,160	\$ 361,015	\$ 46,145	\$ 270,922
Administrative services	208,471	208,471	-	223,211
Audit	11,000	9,242	1,758	10,686
Education and training	7,500	2,562	4,938	2,409
Legal	11,387	11,387	-	126
Engineering	75,000	1,270	73,730	-
Services	67,835	47,725	20,110	58,131
Telephone	12,000	11,113	887	13,367
Power	294,785	286,276	8,509	256,354
Heat	25,215	25,212	3	22,781
Fuel	10,000	7,989	2,011	8,225
Equipment rental	4,950	4,940	10	3,762
Insurance	41,379	39,134	2,245	32,714
Office supplies	5,500	1,565	3,935	2,273
Operating supplies	25,000	20,146	4,854	16,343
Repairs and maintenance	75,000	39,563	35,437	54,335
Small tools	6,250	3,670	2,580	1,977
Equipment	25,000	4,210	20,790	9,792
Permits	12,000	9,312	2,688	8,967
Chemicals	-	-	-	463
Miscellaneous	4,000	3,614	386	3,684
Total sewer	1,329,432	1,098,416	231,016	1,000,522
Total Operating Expenses Excluding Depreciation	2,593,783	1,950,717	643,066	1,792,501
Operating Income Before Depreciation	495,676	1,196,302	700,626	1,562,926
Depreciation	-	2,052,692	(2,052,692)	2,028,211
Operating Income (Loss)	495,676	(856,390)	(1,352,066)	(465,285)

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>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Nonoperating Revenues (Expenses)				
State PERS relief	\$ 24,452	\$ 31,591	\$ 7,139	\$ 24,349
Miscellaneous income	8,382	8,381	(1)	8,614
Interest expense	(120,172)	(120,076)	96	(124,766)
Total Nonoperating Revenues (Expenses)	(87,338)	(80,104)	7,234	(91,803)
Income (Loss) Before Contributions and Transfers	408,338	(936,494)	(1,344,832)	(557,088)
Capital contributions	92,202	92,203	1	44,652
Transfers out	(185,274)	(185,274)	-	(177,908)
Change In Net Position	<u>\$ 315,266</u>	(1,029,565)	<u>\$ (1,344,831)</u>	(690,344)
Net Position, beginning		<u>61,244,292</u>		<u>61,934,636</u>
Net Position, ending		<u>\$ 60,214,727</u>		<u>\$ 61,244,292</u>

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

<i>Years Ended December 31,</i>	2020	2019
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 3,128,102	\$ 3,060,046
Payments to suppliers	(891,710)	(987,916)
Payments to employees	(561,329)	(569,266)
Payments for interfund services used	(404,183)	(416,353)
Net cash flows from operating activities	1,270,880	1,086,511
Cash Flows for Noncapital Financing Activities		
Transfers out	(185,274)	(177,908)
Cash Flows for Capital and Related Financing Activities		
Capital contributions received	211,840	735
Purchase of property, plant and equipment and construction work in progress	(356,466)	(347,846)
Principal payments on loans payable	(297,720)	(307,737)
Interest paid	(120,076)	(124,766)
Net cash flows for capital and related financing activities	(562,422)	(779,614)
Net Increase in Cash and Investments	523,184	128,989
Cash and Investments, beginning	1,421,547	1,292,558
Cash and Investments, ending	\$ 1,944,731	\$ 1,421,547

