



## City of Valdez, Alaska

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

## City of Valdez, Alaska

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

# City of Valdez, Alaska

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# City of Valdez, Alaska

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## Independent Auditor's Report

Honorable Mayor and City Council  
City of Valdez, Alaska

### Report on the Financial Statements

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

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

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Valdez City Schools, a discretely presented component unit. We did not audit the financial statements of Providence Valdez Medical Center Special Revenue Fund, which is a major fund and represents 2.10 percent, 1.71 percent, and 23.73 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. We did not audit the financial statements of Providence Valdez Counseling Center Special Revenue Fund, which is a nonmajor fund and represents 2.46 percent, 1.91 percent, and 5.18 percent, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information; and 0.09 percent, 0.07 percent, and 0.97 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. We did not audit the financial statements of Valdez Museum & Historical Archive Association, Inc., a nonmajor fund, which represents 0.86 percent, 0.72 percent, and 1.68 percent, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information; and 0.03 percent, 0.03 percent, and 0.31 percent, respectively, of the assets, net position/fund balance, and revenues of the Governmental Activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Valdez, Alaska, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Providence Valdez Medical Center, Providence Valdez Counseling Center, and Valdez Museum & Historical Archive Association, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Valdez, Alaska, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 19 to the financial statements, in 2018 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-14 and the other required supplementary information on pages 67-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Valdez's basic financial statements. The accompanying combining financial statements 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 financial statements 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, based on our audit and the reports of other auditors, the accompanying combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2019, on our consideration of City of Valdez's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Valdez's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
September 18, 2019

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## Management's Discussion and Analysis

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# City of Valdez, Alaska

## Management's Discussion and Analysis

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The management of the City of Valdez offers readers of the City's financial statements this discussion and analysis of the financial activities of the City of Valdez for the fiscal year ending December 31, 2018.

### Financial Highlights

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- The assets and deferred outflow of resources of the City of Valdez exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$587,628,056. Of this amount, \$142,411,733 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$3,257,535 for the current fiscal year, after considering the change in net position due to the implementation of GASB 75.
- The City's governmental funds reported combined ending fund balances of \$354,838,379, a net decrease of \$26,166,973.
- The unassigned fund balance for the General Fund was \$52,383,671, or 121 percent of total General Fund expenditures.
- The City adopted the provisions of GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of GASB 75 required the City to restate opening net position to reflect opening balance OPEB liabilities and related accounts as of January 1, 2018. This change in accounting principle adjustment reduced opening net position by \$3,065,299.
- The City's total long-term debt was \$42,821,277, a net increase of \$3,660,820 from the prior year.

### Overview of the Financial Statements

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This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three main components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements and additional supplemental information. The discussion section is designed to be a narrative overview of these three main components and following is an analysis of both the government-wide and fund financial statements.

### Government-wide Financial Statements Discussion

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The government-wide financial statements are designed to provide readers with a broad overview of the finances of the City, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Valdez is improving or declining.

The statement of activities presents information showing how the government'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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

# City of Valdez, Alaska

## Management's Discussion and Analysis

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Both of the government-wide financial statements distinguish functions of the City of Valdez that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Valdez include general government, public safety, public works, public services, economic development, port, harbor, utility, airport, museum, education, hospital and health care. The City of Valdez currently has no business-type activities. The government-wide financial statements include the City of Valdez itself (known as the primary government), as well as one legally separate component unit of the City (Valdez Public Schools). Financial information for this component unit is reported separately from the financial information presented for the primary government itself. In addition, the City owns a museum, hospital and counseling center. These entities are reported as blended component units. All four entities prepare separately issued financial statements which are available by contacting the respective organizations. (See Note 1 to the financial statements.)

### Fund Financial Statements Discussion

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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 Valdez, 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 of Valdez can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions as reported in the government-wide financial statements as governmental activities. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of unreserved resources as well as the balances of unreserved resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term liquidity and 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 near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Valdez maintains thirteen individual governmental funds. Four of these funds are considered major funds in 2018 and include the General Fund, the Permanent Fund, the Providence Valdez Medical Center (PVMC) Special Revenue Fund and the General City Capital Project Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these four major funds. Data from the other non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is available upon request.

The City of Valdez adopts an annual appropriated budget for its General Fund and its other governmental funds. Budgetary comparison statements have been provided as required supplementary information for the General Fund and the PVMC Special Revenue Fund to demonstrate compliance with this budget.

# City of Valdez, Alaska

## Management's Discussion and Analysis

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*Proprietary funds* - There are two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Valdez currently has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund for its employee benefit self-insured health plan. Because this service benefits governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements. The City does not adopt an annual appropriated budget for the employee benefit self-insured health plan internal service fund due to the utilization and claim volatility. The City limits its exposure to excessive claims expense through the use of stop loss reinsurance. The Valdez City School District also participates in the health plan.

*Fiduciary funds* - This category of fund is to account for those assets that are held in trust and so do not support the government's other activities. The City does not currently report any fiduciary funds.

### Notes and Other Information Discussion

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Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Statements Analysis

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#### *Statement of Net Position*

As noted earlier, the trend of net position changes may serve, over time, as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$587,628,056 at the close of 2018. Historically, the largest portion of the net position of the City have been from capital assets, yet in recent years the total restricted and unreserved balances have become a larger percentage of the net position of the City. This is primarily a result of growth of the Valdez Permanent Fund.

The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net investment in capital assets of the City reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt used to acquire those assets that remains outstanding, adjusted for debt issued but not yet spent (e.g. unspent bond proceeds). Although the City's investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The following reflects the condensed statement of net position for 2018 and 2017.

# City of Valdez, Alaska

## Management's Discussion and Analysis

	Governmental Activities	
	2018	2017
Current assets	\$ 367,753,117	\$ 392,584,606
Noncurrent assets	270,096,448	245,004,037
<b>Total assets</b>	<b>637,849,565</b>	<b>637,588,643</b>
Deferred outflows of resources	2,503,562	1,067,845
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 640,353,127</b>	<b>\$ 638,656,488</b>
Current liabilities	\$ 10,555,651	\$ 9,094,725
Long-term	40,692,619	37,469,193
<b>Total liabilities</b>	<b>51,248,270</b>	<b>46,563,918</b>
Deferred inflows of resources	1,476,801	1,206,979
<b>Total liabilities and deferred inflows of resources</b>	<b>52,725,071</b>	<b>47,770,897</b>
Net position:		
Net investment in capital assets	251,626,624	225,609,057
Restricted	193,589,699	207,605,881
Unrestricted	142,411,733	157,670,653
<b>Total net position</b>	<b>587,628,056</b>	<b>590,885,591</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 640,353,127</b>	<b>\$ 638,656,488</b>

Of the \$587,628,056 total net position; \$251,626,624 (43 percent) is invested in capital assets; \$193,589,699 (33 percent) is restricted and mostly comprised of investments in the Permanent Fund; the remaining balance of \$142,411,733 (24 percent) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

# City of Valdez, Alaska

## Management's Discussion and Analysis

### Statement of Activities

The following condensed table of changes in net position displays the revenues and expenses for 2018 and 2017.

	Governmental Activities	
	2018	2017
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 23,237,007	\$ 22,662,778
Operating grants and contributions	3,353,042	3,092,469
Capital grants and contributions	2,656,340	1,531,049
General revenues:		
Property and hotel taxes	44,432,906	44,296,424
Payment in lieu of taxes	763,562	741,041
Grants and entitlements not restricted to a specific purpose	1,612,213	243,909
Investment income (loss)	(7,355,244)	26,787,570
Other	137,007	132,072
<b>Total revenues</b>	<b>68,836,833</b>	<b>99,487,312</b>
<b>Expenses:</b>		
General government	7,958,489	7,735,336
Public safety	5,267,168	5,565,509
Public works	8,703,093	12,386,063
Public service	5,270,598	5,539,009
Economic development	1,447,855	1,023,331
Port	2,498,295	3,092,471
Harbor	1,919,418	2,026,792
Utility	1,904,747	2,221,900
Airport	355,784	472,246
Museum	725,311	668,314
Education	16,271,892	16,352,814
Hospital and health care	15,972,552	15,000,334
Interest on long-term debt	733,867	1,733,696
<b>Total expenses</b>	<b>69,029,069</b>	<b>73,817,815</b>
Change in net position	(192,236)	25,669,497
<b>Net Position, beginning of year, as restated</b>	<b>587,820,292</b>	<b>565,216,094</b>
<b>Net Position, end of year</b>	<b>\$ 587,628,056</b>	<b>\$ 590,885,591</b>

# City of Valdez, Alaska

## Management's Discussion and Analysis

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Governmental activities decreased the net position of the City of Valdez by \$3,257,535 in fiscal year 2018. This year's decrease is less than the prior year increase of \$25,669,497. Key elements of this decrease are:

- \$7.36 million decrease due to an investment loss, which is concentrated primarily in the Permanent Fund, and reflects capital market trends.
- \$4.79 million decrease in expenses due to reductions in pension expense resulting from changes in actuarial assumptions and investment returns associated with the City's participation in PERS.
- \$3.07 million decrease due to a change in accounting principle with the City' adoption of GASB 75.
- \$1.37 million increase due to additional grants and entitlements not restricted to a specific purpose
- \$1.13 million increase in capital grants and contributions.

### Fund Financial Analysis

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As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds* - The focus of the governmental funds of the City of Valdez is to provide information on near term inflows, outflows, and remaining balances at year end. Unassigned resources are those resources available for spending at the end of the fiscal year. Such information is useful in assessing the financing requirements of the City of Valdez. In particular, unassigned fund balance may serve as a useful measure of a government's ability to meet the expenditures of the current period.

As of the end of the 2018 fiscal year, the governmental funds of the City reported combined ending fund balances of \$354,838,379 a combined net decrease of \$26,166,973 in comparison to the beginning of the year. \$52,383,671 or 15 percent of this total amount constitutes unassigned fund balance. The unassigned fund balance constitutes monies that can be designated by the City Council for further expenditures. The remainder of fund balance is restricted, nonspendable, committed, or assigned to indicate that it is not available for new spending because it has already been dedicated to some other purpose: liquidate contracts of the prior period; pay debt service; generate income for the growth of the Permanent Fund; provide working capital; or for a variety of other purposes.

A summary of governmental funds and fund balances follows:

	Total Fund Balance
General	\$ 100,029,884
Permanent	192,677,874
PVMC	10,070,220
General City Capital Project Fund	33,703,755
Other funds	18,356,646
	<hr/>
	\$ 354,838,379

The General Fund is the main operating fund of the City of Valdez. At the end of the 2018 fiscal year, unassigned fund balance of the General Fund was \$52,383,671 while total fund balance was \$100,029,884. As a measure of the General Fund's liquidity, it may be useful to compare the sum

# City of Valdez, Alaska

## Management's Discussion and Analysis

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of unassigned fund balance to total expenditures. This sum represents 121 percent of total General Fund expenditures, and 98 percent of the General Fund expenditures plus operating transfers out.

The City's General Fund's fund balance increased by \$2,342,304 during the 2018 fiscal year. The General Fund transferred \$10,235,341 out to fund capital projects, operating subsidies and debt service in other funds.

The Providence Valdez Medical Center Special Revenue Fund had a total fund balance of \$10,070,220. This was an increase of \$814,369 as a result of an increase in revenues from the prior year.

The Permanent Fund had a total fund balance of \$192,677,874, all of which is reported as restricted investments in accordance with the City Charter. The fund balance decreased by \$12,694,205. Pursuant to City Code, the City appropriated 1.5% of the beginning fund balance, or \$3,003,447, for general government operations. Investment loss for the year was \$9,445,803. The decrease in earnings mirrors the year-over-year performance of broader capital market indices.

