

CITY OF UNALASKA, ALASKA



Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

CITY OF UNALASKA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by:

Finance Department

CITY OF UNALASKA, ALASKA

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INTRODUCTION SECTION

City of Unalaska

P.O BOX 610
Unalaska, Alaska 99685-0610
(907) 581-1251 FAX (907) 581-1417



December 20, 2018

The Honorable Mayor, Members of the City Council,
and Citizens of the City of Unalaska:

State law requires that all cities annually publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Unalaska, Alaska (the City) for the fiscal year ended June 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG, Certified Public Accountants, has issued an unmodified (clean) opinion on the City's financial statements for the year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report. The independent audit of the financial statements of the City was part of a broader, federal and state-mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports will be available in the City's separately issued Single Audit Report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated as a first class city in 1942, is located on an island within an archipelago in the southwestern part of the state. The Bering Sea to the north is considered to have one of the most productive fisheries in the country. Located nearly 800 miles from Anchorage, the City, which serves a population of 4,710, currently occupies an area of 215 square miles, of which 46% is seawater. The City of Unalaska is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council. Annexation authority was exercised once in 1986.

The City has operated under the council-manager form of government since 1968. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. Council members are elected to serve three-year, staggered terms, with two council members elected every year. The mayor is also elected to serve a three-year term. The mayor and council members are all elected at large.

The City provides a full range of services including the following: police and fire protection; emergency medical services; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; electrical, water, wastewater, and solid waste services; port, harbor, and airport terminal services; and limited housing for city employees. The City is also financially accountable for a legally separate school district, which is reported separately within the City's financial statements. Additional information on the Unalaska City School District can be found in note 1(a).

The city council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The city manager is authorized to transfer appropriations within a function. Transfers of appropriations between functions, however, require the special approval of the city council.

Local Economy

The City's economy is based primarily on commercial fishing, seafood processing, fleet services and marine transportation. The Port of Dutch Harbor is the only deep draft port in the Arctic Region that is ice free year round. Our Port has been designated a "Port of Refuge" and provides protection and repair for disabled or distressed vessels as well as ground and warehouse storage and transshipment opportunities for the thousands of vessels that fish or transit the waters surrounding the Aleutian Islands on a daily basis.

The City is the home of the western-most container terminal in the United States and is one of the most productive ports for the transshipment of cargo in Alaska. In addition to product shipped domestically to and from this regional hub, product is shipped to ports around the world with weekly shipments headed to Europe and Asia by container ship and freighter. The port serves also as a fueling hub for the Aleutians and provides fuel storage for the Arctic.

The Port is part of the Alaska Marine Highway System which provides essential connectivity for people and goods throughout the Aleutian Islands and into mainland Alaska. This hub activity feeds a marine corridor that connects the State of Alaska and the Arctic Region to the rest of world.

The City is the anchor for commercial fishing activity in the Bering Sea and the Aleutian Islands (BSAI). According to National Oceanic and Atmospheric Administration's (NOAA) latest published report, Fisheries of the United States 2017, the City's Port of Dutch Harbor led the nation with the greatest quantity of fish landed, a distinction held for the past 21 years, and during this time our Port was rated either first or second in value of catch. A catch of 769 million pounds was landed in 2017, which is 13% of all Alaska landings, and 8% of the nation's landings with a value of \$173 million, positioning the City as the number two port in value in the United States for income derived from fishing.

Because the City's economy centers on a single industry, seafood, the tax base is subject to change with fluctuations in fishery harvest levels. One mitigating factor to revenue volatility is the sustainability and good management of the fishery resources in both the state and federal waters of the BSAI.

The National Marine Fisheries Service and the State of Alaska are using the successful management practices of the North Pacific Fisheries Management Council and the State of Alaska Board of Fisheries as a model to improve management in other fishery regions nationwide. The Fisheries in the Bering Sea and Aleutian Islands, which the City depends on for its economic livelihood, are expected to remain sustainable, well managed, and healthy for the foreseeable future.

Long-Term Financial Planning and Major Initiatives

In continuing efforts to improve budgeting and long-term capital planning, the council, once again, set formal goals before the fiscal year 2018 budget process and prior to preparing the five-year Capital and Major Maintenance Plan (CMMP). Development of long-term maintenance and replacement schedules for capital assets continue to be developed.

The new powerhouse came online in 2010 with two 5.2-megawatt generators. In 2012, a third generator (4.4 megawatt) was installed. A fourth generator was installed in the summer of 2016 as was a waste heat recovery system, which generates approximately 50 kilowatts of electricity using hot water produced by the diesel generators cooling systems. The City is also committed to investigating other sources of electrical power including LNG, wind and geothermal.

The City initiated construction of two new landfill cells. The first cell was put in service in October 2015. The City is continuing to research ways of recycling. At this time, the City is removing monofilament items, predominantly fishnets, and metal from the island to increase the life of the landfill.

To comply with new federal regulations, a new water treatment plant in Pyramid Valley was completed in 2016. This new plant, with a cost of \$17 million, provides treatment for Cryptosporidium, a microorganism that is resistant to chlorine and other disinfectants, and has caused waterborne disease outbreaks in the lower 48.