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

<i>Years Ended December 31,</i>	2020	2019
Reconciliation of Operating Loss to Net		
Cash Flows from Operating Activities		
Operating loss	\$ (856,390)	\$ (465,285)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,052,692	2,028,211
Noncash expense - PERS relief	31,591	24,349
Other revenues	8,381	8,614
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(19,170)	(205,027)
Unbilled revenue	(27,668)	(107,898)
Inventories - materials and supplies	5,375	(15,517)
Net other postemployment benefits asset	(45,620)	(4,363.00)
Deferred outflows of resources related to pensions	(21,569)	(1,617)
Deferred outflows of resources related to other postemployment benefits	288	(701)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(7,784)	(72,499)
Accrued payroll and employee benefits	(13,836)	(318)
Vested unpaid vacation and sick leave	(3,111)	(14,460)
Customer deposits	19,540	8,930
Net pension liability	163,684	(11,987)
Net other postemployment benefits liability	(16,710)	(78,602)
Deferred inflows of resources related to pensions	(19,082)	12,586
Deferred inflows of resources related to other postemployment benefits	20,269	(17,905)
Net Cash Flows from Operating Activities	\$ 1,270,880	\$ 1,086,511
Noncash Capital and Related Financing Activities		
Purchase of capital assets on account	\$ 2,592	\$ 76,580

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

<i>December 31,</i>	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 20,299	\$ 7,682
Grants	259,465	232,324
Total Current Assets	279,764	240,006
Property, Plant and Equipment		
Land	1,412,289	1,412,289
Buildings	509,758	509,758
Machinery and equipment	1,341,376	811,541
Improvements other than buildings	28,403,952	19,567,792
Construction work in progress	54,316	8,699,252
Total property, plant and equipment	31,721,691	31,000,632
Less accumulated depreciation	(17,005,031)	(16,370,855)
Net Property, Plant and Equipment	14,716,660	14,629,777
Other Asset - Net other postemployment benefits asset	13,244	1,153
Total Assets	15,009,668	14,870,936
Deferred Outflows of Resources		
Related to pensions	14,325	8,714
Related to other postemployment benefits	7,375	7,404
Total Deferred Outflows of Resources	21,700	16,118
Total Assets and Deferred Outflows of Resources	\$ 15,031,368	\$ 14,887,054

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

<i>December 31,</i>	2020	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 5,408	\$ 3,181
Capital related accounts payable	7,685	-
Accrued payroll and employee benefits	1,140	4,562
Vested unpaid vacation and sick leave	20,584	18,859
Due to other funds	70,060	179,768
Unearned revenue	95,264	59,168
Total Current Liabilities	200,141	265,538
Long-term Liabilities		
Advance from other fund	454,660	454,660
Net pension liability	129,921	87,805
Net other postemployment benefits liability	291	4,608
Total Long-term Liabilities	584,872	547,073
Total Liabilities	785,013	812,611
Deferred Inflows of Resources		
Related to pensions	-	5,895
Related to other postemployment benefits	10,762	5,338
Total Deferred Inflows of Resources	10,762	11,233
Net Position		
Net investment in capital assets	14,708,975	14,629,777
Unrestricted (deficit)	(473,382)	(566,567)
Total Net Position	14,235,593	14,063,210
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 15,031,368	\$ 14,887,054

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>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues				
Aviation fuel - revenue sharing	\$ 10,000	\$ 10,674	\$ 674	\$ 16,421
Tiedown fees	49,890	49,889	(1)	29,267
Land leases	198,202	199,495	1,293	185,957
Agricultural land leases	8,095	8,096	1	6,952
Miscellaneous	245,359	204,163	(41,196)	30,465
Total Operating Revenues	511,546	472,317	(39,229)	269,062
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	168,683	153,867	14,816	108,965
Administrative services	96,850	92,153	4,697	93,624
Audit	2,070	1,739	331	2,083
Advertising	3,000	1,332	1,668	1,407
Subscriptions and dues	300	-	300	275
Education and training	2,750	-	2,750	15
Legal fees	32,730	28,160	4,570	2,996
Services	21,658	7,450	14,208	10,897
Telephone	3,735	3,732	3	4,778
Power	18,601	18,601	-	16,357
Heat	6,090	6,088	2	4,875
Water, sewer and garbage	470	467	3	388
Fuel	1,600	1,481	119	3,549
Insurance	17,811	17,357	454	14,567
Operating supplies	1,750	256	1,494	1,069
Rental and lease	2,000	-	2,000	-
Repairs and maintenance	80,331	80,331	-	39,183
Building and improvements	5,500	-	5,500	-
Engineering	10,500	5,380	5,120	3,910
Office equipment	1,500	947	553	850
Small tools and equipment	4,230	3,788	442	36
Board stipends	2,400	150	2,250	1,350
Total Operating Expenses Excluding Depreciation	484,559	423,279	61,280	311,174