The General City Capital Project Fund's fund balance decreased by \$17,472,465, due to capital outlay expenditures exceeding total revenues.

### General Fund Budgetary Highlights

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The net change from the original budget and final amended budget represented a \$1,636,342 increase in revenues and an increase of \$13,910,167 in expenditures, including funds carried forward from the prior year. Net other financing sources and uses decreased by \$3,904,125. Budget changes were done throughout the year by council resolution and can be briefly summarized as follows:

- \$13,620,178 increase in budgeted capital expenditures
- \$303,431 decrease in general government expenditures.
- \$253,737 increase to public services.
- \$157,950 increase in education.



# City of Valdez, Alaska

## Management's Discussion and Analysis

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### Capital Assets and Debt Administration

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*Capital assets* - The investment in capital assets for the City of Valdez governmental activities as of December 31, 2018 amounts to \$270,033,846 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, equipment, construction work-in-progress, sewer and water treatment facilities and roads. The total net increase in the City's investments in capital assets for the current fiscal year was \$25,092,655.

Major capital asset events for the 2018 fiscal year included the following:

- Ongoing port and harbor improvement
- High School HVAC replacement
- Sewer improvements
- Flood mitigation
- Road construction and beautification

The following table displays the capital assets (net of depreciation) for the current year.

	Governmental Activities	
	2018	2017
Land	\$ 16,269,570	\$ 16,083,570
Buildings	101,352,791	97,261,915
Improvements other than buildings	78,734,464	74,314,072
Equipment	13,587,945	12,354,938
Construction in progress	60,089,076	44,926,696
	<u>\$ 270,033,846</u>	<u>\$ 244,941,191</u>

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

*Long-term debt* - At the end of the 2018 fiscal year, the City of Valdez had ending bonded debt principal outstanding of \$17,755,000, plus unamortized bond premiums of \$1,901,607. At the end of the 2018 fiscal year the City had ending Alaska Clean Water loan payable principal outstanding of \$546,200. In 2018 the City recognizes a liability of \$1,829,274 for accrued leave and \$14,683,664 for its share of the statewide PERS net pension liability. In addition, in 2018 the City recognized, as required by GASB 75, \$2,997,991 for its share of the statewide PERS net OPEB liability.

Additional information on the City's long-term debt can be found in Note 6 to the financial statements.

# City of Valdez, Alaska

## Management's Discussion and Analysis

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### Economic Factors and Next Year's Budgets and Rates

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- According to the Alaska Department of Labor and Workforce Development, the Unemployment rate for the Valdez-Cordova census region is 7.4 percent, which is a 0.6 percent decrease from 2017, and higher than the statewide rate of 6.6 percent.
- In March of 2016, the State of Alaska, the TAPS owners, and the impacted taxing jurisdictions along the TAPS route agreed to a five-year fixed TAPS value, through 2020, of \$8 billion. The parties also agreed to a revised allocation of value among the taxing jurisdictions resulting in Valdez tax revenues reflecting an equivalent \$8.5 billion valuation.

These factors were considered in preparing and revising the City's budget for the 2019 year.

### Requests for Information

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This financial report is designed to provide a general overview of the finances of the City of Valdez for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Valdez Finance Director, PO Box 307, Valdez, Alaska, 99686.

## Basic Financial Statements

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**City of Valdez, Alaska**  
**Statement of Net Position (Deficit)**

	Primary Government	Component Unit
<i>December 31, 2018</i>	Governmental Activities	Valdez City Schools
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and investments	\$ 164,092,404	\$ 4,181,122
Receivables, net of allowance for uncollectible accounts:		
Property taxes	580,358	-
Grants and shared revenues	4,062,380	116,198
Accounts	2,504,656	-
Assessments	4,869	-
Accrued interest	1,059,838	-
Inventory	19,870	30,190
Prepaid items	270,138	-
Other current assets	657,000	-
Restricted cash and investments:		
Permanent Fund	192,506,388	-
Unspent bond proceeds	1,795,585	-
Debt reserve accounts	199,631	-
<b>Total Current Assets</b>	<b>367,753,117</b>	<b>4,327,510</b>
<b>Noncurrent Assets</b>		
Assessments	62,602	-
Capital assets not being depreciated	76,358,646	-
Depreciable capital assets, net of accumulated depreciation	193,675,200	324,424
<b>Total Noncurrent Assets</b>	<b>270,096,448</b>	<b>324,424</b>
<b>Total Assets</b>	<b>637,849,565</b>	<b>4,651,934</b>
<b>Deferred Outflows of Resources</b>		
Pension related	1,516,321	952,484
Related to other postemployment benefits	987,241	265,533
<b>Total Deferred Outflows of Resources</b>	<b>2,503,562</b>	<b>1,218,017</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 640,353,127</b>	<b>\$ 5,869,951</b>

**City of Valdez, Alaska**  
**Statement of Net Position (Deficit), continued**

	Primary Government	Component Unit
<i>December 31, 2018</i>	Governmental Activities	Valdez City Schools
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,252,295	\$ -
Accrued payroll liabilities	1,259,990	650,015
Health claims payable	794,651	-
Customer deposits	33,452	-
Other	14,000	-
Unearned revenue	37,327	5,131
Due to student groups	-	327,979
Accrued interest payable	35,278	-
Due within one year:		
Accrued leave	1,167,000	-
Bonds payable	935,000	-
Loans payable	26,658	-
<b>Total Current Liabilities</b>	<b>10,555,651</b>	<b>983,125</b>
<b>Long-term Liabilities</b>		
Accrued leave	662,274	-
Bonds payable, including unamortized premium (\$1,901,607)	18,721,607	-
Loans payable	519,542	-
Landfill closure and post-closure monitoring costs	3,107,541	-
Net pension liability	14,683,664	8,598,220
Net other postemployment liability	2,997,991	1,017,503
<b>Total Long-term Liabilities</b>	<b>40,692,619</b>	<b>9,615,723</b>
<b>Total Liabilities</b>	<b>51,248,270</b>	<b>10,598,848</b>
<b>Deferred Inflows of Resources</b>		
Pension related	368,531	1,029,556
Related to other postemployment benefits	1,108,270	665,652
<b>Total Deferred Inflows of Resources</b>	<b>1,476,801</b>	<b>1,695,208</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>52,725,071</b>	<b>12,294,056</b>
<b>Net Position</b>		
Net investment in capital assets	251,626,624	324,424
Restricted:		
Permanent fund	192,677,874	-
Forestry receipts	621,166	-
Debt service	199,631	-
Capital acquisitions	79,000	-
Projects and displays	12,028	-
Unrestricted (deficit)	142,411,733	(6,748,529)
<b>Total Net Position (Deficit)</b>	<b>587,628,056</b>	<b>(6,424,105)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>	<b>\$ 640,353,127</b>	<b>\$ 5,869,951</b>

*See accompanying notes to the financial statements.*

**City of Valdez, Alaska**  
**Statement of Activities**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)	
		Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Primary Government	Component Unit
					Governmental Activities	Valdez City Schools
<i>Year Ended December 31, 2018</i>						
<b>Primary Government</b>						
General government	\$ 7,958,489	\$ 212,936	\$ 54,627	\$ -	\$ (7,690,926)	\$ -
Public safety	5,267,168	43,405	505,949	-	(4,717,814)	-
Public works	8,703,093	178,339	48,874	355,195	(8,120,685)	-
Public services	5,270,598	290,783	56,319	87,800	(4,835,696)	-
Economic development	1,447,855	-	-	-	(1,447,855)	-
Port	2,498,295	686,299	8,072	-	(1,803,924)	-
Harbor	1,919,418	1,515,234	757,783	2,213,345	2,566,944	-
Utility	1,904,747	519,140	8,840	-	(1,376,767)	-
Airport	355,784	119,067	-	-	(236,717)	-
Museum	725,311	209,089	-	-	(516,222)	-
Education	16,271,892	2,895,254	1,639,578	-	(11,737,060)	-
Hospital and healthcare	15,972,552	16,567,461	273,000	-	867,909	-
Unallocated interest	733,867	-	-	-	(733,867)	-
<b>Total Primary Government</b>	<b>\$ 69,029,069</b>	<b>\$ 23,237,007</b>	<b>\$ 3,353,042</b>	<b>\$ 2,656,340</b>	<b>(39,782,680)</b>	<b>-</b>
<b>Component Unit - School District</b>	<b>\$ 17,116,919</b>	<b>\$ 106,094</b>	<b>\$ 3,803,636</b>	<b>\$ 382,422</b>	<b>-</b>	<b>(12,824,767)</b>
<b>General Revenues</b>						
Taxes					44,432,906	-
Payments in lieu of Taxes					763,562	-
Contributions from primary government					-	8,482,698
Grants and entitlements not restricted to a specific purpose					1,612,213	5,041,795
Investment income (loss)					(7,355,244)	19,662
Other					137,007	112,697
<b>Total General Revenues</b>					<b>39,590,444</b>	<b>13,656,852</b>
Change in Net Position (Deficit)					(192,236)	832,085
Net Position (Deficit) beginning of year, as restated					587,820,292	(7,256,190)
Net Position (Deficit) end of year					\$ 587,628,056	\$ (6,424,105)

*See accompanying notes to the financial statements.*

**City of Valdez, Alaska**  
**Balance Sheet - Governmental Funds**

	Major Funds						Total Governmental Funds
	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Nonmajor Funds		
<i>December 31, 2018</i>							
<b>Assets</b>							
Cash and investments	\$ 102,161,159	\$ -	\$ 11,060,000	\$ 30,762,680	\$ 16,181,873	\$ 160,165,712	
Receivables, net:							
Property taxes	580,358	-	-	-	-	580,358	
Assessments	3,989	-	-	63,482	-	67,471	
Grants and shared revenues	109,647	-	-	2,143,035	1,809,698	4,062,380	
Accounts	347,914	2	1,815,000	-	341,740	2,504,656	
Accrued interest	244,826	199,752	-	138,514	37,753	620,845	
Prepaid items	217,970	-	-	-	52,168	270,138	
Inventory	-	-	-	-	19,870	19,870	
Other	-	-	537,000	-	120,000	657,000	
Restricted cash and investments:							
Permanent Fund	-	192,506,388	-	-	-	192,506,388	
Unspent bond proceeds	-	-	-	1,795,585	-	1,795,585	
Debt reserve accounts	-	-	-	-	199,631	199,631	
<b>Total Assets</b>	<b>\$ 103,665,863</b>	<b>\$ 192,706,142</b>	<b>\$ 13,412,000</b>	<b>\$ 34,903,296</b>	<b>\$ 18,762,733</b>	<b>\$ 363,450,034</b>	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,206,689	\$ 28,268	\$ 658,000	\$ 1,141,256	\$ 212,082	\$ 4,246,295	
Accrued payroll liabilities	860,658	-	356,000	-	43,332	1,259,990	
Payable to Providence Health & Services	-	-	1,924,000	-	82,000	2,006,000	
Customer deposits	16,052	-	-	-	17,400	33,452	
Unearned revenue	13,213	-	-	-	24,114	37,327	
Other	1,000	-	13,000	-	-	14,000	
<b>Total Liabilities</b>	<b>3,097,612</b>	<b>28,268</b>	<b>2,951,000</b>	<b>1,141,256</b>	<b>378,928</b>	<b>7,597,064</b>	
<b>Deferred Inflows of Resources</b>							
Unavailable revenues:							
Patient service revenue	-	-	390,780	-	27,159	417,939	
Deferred taxes and assessments	538,367	-	-	58,285	-	596,652	
<b>Total Deferred Inflows of Resources</b>	<b>538,367</b>	<b>-</b>	<b>390,780</b>	<b>58,285</b>	<b>27,159</b>	<b>1,014,591</b>	
<b>Fund Balances</b>							
Nonspendable	217,970	-	-	-	72,038	290,008	
Restricted	621,166	192,677,874	79,000	1,795,585	211,659	195,385,284	
Committed	1,559,333	-	-	5,988,352	-	7,547,685	
Assigned	45,247,744	-	9,991,220	25,919,818	18,072,949	99,231,731	
Unassigned	52,383,671	-	-	-	-	52,383,671	
<b>Total Fund Balances</b>	<b>100,029,884</b>	<b>192,677,874</b>	<b>10,070,220</b>	<b>33,703,755</b>	<b>18,356,646</b>	<b>354,838,379</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 103,665,863</b>	<b>\$ 192,706,142</b>	<b>\$ 13,412,000</b>	<b>\$ 34,903,296</b>	<b>\$ 18,762,733</b>	<b>\$ 363,450,034</b>	