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>	2020			2019	
	Budget	Actual	Variance with Budget		
				Budget	Actual
Operating Income (Loss) Before Depreciation	\$ 26,987	\$ 49,038	\$ 22,051	\$	(42,112)
Depreciation	-	634,176	(634,176)		591,725
Operating Income (Loss)	26,987	(585,138)	(612,125)		(633,837)
Nonoperating Revenues					
State PERS relief	6,479	8,371	1,892		6,436
Miscellaneous income	21,778	21,777	(1)		-
Total Nonoperating Revenues	28,257	30,148	1,891		6,436
Income (Loss) Before Contributions and Transfe	55,244	(554,990)	(610,234)		(627,401)
Capital contributions	737,915	710,773	(27,142)		1,061,048
Transfers in	116,600	16,600	(100,000)		110,448
Transfers out	(100,000)	-	100,000		-
Change in Net Position	<u>\$ 809,759</u>	172,383	<u>\$ (637,376)</u>		544,095
Net Position, beginning		<u>14,063,210</u>			<u>13,519,115</u>
Net Position, ending		<u>\$14,235,593</u>			<u>\$14,063,210</u>

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

Years Ended December 31,	2020	2019
Cash Flows from (for) Operating Activities		
Cash receipts from customers and users	\$ 517,573	\$ 250,032
Payments to employees	(127,538)	(124,040)
Payments to suppliers	(175,032)	(113,298)
Payments for interfund services used	(92,153)	(93,624)
Net cash flows from (for) operating activities	122,850	(80,930)
Cash Flows from Noncapital Financing Activities -		
Increase in advance from General Fund	-	94,746
Cash Flows for Capital and Related Financing Activities		
Capital contributions received	683,632	1,151,919
Transfers in	16,600	110,448
Decrease in due to other funds	(109,708)	(89,638)
Purchase of property, plant and equipment and construction work in progress	(713,374)	(1,186,545)
Net cash flows for capital and related financing activities	(122,850)	(13,816)
Net Decrease in Cash and Investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net		
Cash Flows from (for) Operating Activities		
Operating loss	\$ (585,138)	\$ (633,837)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	634,176	591,725
Noncash expense - PERS relief	8,371	6,436
Other revenues	21,777	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(12,617)	444
Net other postemployment benefits asset	(12,091)	(1,153)
Deferred outflows of resources related to pensions	(5,611)	(428)
Deferred outflows of resources related to other postemployment benefits	29	(185)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	2,227	(4,713)
Accrued payroll and employee benefits	(3,422)	529
Vested unpaid vacation and sick leave	1,725	5,073
Unearned revenue	36,096	(19,474)
Net pension liability	42,116	(3,168)
Net other postemployment benefits liability	(4,317)	(20,774)
Deferred inflows of resources related to pensions	(5,895)	3,327
Deferred inflows of resources related to other postemployment benefits	5,424	(4,732)
Net Cash Flows from (for) Operating Activities	\$ 122,850	\$ (80,930)
Noncash Capital and Related Financing Activities		
Purchase of capital assets on account	\$ 7,685	\$ -