*See accompanying notes to the financial statements.*

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

Total fund balances for governmental funds	\$	354,838,379
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets (shown here, net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		270,033,846
Other noncurrent assets are not available to pay for current period expenditures and, therefore, are shown as deferred inflows of resources in the fund financial statements. These assets consist of:		
Patient accounts receivable	\$ 417,939	
Delinquent property tax receivables	529,181	
Special assessments not yet due	67,471	
Total noncurrent assets		1,014,591
An internal service fund is used by management to charge the cost of health insurance to individual funds and component units. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		
		3,571,034
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. These liabilities consist of:		
Bonds payable, including unamortized premium	(19,656,607)	
Accrued interest	(35,278)	
Loan payable	(546,200)	
Landfill closure costs	(3,107,541)	
Accrued leave	(1,829,274)	
Net pension liability	(14,683,664)	
Net other postemployment benefits (OPEB) liability	(2,997,991)	
Total long-term liabilities		(42,856,555)
Deferred outflows of resources for governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	1,516,321	
Deferred outflows of resources related to other postemployment benefits	987,241	
Total deferred outflows of resources		2,503,562
Deferred inflows of resources for governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred inflows of resources related to pensions	(368,531)	
Deferred inflows of resources related to other postemployment benefits	(1,108,270)	
Total deferred inflows of resources		(1,476,801)
<b>Total Net Position of Governmental Activities</b>	<b>\$</b>	<b>587,628,056</b>

*See accompanying notes to the financial statements.*



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

Year Ended December 31, 2018	Major Funds					Nonmajor Funds	Total Governmental Funds
	General Fund	Permanent Fund	Special Revenue Fund	Providence Valdez Medical Center General City Capital Project Fund			
<b>Revenues</b>							
Taxes and assessments	\$ 44,426,878	\$ -	\$ -	\$ 5,441	\$ -	\$ -	\$ 44,432,319
Licenses and permits	3,180	-	-	-	-	-	3,180
Fines and forfeitures	14,200	-	-	4,972	8,555	-	27,727
Charges for services	205,035	-	16,184,369	-	2,479,182	-	18,868,586
Sales and leases	507,316	-	-	-	954,597	-	1,461,913
Contributions and donations	24,567	-	-	-	-	-	24,567
Investment income (loss)	1,444,036	(9,445,803)	-	343,655	303,912	-	(7,354,200)
Other	92,675	171	149,000	-	160,332	-	402,178
Intergovernmental:							
State of Alaska	1,354,282	-	-	2,301,145	2,714,820	-	6,370,247
Federal sources	2,044,150	-	-	43,905	-	-	2,088,055
<b>Total Revenues</b>	<b>50,116,319</b>	<b>(9,445,632)</b>	<b>16,333,369</b>	<b>2,699,118</b>	<b>6,621,398</b>	<b>66,324,572</b>	
<b>Expenditures</b>							
Current:							
General government	7,641,332	245,126	-	-	-	-	7,886,458
Public safety	5,338,738	-	-	-	-	-	5,338,738
Public works	6,628,943	-	-	-	-	-	6,628,943
Public services	4,668,453	-	-	-	-	-	4,668,453
Economic development	1,492,205	-	-	-	-	-	1,492,205
Port	36,283	-	-	-	852,553	-	888,836
Harbor	-	-	-	-	1,196,373	-	1,196,373
Utility	-	-	-	-	1,304,091	-	1,304,091
Airport	-	-	-	-	289,358	-	289,358
Education	11,170,227	-	-	-	-	-	11,170,227
Hospital and healthcare	-	-	14,057,000	-	931,636	-	14,988,636
Museum	-	-	-	-	669,498	-	669,498
Debt service:							
Principal	-	-	-	-	941,264	-	941,264
Interest	-	-	-	-	850,387	-	850,387
Capital outlay	6,217,230	-	162,000	28,061,638	48,500	-	34,489,368
<b>Total Expenditures</b>	<b>43,193,411</b>	<b>245,126</b>	<b>14,219,000</b>	<b>28,061,638</b>	<b>7,083,660</b>	<b>92,802,835</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>6,922,908</b>	<b>(9,690,758)</b>	<b>2,114,369</b>	<b>(25,362,520)</b>	<b>(462,262)</b>	<b>(26,478,263)</b>	
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	311,290	-	-	-	-	-	311,290
Transfers in	5,343,447	-	-	9,430,055	1,805,286	-	16,578,788
Transfers out	(10,235,341)	(3,003,447)	(1,300,000)	(1,540,000)	(500,000)	-	(16,578,788)
<b>Net Other Financing Sources (Uses)</b>	<b>(4,580,604)</b>	<b>(3,003,447)</b>	<b>(1,300,000)</b>	<b>7,890,055</b>	<b>1,305,286</b>	<b>311,290</b>	
<b>Net Change in Fund Balances</b>	<b>2,342,304</b>	<b>(12,694,205)</b>	<b>814,369</b>	<b>(17,472,465)</b>	<b>843,024</b>	<b>(26,166,973)</b>	
<b>Fund Balances, beginning of year</b>	<b>97,687,580</b>	<b>205,372,079</b>	<b>9,255,851</b>	<b>51,176,220</b>	<b>17,513,622</b>	<b>381,005,352</b>	
<b>Fund Balances, end of year</b>	<b>\$ 100,029,884</b>	<b>\$ 192,677,874</b>	<b>\$ 10,070,220</b>	<b>\$ 33,703,755</b>	<b>\$ 18,356,646</b>	<b>\$ 354,838,379</b>	

See accompanying notes to the financial statements.

**City of Valdez, Alaska**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2018**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ (26,166,973)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		25,092,655
Governmental funds only report the revenues for sale of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each sale. This is the net effect of transactions involving capital assets.		
Cost of assets sold	\$ (774,328)	
Accumulated depreciation of assets sold	774,328	-
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of change in unavailable revenues.		(458,438)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds do not report the accrual of interest expense on debt when it is not payable from currently available resources.		
Principal payments	941,264	
Decrease in accrued interest	4,661	
Decrease in unamortized bond premium	111,859	1,057,784
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.		
Increase in landfill closure and post-closure costs payable	(316,399)	
Increase in long-term accrued leave payable	(519,295)	
Decrease in net pension liability and related deferred outflows and inflows of resources	375,602	
Increase in net OPEB liability and related deferred outflows and inflows of resources	(53,721)	(513,813)
An internal service fund is used by management to charge the cost of health insurance to individual funds and component units. The change in net position of these activities is reported within the governmental activities.		796,549
<b>Change in Net Position of Governmental Activities</b>		<b>\$ (192,236)</b>

*See accompanying notes to the financial statements.*

**City of Valdez, Alaska**  
**Health Insurance Internal Service Fund**  
**Statement of Net Position**

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*December 31, 2018*

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**Assets**

Cash and investments	\$ 3,926,692
Accounts receivable	438,993

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**Total Assets** **\$ 4,365,685**

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**Liabilities and Net Position**

**Current Liabilities**

Claims payable	\$ 794,651
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**Net Position**

Unrestricted	3,571,034
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**Total Liabilities and Net Position** **\$ 4,365,685**

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*See accompanying notes to the financial statements.*

## City of Valdez, Alaska

Health Insurance Internal Service Fund  
Statement of Revenues, Expenses and Changes in Net Position

*Year Ended December 31, 2018*

<b>Operating Revenues</b>	
Charges for services	\$ 6,215,290
<b>Operating Expenses</b>	
Contractual services	1,523
Insurance claims and administration	5,416,002
<b>Total Operating Expenses</b>	<b>5,417,525</b>
<b>Income from Operations</b>	<b>797,765</b>
<b>Nonoperating Revenues</b>	
Investment loss	(1,215)
<b>Change in Net Position</b>	<b>796,550</b>
<b>Net Position, beginning of year</b>	<b>2,774,484</b>
<b>Net Position, end of year</b>	<b>\$ 3,571,034</b>

*See accompanying notes to the financial statements.*

**City of Valdez, Alaska**  
**Health Insurance Internal Service Fund**  
**Statement of Cash Flows**

*Year Ended December 31, 2018*

**Cash Flows from Operating Activities**

Receipts from other funds and component unit	\$ 5,783,669
Payment to suppliers	(1,523)
Payment for insurance claims and administration	(5,460,882)

**Net Cash Flows from Operating Activities** 321,264

**Cash Flows from Investing Activities**

Investment income received	3,427
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**Net Increase in Cash and Cash Equivalents** 324,691

**Cash and Cash Equivalents, beginning of year** 3,602,001

**Cash and Cash Equivalents, end of year** \$ 3,926,692

**Reconciliation of Income from Operations to Net Cash**

**Flows from Operating Activities**

Income from operations	\$ 797,765
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Increase in accounts receivable	(431,621)
Decrease in claims payable	(44,880)

**Net Cash Flows from Operating Activities** \$ 321,264

*See accompanying notes to the financial statements.*

# City of Valdez, Alaska

## Notes to Basic Financial Statements December 31, 2018

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### 1. Summary of Significant Accounting Policies

The financial statements of the City of Valdez (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *Reporting Entity*

The City of Valdez was incorporated on December 11, 1901. The City operates under a Council-Manager form of government and provides a full range of services including public safety, highways and streets, sanitation, health and social services, culture and recreation, education, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City of Valdez (the primary government) and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Valdez City Schools is reported as discretely presented component unit and the Providence Valdez Medical Center, Providence Valdez Counseling Center, and Valdez Museum and Historical Archive Association, Inc., have been blended into the financial statements of the City as Special Revenue Funds.

#### *Providence Valdez Medical Center and Counseling Center*

The Medical Center and the Counseling Center are owned by the City, and as such, all risks and rewards from the operations remain with the City. The City Council acts as the government body but has contracted the Centers' operations to Providence Health and Services (Washington non-profit corporation). The Medical and Counseling Centers pay a management fee to Providence Health and Services. Complete special purpose financial statements can be obtained by contacting the Providence Valdez Hospital, P.O. Box 550, Valdez, AK 99686.

#### *Valdez City Schools*

Valdez City Schools is responsible for elementary and secondary education within the City. The members of the School Board are elected by the voters. However, the School District is fiscally dependent upon the City because the City Council approves the total annual budget of the School District, issues bonds to finance School District construction, levies the necessary taxes, and provides significant operating subsidies to the School District. Complete financial statements can be obtained by contacting Valdez City Schools, PO Box 8, Valdez Alaska, 99686.

#### *Valdez Museum and Historical Archive Association, Inc.*

Pursuant to an agreement with the City, as of January 1, 1997, all accounting, operations and management of the Museum has been delegated to the Museum's Board of Directors. However, City Council appoints the Museum Board of Directors. In addition, the Museum is fiscally dependent upon the City because the City Council approves the annual budget, owns the Museum property and equipment and provides significant operating subsidies to the Museum. Complete financial statements can be obtained by contacting Valdez Museum and Historical Archive Association, Inc., PO Box 3988, Valdez Alaska, 99686.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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The accounting policies of the City of Valdez conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant accounting 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 non-fiduciary activities of the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties. The City currently operates only governmental type activities.