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

<i>December 31,</i>	2020	2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 754,371	\$ 756,116
Accounts receivable	119,790	124,866
Unbilled revenue	64,019	60,314
Prepaid expenses	-	34,455
Total Current Assets	938,180	975,751
Property, Plant and Equipment		
Buildings	52,667	52,667
Machinery and equipment	1,091,613	1,057,453
Total property, plant and equipment	1,144,280	1,110,120
Less accumulated depreciation	(688,207)	(611,453)
Net Property, Plant and Equipment	456,073	498,667
Other Asset - Net other postemployment benefits asset	9,661	859
Total Assets	1,403,914	1,475,277
Deferred Outflows of Resources		
Related to pensions	10,520	6,461
Related to other postemployment benefits	5,379	5,380
Total Deferred Outflows of Resources	15,899	11,841
Total Assets and Deferred Outflows of Resources	\$ 1,419,813	\$ 1,487,118
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	\$ 32,701	\$ 64,423
Accrued payroll and employee benefits	836	3,344
Vested unpaid vacation and sick leave	12,035	10,215
Total Current Liabilities	45,572	77,982
Long-term Liabilities		
Net pension liability	184,311	198,361
Net other postemployment benefits liability	212	2,955
Total Long-term Liabilities	184,523	201,316
Total Liabilities	230,095	279,298
Deferred Inflows of Resources		
Related to pensions	-	4,399
Related to other postemployment benefits	7,850	3,787
Total Deferred Inflows of Resources	7,850	8,186
Net Position		
Net investment in capital assets	456,073	498,667
Unrestricted	725,795	700,967
Total Net Position	1,181,868	1,199,634
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,419,813	\$ 1,487,118

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

Years Ended December 31,	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Operating Revenues - solid waste collection fees	\$ 757,688	\$ 789,247	\$ 31,559	\$ 811,702
Operating Expenses Excluding Depreciation				
Salaries and employee benefits	135,601	103,971	31,630	112,402
Administrative services	143,139	143,139	-	128,928
Advertising	-	-	-	1,787
Audit	2,018	2,018	-	2,390
Services	402,533	402,533	-	394,258
Fuel	9,659	9,658	1	14,774
Insurance	11,638	10,724	914	8,867
Vehicle insurance	6,196	4,810	1,386	5,846
Operating supplies	1,945	1,943	2	2,537
Repairs and maintenance	7,730	7,729	1	9,385
Equipment	36,010	1,845	34,165	448
Miscellaneous	2,364	2,365	(1)	2,409
Total Operating Expenses Excluding Depreciation	758,833	690,735	68,098	684,031
Operating Income (Loss) Before Depreciation	(1,145)	98,512	99,657	127,671
Depreciation	-	76,754	(76,754)	68,820
Operating Income (Loss)	(1,145)	21,758	22,903	58,851
Nonoperating Revenues				
State PERS relief	4,726	6,106	1,380	4,793
Income (Loss) Before Transfers	3,581	27,864	24,283	63,644
Transfers out	(45,630)	(45,630)	-	(44,775)
Change in Net Position	<u>\$ (42,049)</u>	(17,766)	<u>\$ 24,283</u>	18,869
Net Position, beginning		<u>1,199,634</u>		<u>1,180,765</u>
Net Position, ending		<u>\$1,181,868</u>		<u>\$1,199,634</u>

City of Palmer, Alaska

Refuse Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2020	2019
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 790,618	\$ 752,720
Payments to suppliers	(440,892)	(444,551)
Payments to employees	(128,542)	(131,431)
Payments for interfund services used	(143,139)	(128,928)
Net cash flows from operating activities	78,045	47,810
Cash Flows for Noncapital Financing Activities		
Transfers out	(45,630)	(44,775)
Cash Flows for Capital and Related Financing Activities		
Purchase of property, plant and equipment	(34,160)	(41,733)
Net Decrease in Cash and Investments	(1,745)	(38,698)
Cash and Investments, beginning	756,116	794,814
Cash and Investments, ending	\$ 754,371	\$ 756,116
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 21,758	\$ 58,851
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	76,754	68,820
Noncash expense - PERS relief	6,106	4,793
(Increase) decrease in assets and deferred outflows of resources:		
Prepaid expenses	34,455	(34,455)
Accounts receivable	5,076	(57,485)
Unbilled revenue	(3,705)	(1,497)
Net other postemployment benefits asset	(8,802)	(859)
Deferred outflows of resources related to pensions	(4,059)	(318)
Deferred outflows of resources related to other postemployment benefits	1	(138)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(31,722)	32,605
Accrued payroll and employee benefits	(2,508)	414
Vested unpaid vacation and sick leave	1,820	(4,039)
Net pension liability	(14,050)	(2,359)
Net other postemployment benefits liability	(2,743)	(15,475)
Deferred inflows of resources related to pensions	(4,399)	2,477
Deferred inflows of resources related to other postemployment benefits	4,063	(3,525)
Net Cash Flows from Operating Activities	\$ 78,045	\$ 47,810