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 governmental funds are reported as separate columns in the fund financial statements. The only proprietary fund reported by the City is an internal service fund.

### *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 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. Charges for services are recognized as revenues when earned.

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 revenues to be available if they are collected within 60 days after year end, except for reimbursement-type grants, in which revenue is considered available if collected within 180 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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Property taxes 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. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Permanent Fund* is used to report investments that are held for the benefit of current and future Valdez citizens. 1.5% of the fund's market value (as calculated on the last day of the year), may be used to provide resources for capital improvements and operating expenses of the City as designated by the City Council. The remainder is restricted in perpetuity.

The *Providence Valdez Medical Center Special Revenue Fund* accounts for the operations of the Medical Center.

The *General City Capital Project Fund* accounts for the construction projects for the City.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Internal Service Fund are charges to City departments and component units for services provided. Operating expenses for the Internal Service Fund include the costs of services, insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### ***Proprietary Fund***

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments. The City's Internal Service Fund accounts are for the City and Valdez Public School's self-insured health insurance program.



# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *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 amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

### *Budgets and Budgetary Accounting*

Budgets are adopted on a basis consistent with generally accepted accounting principles. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to November 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 20, the budget is legally enacted through passage of a resolution. If no Council action is taken, the City Manager's budget becomes the actual budget. Annual budgets are legally adopted for the General, most Special Revenue, Debt Service, and Capital Project Funds. A budget was not adopted for the Self Insurance Internal Service Fund.
4. The City Manager is authorized to transfer budgeted amounts within departments; 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 legally exceed appropriations on the department level (Administration, Finance; etc.).
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Appropriations lapse at the end of the year except for capital expenditures, certain contractual appropriations and reserves.

### *Excess of expenditures over appropriations*

There were no individual departments within the General Fund with expenditures in excess of appropriations.

### *Deficit Fund Balance*

The City had no individual funds with deficit fund balance at December 31, 2018.

### *Cash and Cash Equivalents*

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *Investments*

Investments are stated at fair value. Investments of all funds outside of the Permanent Fund are managed within the City's central treasury. These investments are managed under the General Investments, Investment Policy. A focus on minimizing credit and market risks, mitigating negative effects of inflation and simply identifying and matching the cash flow needs of the City's general and many special revenue funds is the goal.

### *Accounts Receivable*

All accounts receivable are shown net of an allowance for uncollectible accounts. Receivables in excess of 180 days comprise the Providence Valdez Medical Center Special Revenue Fund and the Nonmajor Governmental Funds' accounts receivable allowance for uncollectible accounts.

### *Deferred Inflows of Resources and Deferred Outflows of Resources*

In addition to assets, the financial statements also present deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Generally, the City reports pension and OPEB related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to liabilities, the financial statements also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until later. The City reports certain unavailable revenues (such as patient service revenues and deferred taxes and assessments), pension and OPEB related items as deferred inflows of resources. These items are amortized as a reduction of expense over varying periods of time.

### *Inventory*

Inventories consist of merchandise for resale by the Valdez Museum and Historical Archive Association, Inc., and are valued at lower of cost (first-in, first-out basis) or market (net realizable value).

### *Prepaid Items*

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

### *Property Taxes*

The financial statements reflect the accrual of the 2018 tax levy; the property tax revenues include adjustments for collections of prior year levies as well as for amounts for the 2018 levy not considered to be available. The property tax receivable reported represents the uncollected amount of all prior levies.

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 October. The City bills and collects its own property taxes. The City is permitted by its Code to levy taxes up to \$2.00 per \$100 of assessed valuation. However, the amount of taxes the City may levy is further limited by the Alaska Statutes which set forth a formula for determining the maximum tax levy against oil and gas production

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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property. The tax rate for the current year ended on December 31, 2018 was \$2.00 per \$100 of assessed value.

### *Grants and Intergovernmental Revenues*

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

### *Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies, or advances is determined by the City Council.

### *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as financial resources that are tangible or intangible in nature and have a useful life greater than three years. Such assets are to be accounted for at historical cost, or if cost is not practically determinable, at estimated fair market value at the time acquired or placed into service. Generally, cost includes all expenses associated with the acquisition, construction, and installation of a capital asset.

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.

The cost 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	10-100
Improvements other than buildings	3-100
Equipment	3-50

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### *Accrued Leave*

It is the City's policy to permit employees to accumulate earned but unused personal leave time benefits. All unused personal leave time benefits are paid upon severance. All personal leave time is accrued when incurred in the government-wide statements. A liability for these amounts is reported

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### *Unearned Revenues*

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met are recorded as unearned revenue.

### *Long-term Liabilities*

In the government-wide financial statements, long-term liabilities (such as bonds payable and other long-term obligations) are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as incurred.

### *Pension and Other Postemployment Benefits (OPEB)*

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska. For purposes of measuring the net pension and OPEB liabilities, 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.

### *Fund Balance*

In the fund financial statements, fund balance includes five classifications as follows:

*Nonspendable Fund Balance* - amounts that are legally or contractually required to be maintained intact (such as the corpus of an endowment fund) or amounts that are not in a spendable form (such as inventory, prepaid items, supplies, and long-term receivables). Such constraint is binding until the legal or contractual requirement is repealed or the amounts become spendable.

*Restricted Fund Balance* - amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation. Such constraint is binding unless modified or rescinded by external body, laws, or regulation.

*Committed Fund Balance* - amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted by the City Council taking the same formal action that imposed the constraint originally.

*Assigned Fund Balance* - amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council or by the City Manager, Finance Director or designee. Such constraint is binding unless modified or eliminated by the City Council or City Manager/Finance Director. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed.

*Unassigned Fund Balance* - amounts not contained in the other classifications and available for any purpose. Positive unassigned amounts will be reported only in the General Fund. If another governmental fund, other than the General Fund, has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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The order of spending, regarding the restricted and unrestricted fund balance when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Compliance with the provisions of the Fund Balance Classification Policy are reviewed as part of the annual budget adoption process. The City Manager/Finance Director reports to the City Council as close to the end of the year as possible the anticipated year-end fund balance or deficit. The City Council takes appropriate action to commit or assign, or otherwise allocate prior year fund balances as a part of the budget planning process.

### *Net Position*

Government-wide net position is divided into three components:

- Net investment in capital assets - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consists of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

## 2. Cash and Investments

The City of Valdez 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 in each fund as "Cash and Investments." The City also maintains reserve accounts as required by bond covenants.

### *Reconciliation of Deposit and Investment Balances*

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2018.

	Book Balance	Bank Balance
Bank deposits and petty cash	\$ 15,806,167	\$ 16,361,050
Investments - restricted cash and investments	1,995,216	1,995,216
<b>Total</b>	<b>\$ 17,801,383</b>	<b>\$ 18,356,266</b>
Cash and investments	\$ 356,598,792	
Restricted cash and investments:		
Unspent bond proceeds	1,795,585	
Debt reserve accounts	199,631	
<b>Total</b>	<b>\$ 358,594,008</b>	

# City of Valdez, Alaska

## Notes to Basic Financial Statements

In the normal course of business, the City may issue general obligation bonds to fund various capital projects. At December 31, 2018, a total of \$199,631 is being held in an irrevocable trust account pledged for future bond payments and required reserves. This item is reported as restricted cash and investments.

Cash and investments are further categorized as follows:

	Bank Deposits and Petty Cash	Investments	Total
Unrestricted cash and investments	\$ 14,525,905	\$ 149,566,499	\$ 164,092,404
Restricted cash and investments	-	1,995,216	1,995,216
General cash and investments	14,525,905	151,561,715	166,087,620
Permanent fund	1,280,262	191,226,126	192,506,388
<b>Total Cash and Investments</b>	<b>\$ 15,806,167</b>	<b>\$ 342,787,841</b>	<b>\$ 358,594,008</b>

### *General Investments*

#### *Investment Policy*

The investment policy for funds other than the Permanent Fund authorizes the City to invest in obligations of the United States or an agency or instrumentality of the United States; certificates of deposit issued by United States domestic banks which are members of the FDIC; corporate debt securities with a minimum of "MA"; highest rated commercial paper; bankers acceptances drawn on and accepted by banks with a combined capital and surplus aggregating at least \$200,000,000; fully secured shares of federally chartered savings and loan associations in Alaska; fully secured savings and loan associations in Alaska; fully secured deposits with mutual savings banks in Alaska; fully secured fixed-term certificates of indebtedness of federally insured credit unions in Alaska; repurchase agreements; and the Alaska Municipal League Investment Pool (AMLIP).

#### *Interest Rate Risk*

General investment balances and maturities at December 31, 2018 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in years)	
		Less than 1	1-5
Money market funds	\$ 543,868	\$ 543,868	\$ -
U.S. treasuries	96,388,901	39,435,996	56,952,905
U.S. agencies	39,117,690	9,222,457	29,895,233
Corporate bonds	1,742,825	1,742,825	-
Local government investment pool (AMLIP)	13,768,431	13,768,431	-
<b>Total General Investments</b>	<b>\$ 151,561,715</b>	<b>\$ 64,713,577</b>	<b>\$ 86,848,138</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *Fair Value Measurement*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2018:

U.S. treasury securities of \$96,388,901 are valued using quoted prices (Level 1 inputs).

U.S. agency securities of \$39,117,690 and corporate bonds of \$1,742,825 are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales (Level 2 inputs).

The City has investments in money market funds totaling \$543,868 that are not held at fair value, but instead recorded at amortized cost, as of December 31, 2018. The City's investment in AMLIP of \$13,768,431 is measured at net asset value, as of December 31, 2018. Management believes these values approximate fair value.

### *Credit Risk*

Money market funds are subject to credit risk because of the repurchase and sale agreement features within the money market demand deposit cash accounts. Generally, U.S. agencies are considered free of credit risk because they are issued through, and backed by the full faith and taxing authority of the federal government.

The City's investments in U.S. treasury bonds and U.S. agency bonds, are rated AA+ by Standard and Poor's. Investments in corporate bonds were not rated by Standard & Poor's. The AMLIP local government pooled investments in the amount of \$13,768,431 represent 9.08% of the total general investments. The AMLIP is an external investment pool and 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 share value of investments in the AMLIP is approximately equal to fair value. Separately issued financial statements for AMLIP may be obtained by contacting the sponsor at 212 Second Street, Suite 200, Juneau, AK 99801. A portion of the general cash pool represents bond proceeds and is subject to arbitrage yield restrictions.

### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. As of December 31, 2018, bank deposits are held with financial institutions and are fully insured or collateralized, except for the following accounts which are subject to custodial credit risk: \$10,804,000 (Providence Valdez Medical Center Special Revenue Fund); \$140,000 (Providence Valdez Counseling Center Special Revenue Fund); \$518,617 (Central Treasury).

### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. As of December 31, 2018 the City did not have any investments in international debt obligations or equity mutual funds and was therefore not subject to Foreign Currency Risk.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

### *Permanent Fund Investments*

The Permanent Fund is reporting \$192,506,388 in cash and investments at December 31, 2018. Of this amount, \$1,280,262 is equity in the central treasury (cash and demand amounts). The remaining amount, \$191,226,126 is held in investment accounts as noted below.

### *Investment Policy*

The investment policy for the Permanent Fund authorizes the City to invest in domestic fixed income, domestic equities, and international equities. In an attempt to inflation proof the Permanent Fund, the investment policy is revised in the first quarter of every fiscal year. For 2018, the target allocation was 40% fixed income, 29% domestic equities, 21% international equities, 10% real estate, and 0% cash equivalents. A range of plus or minus 6% for the fixed income class, a range of plus or minus 4% for the domestic equities class, a range of plus or minus 3% for the international equities and real estate classes, and a range of plus or minus 10% for cash equivalents are allowed to accommodate normal market fluctuations and prevent frequent rebalancing.