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

<i>December 31,</i>	2020	2019
Assets		
Current Assets		
Cash and investments	\$ -	\$ 41,886
Prepaid expenses	700	-
Inventories - materials and supplies	-	1,365
Total Current Assets	700	43,251
Property, Plant and Equipment		
Land and land improvements	1,544,620	1,544,620
Buildings	278,439	278,439
Machinery and equipment	493,424	456,424
Improvements other than buildings	667,234	667,234
Total property, plant and equipment	2,983,717	2,946,717
Less accumulated depreciation	(1,132,711)	(1,081,861)
Net Property, Plant and Equipment	1,851,006	1,864,856
Total Assets	\$ 1,851,706	\$ 1,908,107
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 5,282	\$ 6,165
Unearned revenue	37,208	36,623
Total Current Liabilities	42,490	42,788
Long-term Liabilities		
Advance from other fund	467,993	621,858
Total Liabilities	510,483	664,646
Net Position		
Net investment in capital assets	1,851,006	1,864,856
Unrestricted (deficit)	(509,783)	(621,395)
Total Net Position	1,341,223	1,243,461
Total Liabilities and Net Position	\$ 1,851,706	\$ 1,908,107

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

<i>Years Ended December 31,</i>	2020		Variance with	2019
	Budget	Actual	Budget	Actual
Operating Revenues				
Golf course fees:				
Green fees	\$ 473,590	\$ 473,590	\$ -	\$ 411,365
Driving range fees	52,341	52,341	-	40,300
Golf cart rentals and trail fees	148,752	148,752	-	137,325
Clubhouse revenues:				
Merchandise sales	-	-	-	249
Miscellaneous	-	-	-	48
Total Operating Revenues	674,683	674,683	-	589,287
Operating Expenses Excluding Depreciation				
Golf management contract	417,000	417,000	-	417,000
Audit	2,623	2,623	-	3,106
Services	25,927	25,926	1	20,468
Power	23,031	23,031	-	23,163
Heat	1,831	1,831	-	1,477
Water and sewer	2,301	2,301	-	2,447
Rental and lease	11,473	11,473	-	9,335
Insurance	10,626	9,939	687	9,474
Vehicle insurance	300	300	-	300
Operating supplies	-	-	-	700
Legal fees	237	237	-	841
Repairs and maintenance	57,599	20,598	37,001	20,062
Merchandise	-	1,365	(1,365)	1,791
Equipment	13,598	13,597	1	10,494
Total Operating Expenses Excluding Depreciation	566,546	530,221	36,325	520,658
Operating Income Before Depreciation	108,137	144,462	36,325	68,629

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>	2020			2019	
	Budget	Actual	Variance with Budget	Actual	
Depreciation	\$ -	\$ 50,850	\$ (50,850)	\$ 48,687	
Operating Income Before Transfers	108,137	93,612	(14,525)	19,942	
Transfer in	37,000	37,000	-	57,012	
Transfers out	(32,850)	(32,850)	-	(31,440)	
Change in Net Position	<u>\$ 112,287</u>	97,762	<u>\$ (14,525)</u>	45,514	
Net Position, beginning		<u>1,243,461</u>		<u>1,197,947</u>	
Net Position, ending		<u>\$ 1,341,223</u>		<u>\$ 1,243,461</u>	