### *Interest Rate Risk*

Because the City of Valdez Permanent Fund is designed to hold principal investments perpetually in trust for the future earnings to benefit the present and future generations of City residents, there are no maturity limitations in the policy. The policy focuses more on limiting interest rate risk by diversification in many investment types. A segmented time distribution of all investment types is presented below in an effort to disclose those investment types and amounts that are subject to interest rate risk.

Permanent Fund investment balances and maturities at December 31, 2018 are as follows:

<i>Investment type</i>	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Money market funds	\$ 414,333	\$ -	\$ -	\$ -	\$ -
U.S. treasuries	9,686,587	247,665	3,850,256	3,643,753	1,944,913
U.S. agencies	8,499,443	18	127,938	580,829	7,790,658
Treasury inflation-protected notes	1,473,102	-	578,562	894,540	-
Municipal bonds	497,840	497,840	-	-	-
Corporate bonds	7,535,300	-	2,903,020	1,841,319	2,790,961
International bond funds	23,988,319	-	-	23,988,319	-
Mortgage/Asset-backed securities	266,824	-	-	266,824	-
Domestic bond funds	28,060,491	-	-	28,060,491	-
Domestic equity funds	54,089,179				
International equity funds	36,666,390				
Real estate investment trusts	20,048,318				
<b>Total Permanent Fund</b>	<b>\$ 191,226,126</b>				





# City of Valdez, Alaska

## Notes to Basic Financial Statements

The Permanent Fund's investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified as Level 2 of the fair value hierarchy are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales.

The City has investments in money market funds totaling \$414,333 that are not held at fair value, but are instead recorded at amortized cost as of December 31, 2018.

The City has investments in real estate investment trusts totaling \$20,048,318 that are held at the net asset value. The net asset value is used as a practical expedient to estimate fair value. The net asset value is based on the fair value of the underlying investments held by the fund less its liability.

The following table summarizes investments in real estate funds measured at fair value based on NAV per share as of December 31, 2018:

2018	Fair Value	Unfunded Commitment	Redemption Frequency (if currently eligible)	Redemption Notice Period
Prime Property Fund	\$ 10,450,805	\$ -	Quarterly	60 days
Trumbull Property Fund	9,597,513	-	Quarterly	60 days
<b>Total</b>	<b>\$ 20,048,318</b>	<b>\$ -</b>		

### *Credit Risk*

<i>Investment Type</i>	Fair Value	Credit Quality Ratings		
		AAA to A-	Standard and Poor's BBB+ to BBB-	Not Rated
U.S. treasuries	\$ 9,686,587	\$ 9,686,587	\$ -	\$ -
U.S. agencies	8,499,443	8,499,443	-	-
Treasury inflation-protected notes	1,473,102	1,473,102	-	-
Municipal bonds	497,840	-	-	497,840
Corporate bonds	7,535,300	3,671,033	3,565,619	298,648
International bond funds	23,988,319	-	-	23,988,319
Domestic bond funds	28,060,491	-	-	28,060,491
Investments not subject to credit risk	111,485,044	-	-	-
<b>Total Investments</b>	<b>\$ 191,226,126</b>	<b>\$ 23,330,165</b>	<b>\$ 3,565,619</b>	<b>\$ 52,845,298</b>

The Permanent Fund policies specifically limit the types of investments that can be purchased in an effort to limit credit risk. The policies limit corporate and agency bonds to those investments rated by a nationally recognized statistical rating organization (NRSRO) and those rated Investment Grade or higher. Investment Grade is defined by Standard and Poor's (a NRSRO) as any investment rated BBB- or higher. Policy requires the City to be notified in writing within 30 days if any non-rated or below investment grade investment is in the fund. These investments must be sold within 6 months of the rating being downgraded below Investment Grade.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

Cash and investments are subject to credit risk because of the repurchase and sale agreement features within the money market demand deposit cash accounts. Many U.S. agencies are considered free of credit risk because they are issued through, and backed by the full faith and taxing authority of the federal government. Of the total Permanent Fund, \$79,741,082 or 41% is considered subject to credit risk.

### *Concentration of Credit Risk*

The Permanent Fund investment policy states the “no fixed income security shall exceed 5% of the market value of the portfolio, with the exception of U.S. government and agency securities”. As of December 31, 2018, no single issuer or security, with the exception of the U.S. Treasury Department and various U.S. governmental agencies, exceeded 5% of the Permanent Fund’s holdings. While not rated for credit default risk, the specific nature of the real estate investments in the amount of \$20,048,318 (10.48%) could be considered a concentration investment risk because it is comprised of 2 limited partnership unit-investments in private real estate investment trusts.

### *Foreign Currency Risk*

As of December 31, 2018, a total of \$60,654,709 (31%) of the total fund value is invested in international debt obligations and equity mutual funds that are considered subject to Foreign Currency Risk. The mutual funds are highly diversified globally and in many different sectors.

### 3. Receivables, Deferred Inflows of Resources and Unearned Revenue

Receivables as of December 31, 2018 for the City's individual major funds, nonmajor funds in the aggregate, and internal service fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project	Governmental and Internal Service Funds	Totals
Property taxes	\$ 580,358	\$ -	\$ -	\$ -	\$ -	580,358
Grants and shared revenues	109,647	-	-	2,143,035	1,809,698	4,062,380
Accounts and assessments	351,903	2	2,020,000	63,482	788,733	3,224,120
Accrued interest	244,826	199,752	-	138,514	37,753	620,845
<b>Total receivables</b>	<b>1,286,734</b>	<b>199,754</b>	<b>2,020,000</b>	<b>2,345,031</b>	<b>2,636,184</b>	<b>8,487,703</b>
Less allowance for uncollectible accounts	-	-	(205,000)	-	(8,000)	(213,000)
<b>Net Receivables</b>	<b>\$ 1,286,734</b>	<b>\$ 199,754</b>	<b>\$ 1,815,000</b>	<b>\$ 2,345,031</b>	<b>\$ 2,628,184</b>	<b>\$ 8,274,703</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenues in connection with resources that have been received, but not yet earned.

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

	Deferred Inflows of Resources	Unearned Revenue
Delinquent property taxes receivable (General Fund)	\$ 536,349	\$ -
Special assessments not yet due (General Fund)	2,018	-
Special assessments not yet due (General City Capital Project Fund)	58,285	-
Delinquent accounts receivable (Medical Center)	390,780	-
Delinquent accounts receivable (Counseling Center)	27,159	-
Services paid in advance (General Fund)	-	2,000
Grant drawdowns prior to meeting all eligibility requirements (General Fund and Museum Fund)	-	35,327
<b>Total Deferred Inflows of Resources and Unearned Revenues for Governmental Funds</b>	<b>\$ 1,014,591</b>	<b>\$ 37,327</b>

### 4. Inter-Fund Transfers

Transfers between funds for the year ended December 31, 2018, consisted of the following:

#### *Transfers*

From General Fund to:	
General City Capital Project Fund for capital projects	\$ 8,430,055
Nonmajor governmental funds for operations	1,805,286
From Permanent Fund to General Fund for required contribution	3,003,447
From Providence Valdez Medical Center Special Revenue Fund to:	
General City Capital Project Fund for capital projects	1,000,000
General Fund for operations	300,000
From General City Capital Project Fund to General Fund for operations	1,540,000
From nonmajor governmental funds to General Fund for operations	500,000
<b>Total Transfers to Other Funds</b>	<b>\$ 16,578,788</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

### 5. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

<i>Governmental Activities</i>	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land and land improvements	\$ 16,083,570	\$ 186,000	\$ -	\$ 16,269,570
Construction in progress	44,926,696	31,823,940	(16,661,560)	60,089,076
<b>Total assets not being depreciated</b>	<b>61,010,266</b>	<b>32,009,940</b>	<b>(16,661,560)</b>	<b>76,358,646</b>
<i>Capital assets being depreciated:</i>				
Buildings	126,322,110	6,530,904	-	132,853,014
Improvements other than buildings	153,188,221	8,904,887	-	162,093,108
Equipment	29,417,654	3,007,068	(774,328)	31,650,394
<b>Total assets being depreciated</b>	<b>308,927,985</b>	<b>18,442,859</b>	<b>(774,328)</b>	<b>326,596,516</b>
Less accumulated depreciation for:				
Buildings	29,060,195	2,440,028	-	31,500,223
Improvements other than buildings	78,874,149	4,484,495	-	83,358,644
Equipment	17,062,716	1,774,061	(774,328)	18,062,449
<b>Total accumulated depreciation</b>	<b>124,997,060</b>	<b>8,698,584</b>	<b>(774,328)</b>	<b>132,921,316</b>
<b>Total capital assets being depreciated, net</b>	<b>183,930,925</b>	<b>9,744,275</b>	<b>-</b>	<b>193,675,200</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 244,941,191</b>	<b>\$ 41,754,215</b>	<b>\$ (16,661,560)</b>	<b>\$ 270,033,846</b>

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# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

### *Governmental Activities*

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General government	\$ 45,313
Public safety	479,825
Public works	1,801,349
Public service	863,641
Economic development	6,061
Port	1,665,851
Harbor	799,605
Utility	669,412
Airport	74,899
Museum	1,669,899
Education	330,915
Hospital and health care	291,814

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**Total Depreciation Expense - Governmental Activities** **\$ 8,698,584**

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## 6. Long-term Debt

### *Debt Defeasance*

In 2012, the City issued general obligation school bonds in the amount of \$33,865,000 for the construction of a new Middle School. In 2013, the City began a structured series of "economic defeasances" on a portion of these bonds. In 2013, the City deposited \$18,400,079 into an irrevocable trust for the purpose of making the required debt service payments in the later years. In 2014, the City paid in an additional \$7,651,808 to defease an additional amount. In 2015, the City made yet another payment into escrow in the amount of \$5,501,215.

In aggregate, the City paid in \$31,553,102 to defease a total of \$28,200,000 in outstanding principal plus the associated interest payments. The terms of the arrangement meet the recognition criteria as an in-substance defeasance; therefore both the bonds payable and the associated cash held in escrow have been removed from the City's books, but will continue to be paid by the escrow agent. At December 31, 2018 the defeased bonds outstanding with the escrow agent was \$26,840,000.

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# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

<i>Governmental Activities</i>	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Due Within One Year
General obligation bonds:					
\$1,645,000 2012 Series Two Harbor Bonds, due in annual installments of \$160,000 to \$195,000, plus semi-annual interest at 4.0% to 5.0% through September 2024	\$ 1,220,000	-	\$ 155,000	\$ 1,065,000	\$ 160,000
\$1,095,000 2012 Series Two School Bonds, due in annual installments of \$105,000 to \$125,000, plus semi-annual interest at 2.0% to 5.0% through September 2024	805,000	-	105,000	700,000	105,000
\$17,920,000 Series 2016 Harbor Bonds, due in annual installments of \$670,000 to \$1,340,000, plus semi-annual interest at 2.0% to 5.0% through June 2035	16,645,000	-	655,000	15,990,000	670,000
Unamortized premium on bonds	2,013,466	-	111,859	1,901,607	-
Clean Water Loan:					
\$598,340 Water Loan Payable, due in annual installments of \$34,851, including interest of 1.5%, through March 2036	572,464	-	26,264	546,200	26,658
Landfill closure and post-closure monitoring costs	2,791,142	316,399	-	3,107,541	-
Accrued leave	1,309,979	1,435,253	915,958	1,829,274	1,167,000
Net pension liability	13,803,406	880,258	-	14,683,664	-
Net OPEB liability	-	2,997,991	-	2,997,991	-
<b>Totals</b>	<b>\$ 39,160,457</b>	<b>\$ 5,629,901</b>	<b>\$ 1,969,081</b>	<b>\$ 42,821,277</b>	<b>\$ 2,128,658</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

Annual debt service requirements to maturity for the bonds follow:

<i>Year Ending December 31,</i>	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 935,000	\$ 815,550	\$ 1,750,550
2020	955,000	785,400	1,740,400
2021	995,000	750,875	1,745,875
2022	1,030,000	714,200	1,744,200
2023	1,075,000	669,350	1,744,350
2024-2028	4,630,000	2,610,000	7,240,000
2029-2033	5,520,000	1,370,500	6,890,500
2034-2035	2,615,000	132,375	2,747,375
	\$ 17,755,000	\$ 7,848,250	\$ 25,603,250

Debt service payments on the general obligation bonds are made by the Debt Service Fund. The accrued leave is primarily liquidated by the General Fund.

Annual debt service requirements to maturity for the Clean Water Loan follow:

<i>Year Ending December 31,</i>	Clean Water Loan		
	Principal	Interest	Total
2019	\$ 26,658	\$ 8,193	\$ 34,851
2020	27,058	7,793	34,851
2021	27,464	7,387	34,851
2022	27,875	6,976	34,851
2023	28,294	6,557	34,851
2023-2027	147,963	26,291	174,254
2028-2032	159,398	14,856	174,254
2033-2036	101,490	3,060	104,550
	\$ 546,200	\$ 81,113	\$ 627,313

Debt service payments on the Clean Water Loan are made by the Utility Fund or Debt Service Fund.

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# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### 7. Landfill Closure and Post-Closure Liability

The City operates two landfills. One is a regular landfill and the other is a construction waste pit. State and federal laws and regulations require the City to place final covers on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfills stop accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date. In 2016, the City revised the estimated closure and post-closure costs of the landfill and construction waste pit. The revised estimates for total closure and post closure monitoring costs were \$4,263,726 and \$1,270,819, respectively, for the regular landfill and construction waste pit. To date, the City estimates that the landfill and construction waste pit are 55% and 60% full, respectively, representing a currently reported long-term liability of \$2,345,049 and \$762,492, respectively.

The City will recognize the remaining estimated cost of closure and post closure care of \$2,427,004 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 14 years. The remaining life of the construction pit is estimated to be approximately 51 years.

At December 31, 2018, the City has assigned fund balance of \$3,107,541 to fund the cost of closure and post-closure monitoring. No assets have been restricted for this purpose.

### 8. Related Party Transactions

In the normal course of business, the City may contract for goods or services from vendors, or provide financial support to organizations whose shareholders, officers, or employees may also be associated with the City as an official, council member, or employee. Such transactions during 2018 aggregated to \$291,249.

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# City of Valdez, Alaska

## Notes to Basic Financial Statements

### 9. Fund Balances

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

	General Fund	Permanent Fund	Providence Valdez Medical Center Special Revenue Fund	General City Capital Project Fund	Nonmajor Funds	Totals
Nonspendable - Prepaid items and inventory	\$ 217,970	\$ -	\$ -	\$ -	72,038	\$ 290,008
Restricted:						
Permanent Fund	-	192,677,874	-	-	-	192,677,874
Medical Center	-	-	79,000	-	-	79,000
Unspent Forestry receipts	621,166	-	-	-	-	621,166
Unspent Bond Proceeds	-	-	-	1,795,585	-	1,795,585
Donor restrictions - VMHAA	-	-	-	-	12,028	12,028
Bond reserve	-	-	-	-	199,631	199,631
<b>Total restricted</b>	<b>621,166</b>	<b>192,677,874</b>	<b>79,000</b>	<b>1,795,585</b>	<b>211,659</b>	<b>195,385,284</b>
Committed -						
Consulting and contracts	1,559,333	-	-	-	-	1,559,333
Construction	-	-	-	5,988,352	-	5,988,352
<b>Total committed</b>	<b>1,559,333</b>	<b>-</b>	<b>-</b>	<b>5,988,352</b>	<b>-</b>	<b>7,547,685</b>
Assigned:						
Capital and capital reserves	41,562,875	-	-	25,439,771	-	67,002,646
Landfill closure costs	3,107,541	-	-	-	-	3,107,541
Consulting and contracts	577,328	-	-	-	-	577,328
Construction	-	-	-	480,047	-	480,047
Hospital and healthcare	-	-	9,991,220	-	878,270	10,869,490
Debt service	-	-	-	-	7,636,549	7,636,549
Port	-	-	-	-	1,488,076	1,488,076
Harbor	-	-	-	-	2,435,608	2,435,608
Utility	-	-	-	-	1,912,470	1,912,470
Airport	-	-	-	-	909,196	909,196
Museum	-	-	-	-	126,337	126,337
Valdez Housing Improvement Authority	-	-	-	-	2,686,443	2,686,443
<b>Total assigned</b>	<b>45,247,744</b>	<b>-</b>	<b>9,991,220</b>	<b>25,919,818</b>	<b>18,072,949</b>	<b>99,231,731</b>
Unassigned	52,383,671	-	-	-	-	52,383,671
<b>Total Fund Balances</b>	<b>\$100,029,884</b>	<b>\$ 192,677,874</b>	<b>\$ 10,070,220</b>	<b>\$ 33,703,755</b>	<b>\$ 18,356,646</b>	<b>\$ 354,838,379</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### 10. Operating Leases

The City has a management and operating agreement with Providence Health and Services-Washington for \$200,000 per year effective January 1, 2015 through December 31, 2019, with an option to extend another five years.

### 11. Medical and Counseling Centers

#### *Net Patient Service Revenues*

The Medical Center has agreements with governmental and other third-party payers that provide for payments to the Medical Center at amounts different from its established charges. Payment arrangements for major third-party payers may be based on prospectively determined rates, reimbursed cost, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The following are the components of net patient service revenues for the Medical Center for the year ended December 31, 2018:

	Medical Center	Counseling Center
Patient service charges	\$ 16,434,000	\$ 278,000
Less adjustments to patient service charges - Provision for uncollectible accounts	(527,000)	(5,000)
Net patient service revenues - full accrual	15,907,000	273,000
Adjustment to modified accrual	277,369	2,312
<b>Net Patient Service Revenues - modified accrual</b>	<b>\$ 16,184,369</b>	<b>\$ 275,312</b>

The mix of net patient charges for the year ended December 31, 2018 from significant third-party payers were as follows:

	Medical Center	Counseling Center
Medicare	24%	4%
Medicaid	32	28
Commercial and other insurance	44	68
<b>Total</b>	<b>100%</b>	<b>100%</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *Operating Leases*

The Counseling Center and the Medical Center lease various medical and office equipment under operating leases that expire in the next five years, generally with no renewal or purchase options. Rental expense for all operating leases was approximately \$98,000 (Counseling Center) and \$44,000 (Medical Center) for the year ended December 31, 2018.

There are no future minimum lease commitments under noncancelable operating leases as of December 31, 2018 for the Counseling Center. The following is a schedule of the Medical Center by year of future minimum lease payments under noncancelable operating leases, as of December 31, 2018, that have initial or remaining lease terms in excess of one year:

<i>Year Ending December 31,</i>		Medical Center
2019	\$	54,000
2020		6,000
2021		1,000
	\$	61,000

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### *Litigation and Contingencies*

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as repayment of patient services previously billed.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's or the Counseling Center's future financial position, results of operations, or cash flows.

### *Related Party Transactions*

#### *(a) Payable to the Corporation*

The accounting, management, and human resource functions of the Counseling Center and the Medical Center are provided by Providence Health and Services (the Corporation). All receipts and payments on behalf of the Counseling Center and the Medical Center are received or made by the Corporation and are recorded in the accompanying balance sheets. The amount payable to the Corporation at December 31, 2018 was approximately \$1,924,000 (Medical Center) and \$57,000 (Counseling Center). The Counseling Center and Medical Center also pay management fees to the Corporation. The amount paid to the Corporation for management fees for the year ended December 31, 2018 was approximately \$578,000 (Medical Center) and \$30,000 (Counseling Center).

#### *(b) Insurance Coverage*

The Counseling Center and Medical Center are covered for professional and general liability insurance on an occurrence basis through the Corporation's self-insurance programs. The charge

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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by the Corporation for annual insurance expense was approximately \$0 (Counseling Center) and \$47,000 (Medical Center) for the year ended December 31, 2018.

(c) *Employee Benefits*

All employees are employed by the Corporation. The Counseling Center and the Medical Center are not liable for employee benefits including retirement plans and vacation and sick leave, except for the contribution allocation by the Corporation. The Counseling Center and the Medical Center's contribution to these pension plans for the year ended December 31, 2018 was \$24,000 (Counseling Center) and \$414,000 (Medical Center).

## 12. Defined Benefit (DB) Pension Plan

### General Information About the Plan

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

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

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

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

### *Historical Context and Special Funding Situation*

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

The City recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP.

### *Employee Contribution Rates*

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

### *Employer and Other Contribution Rates*

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

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

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

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

*GASB Rate:* This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8% pension discount rate and a 8% healthcare discount rate.

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

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

  

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

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

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions (including DBUL)	\$ 1,110,224	\$ 1,107,841
Nonemployer contributions (on-behalf)	292,398	433,671
<b>Total Contributions</b>	<b>\$ 1,402,622</b>	<b>\$ 1,541,512</b>

In addition, employee contributions to the Plan totaled \$216,066 during the City's fiscal year.

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

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

	2018
City proportionate share of NPL	\$ 14,683,664
State's proportionate share of NPL associated with the City	4,251,031
<b>Total Net Pension Liability</b>	<b>\$ 18,934,695</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the City's proportion was 0.30531 percent, which was an increase of 0.03829 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$18,934,695. Of this amount, \$4,251,031 was recorded as on-behalf revenue and expense for additional contributions paid by the State. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (368,531)
Net difference between projected and actual earnings on pension plan investments	324,295	-
Changes in proportion and differences between City contributions and proportionate share of contributions	605,001	-
City contributions subsequent to the measurement date	587,025	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 1,516,321</b>	<b>\$ (368,531)</b>

The \$587,025 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Year Ending December 31,*

2019	\$ 648,928
2020	177,323
2021	(251,269)
2022	(14,217)
2023	-
Thereafter	-



# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *Actuarial Assumptions*

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

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

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

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

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

### *Discount Rate*

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

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

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	0.29550%	\$ 19,444,876	\$ 14,683,664	\$ 10,656,254

### *Pension Plan Fiduciary Net Position*

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

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

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

### *Benefit Terms*

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

### *Employee Contribution Rate*

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

### *Employer Contribution Rate*

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

The City and employee contributions to PERS for pensions for the year ended December 31, 2018 were \$309,041 and \$494,466, respectively. The City contribution amount was recognized as pension expense/expenditures.