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

<i>Years Ended December 31,</i>	2020	2019
Cash Flows from Operating Activities		
Cash receipts from customers and users	\$ 675,268	\$ 598,031
Payments to suppliers	(530,439)	(512,712)
Net cash flows from operating activities	144,829	85,319
Cash Flows for Noncapital Financing Activities		
Transfers out	(32,850)	(31,440)
Cash Flows for Capital and Related Financing Activities		
Decrease in advances from other funds	(153,865)	-
Transfers in	37,000	57,012
Purchase of property, plant and equipment	(37,000)	(69,005)
Net cash flows for capital and related financing activities	(153,865)	(11,993)
Net Increase in Cash and Investments	(41,886)	41,886
Cash and Investments, beginning	41,886	-
Cash and Investments, ending	\$ -	\$ 41,886
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 93,612	\$ 19,942
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	50,850	48,687
(Increase) decrease in assets:		
Prepaid expenses	(700)	700
Inventories - materials and supplies	1,365	1,792
Increase (decrease) in liabilities:		
Accounts payable	(883)	5,454
Unearned revenue	585	8,744
Net Cash Flows from Operating Activities	\$ 144,829	\$ 85,319

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

<i>Years Ended December 31,</i>	2020	2019
Assets		
Cash and investments	\$ 369	\$ 369
Land held for sale	217,414	217,414
Total Assets	\$ 217,783	\$ 217,783
Net Position - Unrestricted	\$ 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>	2020		2019	
	Budget	Actual	Variance with Budget	Actual
Change in Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position, beginning		<u>217,783</u>		<u>217,783</u>
Net Position, ending		<u>\$ 217,783</u>		<u>\$ 217,783</u>

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

<i>Years Ended December 31,</i>	2020	2019
Net Increase in Cash and Investments	\$ -	\$ -
Cash and Investments, beginning	369	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, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subre- cipients	Total Federal Expend- itures
Department of Transportation				
Airport Improvement Program 2017	20.106		\$ -	\$ 181,941
Airport Improvement Program 2018	20.106		-	12,809
Airport Improvement Program 2019	20.106		-	427,679
Airport Improvement Program 2020	20.106		-	58,344
Airport Improvement Program 2020 - CARES Act Airport Grant	20.106		-	<u>30,000</u>
Total CFDA 20.106				<u>710,773</u>
Highway Safety Cluster - Passed through State of Alaska Department of Transportation:				
National Priority Safety Programs - ASTEP DUI Enforcement	20.616	405d M5HVE-19- 01-FA(A)-10	-	2,769
State and Community Highway Safety	20.600	402 PT-20-06-FA(A)-8	-	<u>5,444</u>
Total Passed through State of Alaska Department of Transportation				<u>8,213</u>
Total Department of Transportation				<u>718,986</u>
Department of Justice				
Public Safety Partnership and Community Policing Grants:				
DEA Opiate Task Force (Overtime) 2020	16.710		-	11,568
DEA Opiate Task Force (Overtime) 2021	16.710		-	<u>5,451</u>
Total CFDA 16.710				<u>17,019</u>
Bulletproof Vest Partnership Program	16.607		-	<u>2,379</u>
Total Department of Justice				<u>19,398</u>
Department of the Treasury				
Passed through State of Alaska Department of Commerce, Community and Economic Development -				
COVID-19 - Coronavirus Relief Fund	21.019	20-CRF-159	-	<u>6,400,278</u>
Total Expenditures of Federal Awards				<u>\$ 7,138,662</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

City of Palmer, Alaska

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

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, 2020. 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, 2020, 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 17, 2021.

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) as a basis for designing 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 financial statements. 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 17, 2021



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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

Opinion 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 City of Palmer's major federal programs for the year ended December 31, 2020. City of Palmer's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2020.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Palmer and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of City of Palmer's compliance with the types of compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Palmer's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Palmer's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Palmer's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Palmer's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Palmer's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Palmer's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 17, 2021

City of Palmer, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2020

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 no
 Significant deficiency(ies) identified? yes (none reported)

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes (none reported)

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
21.019	Coronavirus Relief Fund	Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? yes no

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.