## **14. Other Post-Employment Benefit (OPEB) Plans**

### *Defined Benefit OPEB Plan*

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). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

### *Employer Contribution Rate*

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

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

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

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

	Measurement Period July 1, 2017 to June 30, 2018	City Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions - ARHCT	\$ 316,456	\$ 360,087
Employer contributions - RMP	59,063	60,557
Employer contributions - ODD	11,809	17,498
Nonemployer contributions (on-behalf)- ARHCT	-	-
<b>Total Contributions</b>	<b>\$ 387,328</b>	<b>\$ 438,142</b>

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

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

	2018
City's proportionate share of NOL - ARHCT	\$ 3,031,921
City's proportionate share of NOL - RMP	64,472
City's proportionate share of NOL - ODD	(98,402)
State's proportionate share of the NOL associated with the City	879,849
<b>Total Net OPEB Liabilities</b>	<b>\$ 3,877,840</b>

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liabilities:			
ARHCT	0.26700%	0.29543%	(0.02843)%
RMP	0.47710%	0.50665%	(0.02955)%
ODD	0.47710%	0.50665%	(0.02955)%

As a result of its requirement to contribute to the plans, the City recognized OPEB expense of \$516,030 and on-behalf revenue of \$115,506 for support provided by the State associated with the ARHCT plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (355,106)
Changes in assumptions	489,841	-
Net difference between projected and actual earnings on OPEB plan investments	-	(655,355)
Changes in proportion and differences between City contributions and proportionate share of contributions	241,440	(97,809)
City contributions subsequent to the measurement date	255,960	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans</b>	<b>\$ 987,241</b>	<b>\$ (1,108,270)</b>

The \$255,960 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending December 31,*

2019	\$ (78,101)
2020	(69,749)
2021	(214,036)
2022	(14,322)
2023	(269)
Thereafter	(512)
<b>Total Amortization</b>	<b>\$ (376,989)</b>

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### *Actuarial Assumptions*

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

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others.
Allocation methodology	Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 medical: 5.8% grading down to 4.0% Prescription drug: 5.4% grading down to 4.0% RDS/EGWP:6.5% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Participation (ARHCT)	100% system paid for members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

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

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

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

### *Discount Rate*

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

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

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

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.29543%	\$ 6,138,120	\$ 3,031,921	\$ 428,291
RMP	0.50665%	\$ 192,528	\$ 64,472	\$ (35,410)
ODD	0.50665%	\$ (92,403)	\$ (98,402)	\$ (103,337)

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

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

	Proportional Share	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability (asset):				
ARHCT	0.29543%	\$ 58,855	\$ 3,031,921	\$ 6,613,269
RMP	0.50665%	\$ (54,815)	\$ 64,472	\$ 224,113
ODD	0.50665%	\$ 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.

### *Defined Contribution OPEB Plan*

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

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

### *Employer Contribution Rates*

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

	Other Tier IV	Police/Fire Tier IV
<i>January 1, 2018 to June 30, 2018</i>		
Heath Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	1.03%	1.03%
Occupational Death and Disability Benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>4.19%</b>	<b>4.46%</b>



# City of Valdez, Alaska

## Notes to Basic Financial Statements

<i>July 1, 2018 to December 31, 2018</i>	Other Tier IV	Police/Fire Tier IV
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	0.94%	0.94%
Occupational Death and Disability Benefits	0.26%	0.76%
<b>Total Contribution Rates</b>	<b>4.20%</b>	<b>4.70%</b>

### *Annual Postemployment Healthcare Cost*

In 2018, the City contributed \$181,564 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

### **15. Health Insurance Internal Service Fund**

The Health Insurance Internal Service Fund was organized in 1991. The City of Valdez and Valdez City School District have entered into a joint arrangement for self-insuring for health insurance. The program's general objectives are to formulate, develop and administer a program of health insurance and to obtain lower costs for that coverage. The City and School also purchase commercial insurance to provide coverage for claims in excess of \$125,000 per employee per year. The various funds of the City and School make payments to the Internal Service Fund based on estimates of the amounts needed to pay claims. The City accrues a liability for claims incurred but not reported at year end. The liability is based on actual incurred costs paid through March 31<sup>st</sup> of the subsequent year, plus an estimate of additional costs incurred but not reported based on prior year experience. Changes in the claims payable for 2017 and 2018 are as follows:

Claims Payable, December 31, 2016	\$ 332,316
2017 claims and changes in estimates	5,659,372
2017 claims paid	(5,152,157)
Claims Payable, December 31, 2017	839,531
2018 claims and changes in estimates	5,416,002
2018 claims paid	(5,460,882)
Claims Payable, December 31, 2018	\$ 794,651

### **16. 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) general liability i.e. personal injuries. Commercial policies, transferring these risks of loss, except for relatively small deductible amounts, are purchased for certain property, port, and boiler and machinery. The City has no coverage for potential losses from environmental damages. Coverage limits and deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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The City is a member of the Alaska Public Entity Insurance (APEI), a joint insurance association. The mission of the Alaska Public Entity Insurance is to provide its members with stable, affordable insurance, broad insurance coverage, and effective risk management services to ensure that maximum funds are available for local government and education programs. APEI is recognized by the Association of Government Risk Pools (AGRIP). The APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment and data processing equipment; casualty, including general liability, public officials and employee liability, law enforcement professional liability, auto liability; commercial blanket bond; and workers' compensation.

The APEI is a public entity risk pool organized to share risks among its members. Funds in excess of expenses and costs of risk management activities and reasonable reserves, including reserves for contingencies, reserves required by excess insurers or reinsurers, reserves as part of a surplus goal or as required by law, may be used to reduce the cost of insurance or increase risk protection for the members; excess funds may be distributed to the members as provided in APEI's bylaws. The City received excess funds in the form of dividends during the year ended December 31, 2018. Coverage limits and the deductibles on the policies have stayed relatively constant for the past few years.

### **17. Alaska Gasline Port Authority**

On July 19, 1999, the City passed an ordinance to provide for the creation of the Alaska Gasline Port Authority. The Port Authority, comprised of the City of Valdez, Fairbanks North Star Borough and the North Slope Borough, was formed to promote the development of the natural gas pipeline between the North Slope and the City of Valdez. Originally, the Port Authority board consisted of nine members; three from each of the participating agencies. If constructed, the Port Authority will provide for the operation and maintenance of the gasline. In 2010, North Slope Borough withdrew from participation. The City of Valdez and the Fairbanks North Star Borough remain members. There has been limited activity in the last few years.

### **18. Contingencies**

From time to time, and in the normal course of business, the City is involved in numerous legal and administrative actions. Final resolutions of these actions cannot be determined at this time. Management does not believe any of these items represents a material risk of loss to the City.

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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### 19. Change in Accounting Principle

As discussed in Note 14 to the financial statements, the City participates in the Alaska Public Employees' Retirement System (PERS) plan. In 2018, the City adopted the provisions of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which, among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net OPEB Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to net position as of January 1, 2018 as follows:

	Opening Net Position (Deficit), as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position (Deficit), as Restated
Governmental Activities	\$ 590,885,591	\$ (3,065,299)	\$ 587,820,292
Valdez City Schools	(5,696,873)	(1,559,347)	(7,256,190)

### 20. Subsequent Events

The City has evaluated subsequent events through September 18, 2019, the date on which the financial statements were available to be issued.

### 21. Recently Issued Accounting Pronouncements

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

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

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

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

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

# City of Valdez, Alaska

## Notes to Basic Financial Statements

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

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

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

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## Required Supplementary Information

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## City of Valdez, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2018	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 43,425,100	\$ 43,425,100	\$ 44,426,878	\$ 1,001,778
Licenses and permits	3,500	3,500	3,180	(320)
Fines and forfeitures	21,400	21,400	14,200	(7,200)
Charges for services	169,697	169,697	205,035	35,338
Sales and leases	415,500	418,142	507,316	89,174
Contributions and donations	22,200	22,200	24,567	2,367
Investment income	263,589	263,589	1,444,036	1,180,447
Other	4,800	5,895	92,675	86,780
Intergovernmental:				
State of Alaska	566,749	905,299	1,354,282	448,983
Federal sources	701,000	1,995,055	2,044,150	49,095
<b>Total Revenues</b>	<b>45,593,535</b>	<b>47,229,877</b>	<b>50,116,319</b>	<b>2,886,442</b>
<b>Expenditures</b>				
Current:				
General government	10,663,706	10,360,275	7,641,332	2,718,943
Public safety	5,548,358	5,566,426	5,338,738	227,688
Public works	19,889,865	20,005,583	6,628,943	13,376,640
Public services	5,511,052	5,764,789	4,668,453	1,096,336
Economic development	1,724,011	1,722,208	1,492,205	230,003
Port	-	49,750	36,283	13,467
Education	11,672,206	11,830,156	11,170,227	659,929
Capital outlay	18,397,933	32,018,111	6,217,230	25,800,881
<b>Total Expenditures</b>	<b>73,407,131</b>	<b>87,317,298</b>	<b>43,193,411</b>	<b>44,123,887</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(27,813,596)</b>	<b>(40,087,421)</b>	<b>6,922,908</b>	<b>47,010,329</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	311,290	311,290
Transfers in	3,300,000	6,010,273	5,343,447	(666,826)
Transfers out	(4,491,216)	(11,105,614)	(10,235,341)	870,273
<b>Net Other Financing Sources (Uses)</b>	<b>(1,191,216)</b>	<b>(5,095,341)</b>	<b>(4,580,604)</b>	<b>514,737</b>
<b>Net Change in Fund Balance</b>	<b>\$ (29,004,812)</b>	<b>\$ (45,182,762)</b>	<b>2,342,304</b>	<b>\$ 47,525,066</b>
<b>Fund Balance, beginning of year</b>			<b>97,687,580</b>	
<b>Fund Balance, end of year</b>			<b>\$ 100,029,884</b>	

See accompanying notes to Required Supplementary Information.

## City of Valdez, Alaska

## Providence Valdez Medical Center Special Revenue Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2018</i>	Original and Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>			
Charges for services	\$ 14,904,572	\$ 16,184,369	\$ 1,279,797
Other	117,000	149,000	32,000
<b>Total Revenues</b>	<b>15,021,572</b>	<b>16,333,369</b>	<b>1,311,797</b>
<b>Expenditures</b>			
Current - hospital and healthcare	14,514,389	14,057,000	457,389
Capital outlay	-	162,000	(162,000)
<b>Total Expenditures</b>	<b>14,514,389</b>	<b>14,219,000</b>	<b>295,389</b>
Excess of Revenues Over Expenditures	507,183	2,114,369	1,607,186
Other Financing Uses - transfers out	-	(1,300,000)	(1,300,000)
<b>Net Change in Fund Balance</b>	<b><u>\$ 507,183</u></b>	<b>814,369</b>	<b><u>\$ 307,186</u></b>
Fund Balance, beginning of year		<u>9,255,851</u>	
Fund Balance, end of year		<b><u>\$ 10,070,220</u></b>	

See accompanying notes to Required Supplementary Information.



**City of Valdez, Alaska**  
**Public Employees' Retirement System**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**

Year Ended <i>December 31,</i>	Measurement Period Ended <i>June 30,</i>	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	2018	0.29550%	\$ 14,683,664	\$ 4,251,031	\$ 18,934,695	\$ 9,510,613	154.39%	65.19%
2017	2017	0.26702%	\$ 13,803,406	\$ 5,142,220	\$ 18,945,626	\$ 9,224,190	149.64%	63.37%
2016	2016	0.30531%	\$ 17,065,650	\$ 2,151,591	\$ 19,217,241	\$ 8,209,617	207.87%	59.55%
2015	2015	0.25234%	\$ 12,238,375	\$ 3,277,702	\$ 15,516,077	\$ 7,114,242	172.03%	63.96%
2014	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2009	*	*	*	*	*	*	*	*

\*Information for these years is not available.

*See accompanying notes to Required Supplementary Information.*

**City of Valdez, Alaska**  
**Public Employees' Retirement System**  
**Schedule of City Contributions**

<i>Year Ended December 31,</i>		Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)		City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$	1,107,841	\$ 1,107,841	\$ -	\$	9,528,041	11.627%
2017	\$	1,073,998	\$ 1,073,998	\$ -	\$	9,493,185	11.313%
2016	\$	879,783	\$ 879,783	\$ -	\$	8,955,195	9.824%
2015	\$	777,732	\$ 777,732	\$ -	\$	7,464,038	10.420%
2014		*	*	*		*	*
2013		*	*	*		*	*
2012		*	*	*		*	*
2011		*	*	*		*	*
2010		*	*	*		*	*
2009		*	*	*		*	*

\*Information for these years is not available.

*See accompanying notes to Required Supplementary Information.*

**City of Valdez, Alaska**  
**Public Employees' Retirement System**  
**Schedule of the City's Proportionate Share of the Net OPEB Liability - ARHCT**

Year Ended December 31,	Measurement Period Ended June 30,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	State of Alaska's Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's	Plan Fiduciary
							Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.29543000	\$ 3,031,921	\$ 879,849	\$ 3,911,770	9,493,185	31.94%	88.12%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Valdez, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of City Contributions - ARHCT**

<i>Year Ended December 31,</i>	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 360,087	\$ 360,087	\$ -	\$ 9,528,041	3.78%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

\*Information for these years is not available.

*See accompanying notes to Required Supplementary Information.*

**City of Valdez, Alaska**  
**Public Employees' Retirement System**  
**Schedule of the City's Proportionate Share of the Net OPEB Liability - RMP**

Year Ended December 31,	Measurement Period Ended June 30,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	State of Alaska's Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's	Plan Fiduciary
							Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.50665000 \$	64,472 \$	- \$	64,472 \$	9,493,185	0.68%	88.71%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Valdez, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of City Contributions - RMP**

<i>Year Ended December 31,</i>	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 60,557	\$ 60,557	\$ -	9,528,041	0.64%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

\*Information for these years is not available.

*See accompanying notes to Required Supplementary Information.*

**City of Valdez, Alaska**  
**Public Employees' Retirement System**  
**Schedule of the City's Proportionate Share of the Net OPEB Liability - ODD**

Year Ended December 31,	Measurement Period Ended June 30,	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	State of Alaska's Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	City's Covered Payroll	City's	Plan Fiduciary
							Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.50665000 \$	(98,402)	\$ -	(98,402) \$	9,493,185	-1.04%	270.62%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

\*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**City of Valdez, Alaska**  
**Public Employees' Retirement System OPEB Plan**  
**Schedule of City Contributions - ODD**

<i>Year Ended December 31,</i>	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 17,498	\$ 17,498	\$ -	9,528,041	0.18%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

\*Information for these years is not available.

*See accompanying notes to Required Supplementary Information.*



# City of Valdez, Alaska

## Notes to Required Supplementary Information December 31, 2018

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### 1. Budgetary Comparison Schedules

An operating budget is adopted each fiscal year for the General Fund and most other funds of the City on a modified accrual basis used to reflect actual revenues and expenditures.

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

- a. Prior to November 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to December 20, the budget is legally enacted through passage of a resolution. If no Council action is taken, the City Manager's budget becomes the actual budget. Annual budgets are legally adopted for the General, most Special Revenue, Debt Service, and Capital Project Funds. A budget was not adopted for the Self Insurance Internal Service Fund.
- d. The City Manager is authorized to transfer budgeted amounts within departments; 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 legally exceed appropriations on the department level (Administration, Finance; etc.).
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Appropriations lapse at the end of the year except for capital expenditure and certain contractual appropriations.

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

### 2. Public Employees' Retirement System - 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, 2018, the Plan measurement date is June 30, 2018.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in allocation methodology.

### 3. Public Employees' Retirement System - Schedule of the City's Contributions - Pension Plan

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

## City of Valdez, Alaska

### Notes to Required Supplementary Information

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#### **4. Public Employees' Retirement System - Schedule of the City's Proportionate Share of the Net OPEB Liability - ARHCT, RMP and ODD Plans**

These tables are presented based on the Plan measurement date. For December 31, 2018, the Plan measurement dates were June 30, 2018.

#### **5. Public Employees' Retirement System - Schedule of City's Contributions - ARHCT, RMP and ODD Plans**

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

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## Supplementary Information

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

<i>December 31, 2018</i>	Special Revenue Funds				
	Port	Utility	Airport	Harbor	Gilson Medical Clinic
<b>Assets</b>					
Cash and investments	\$ 1,326,639	\$ 2,004,635	\$ 891,452	\$ 2,428,723	\$ 469,546
Receivables, net:					
Grants and shared revenues	-	-	-	-	-
Accounts	196,340	2,116	28,430	56,068	136
Accrued interest	3,782	5,067	2,182	5,434	1,102
Prepaid items	19,512	12,183	2,606	17,867	-
Inventory	-	-	-	-	-
Other	-	-	-	-	-
Restricted cash and investments:					
Debt reserve accounts	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,546,273</b>	<b>\$ 2,024,001</b>	<b>\$ 924,670</b>	<b>\$ 2,508,092</b>	<b>\$ 470,784</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 38,685	\$ 81,948	\$ 12,868	\$ 54,617	\$ 12,355
Accrued payroll liabilities	-	-	-	-	-
Payable to Providence Health & Services - Washington	-	-	-	-	-
Customer deposits	-	17,400	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>38,685</b>	<b>99,348</b>	<b>12,868</b>	<b>54,617</b>	<b>12,355</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - patient service revenues	-	-	-	-	-
<b>Fund Balances</b>					
Nonspendable	19,512	12,183	2,606	17,867	-
Restricted	-	-	-	-	-
Assigned	1,488,076	1,912,470	909,196	2,435,608	458,429
<b>Total Fund Balances</b>	<b>1,507,588</b>	<b>1,924,653</b>	<b>911,802</b>	<b>2,453,475</b>	<b>458,429</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,546,273</b>	<b>\$ 2,024,001</b>	<b>\$ 924,670</b>	<b>\$ 2,508,092</b>	<b>\$ 470,784</b>

**City of Valdez, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet, continued**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Providence Valdez Counseling Center	Valdez Housing Improvement Authority	Valdez Museum and Historical Archive Association	Debt Service Fund		
<i>December 31, 2018</i>						
<b>Assets</b>						
Cash and investments	\$ 390,000	\$ 2,686,443	\$ 177,770	\$ 5,806,665		\$ 16,181,873
Receivables, net:						
Grants and shared revenues	-	-	-	1,809,698		1,809,698
Accounts	58,000	-	650	-		341,740
Accrued interest	-	-	-	20,186		37,753
Prepaid items	-	-	-	-		52,168
Inventory	-	-	19,870	-		19,870
Other	120,000	-	-	-		120,000
Restricted cash and investments:						
Debt reserve accounts	-	-	-	199,631		199,631
<b>Total Assets</b>	<b>\$ 568,000</b>	<b>\$ 2,686,443</b>	<b>\$ 198,290</b>	<b>\$ 7,836,180</b>		<b>\$ 18,762,733</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 7,000	\$ -	\$ 4,609	\$ -		\$ 212,082
Accrued payroll liabilities	32,000	-	11,332	-		43,332
Payable to Providence Health & Services - Washington	82,000	-	-	-		82,000
Customer deposits	-	-	-	-		17,400
Unearned revenue	-	-	24,114	-		24,114
<b>Total Liabilities</b>	<b>121,000</b>	<b>-</b>	<b>40,055</b>	<b>-</b>		<b>378,928</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues - patient service revenues	27,159	-	-	-		27,159
<b>Fund Balances</b>						
Nonspendable	-	-	19,870	-		72,038
Restricted	-	-	12,028	199,631		211,659
Assigned	419,841	2,686,443	126,337	7,636,549		18,072,949
<b>Total Fund Balances</b>	<b>419,841</b>	<b>2,686,443</b>	<b>158,235</b>	<b>7,836,180</b>		<b>18,356,646</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 568,000</b>	<b>\$ 2,686,443</b>	<b>\$ 198,290</b>	<b>\$ 7,836,180</b>		<b>\$ 18,762,733</b>

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

<i>Year Ended December 31, 2018</i>	Special Revenue Funds				
	Port	Utility	Airport	Harbor	Gilson Medical Clinic
<b>Revenues</b>					
Fines and forfeitures	\$ 878	\$ 1,431	\$ 3,545	\$ 1,705	\$ 996
Charges for services	651,221	517,709	16,149	809,702	-
Sales and leases	34,200	-	99,373	699,559	121,465
Investment income	15,886	27,418	11,967	26,988	5,882
Other	37,695	5	-	592	-
Intergovernmental:					
State of Alaska	17,020	18,638	-	552,334	-
<b>Total Revenues</b>	<b>756,900</b>	<b>565,201</b>	<b>131,034</b>	<b>2,090,880</b>	<b>128,343</b>
<b>Expenditures</b>					
Current:					
Port	852,553	-	-	-	-
Harbor	-	-	-	1,196,373	-
Utility	-	1,304,091	-	-	-
Airport	-	-	289,358	-	-
Hospital and healthcare	-	-	-	-	84,636
Museum	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>852,553</b>	<b>1,304,091</b>	<b>289,358</b>	<b>1,196,373</b>	<b>84,636</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(95,653)</b>	<b>(738,890)</b>	<b>(158,324)</b>	<b>894,507</b>	<b>43,707</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	180,033	757,030	249,153	14,070	-
Transfers out	-	-	-	(500,000)	-
<b>Net Other Financing Sources (Uses)</b>	<b>180,033</b>	<b>757,030</b>	<b>249,153</b>	<b>(485,930)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>84,380</b>	<b>18,140</b>	<b>90,829</b>	<b>408,577</b>	<b>43,707</b>
<b>Fund Balances, beginning of year</b>	<b>1,423,208</b>	<b>1,906,513</b>	<b>820,973</b>	<b>2,044,898</b>	<b>414,722</b>
<b>Fund Balances, end of year</b>	<b>\$ 1,507,588</b>	<b>\$ 1,924,653</b>	<b>\$ 911,802</b>	<b>\$ 2,453,475</b>	<b>\$ 458,429</b>

## City of Valdez, Alaska

## Nonmajor Governmental Funds

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Providence Valdez Counseling Center	Valdez Housing Improvement Authority	Valdez Museum and Historical Archive Association	Debt Service Fund	
<i>Year Ended December 31, 2018</i>					
<b>Revenues</b>					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	8,555
Charges for services	275,312	-	209,089	-	2,479,182
Sales and leases	-	-	-	-	954,597
Investment income	-	36,607	724	178,440	303,912
Other	116,000	-	6,040	-	160,332
Intergovernmental: State of Alaska	273,000	-	-	1,853,828	2,714,820
<b>Total Revenues</b>	<b>664,312</b>	<b>36,607</b>	<b>215,853</b>	<b>2,032,268</b>	<b>6,621,398</b>
<b>Expenditures</b>					
Current:					
Port	-	-	-	-	852,553
Harbor	-	-	-	-	1,196,373
Utility	-	-	-	-	1,304,091
Airport	-	-	-	-	289,358
Hospital and healthcare	847,000	-	-	-	931,636
Museum	-	-	669,498	-	669,498
Debt service:					
Principal	-	-	-	941,264	941,264
Interest	-	-	-	850,387	850,387
Capital outlay	9,000	-	39,500	-	48,500
<b>Total Expenditures</b>	<b>856,000</b>	<b>-</b>	<b>708,998</b>	<b>1,791,651</b>	<b>7,083,660</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(191,688)</b>	<b>36,607</b>	<b>(493,145)</b>	<b>240,617</b>	<b>(462,262)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	130,000	-	475,000	-	1,805,286
Transfers out	-	-	-	-	(500,000)
<b>Net Other Financing Sources (Uses)</b>	<b>130,000</b>	<b>-</b>	<b>475,000</b>	<b>-</b>	<b>1,305,286</b>
<b>Net Change in Fund Balances</b>	<b>(61,688)</b>	<b>36,607</b>	<b>(18,145)</b>	<b>240,617</b>	<b>843,024</b>
<b>Fund Balances, beginning of year</b>	<b>481,529</b>	<b>2,649,836</b>	<b>176,380</b>	<b>7,595,563</b>	<b>17,513,622</b>
<b>Fund Balances, end of year</b>	<b>\$ 419,841</b>	<b>\$ 2,686,443</b>	<b>\$ 158,235</b>	<b>\$ 7,836,180</b>	<b>\$ 18,356,646</b>