In 2018, the City began construction for the Unalaska Marine Center (UMC) Expansion and Replacement Project for dock positions 3 and 4. This \$39 million project is considered to be a vital project for business growth at the port. This project removes two aging dock positions and creates 440 feet of working dock face with minimum water depth of 45', and 1.8 acres of uplands, with load capacity to handle major cargos, fueling and larger vessels. The project is on schedule and expected to be complete in the fall of 2018.

In 2018, the City initiated a needs analysis and pre-development process for improvements to the City's Library. Future design and construction will be developed over the next two years.

In 2018, the City began the data collection phase of the Wind Power Development project. This phase will provide data over the next two years to further define the scope of the project and determine the viability of wind energy in Unalaska. The current project budget of \$420,000 includes four measurement towers which carry wind measuring instruments.

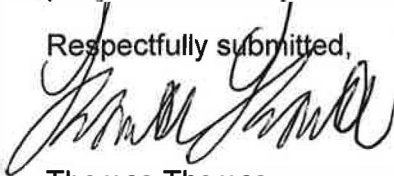
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Unalaska for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twentieth consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services from the entire staff of Finance Department. We would like to express our appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their support for maintaining the highest standards of professionalism in the management of the City of Unalaska's finances.

Respectfully submitted,



Thomas Thomas
City Manager



Clay Darnell
Finance Director



Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**City of Unalaska
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

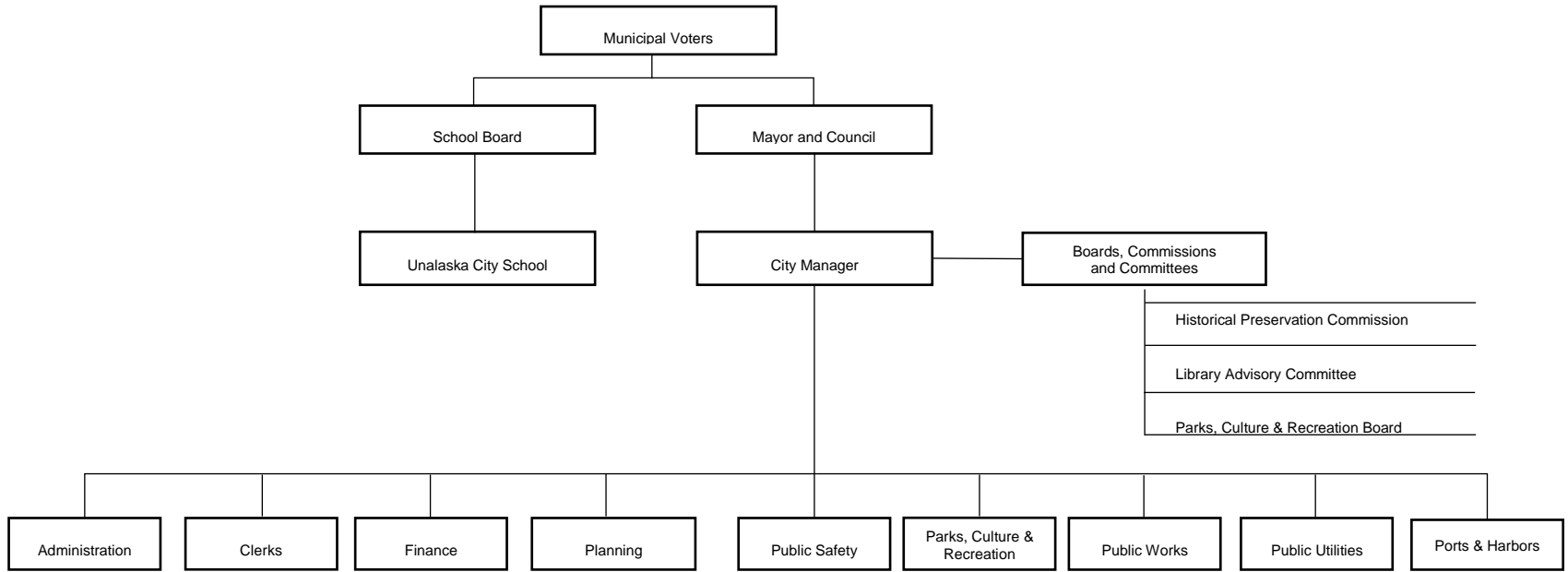
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF UNALASKA, ALASKA

Organizational Chart



Administration	Assessing	Accounting	Platting	Police Service	Community Center	Maintenance	Electric	Ports & Harbors
Human Resources	Records	Information Systems	Zoning	Corrections	Library	Administration	Solid Waste	Airport
Risk Management	Tax Billing	Purchasing	Planning	Communications	Community Pool	Supply	Water	
Housing		Grants Management		Fire Service	Parks	Streets & Roads	Wastewater	
				Emergency Med. Service				

PRINCIPAL EXECUTIVE OFFICERS

Unalaska City Council

Mayor

Frank Kelty

Vice Mayor

Denise Robinson

Council Member

Dave Gregory

Council Member

Roger Rowland

Council Member

Alejandro Tungul

Council Member

Jim Fitch

Council Member

Shari Coleman

City Management

City Manager

Thomas

Assistant City Manager

Erin Reinders

City Clerk

Marjie Veeder

Finance Director

Clay Darnell

Parks, Culture, and Recreation Director

Roger Blakeley

Planning Director

William Homka

Ports and Harbors Director

Peggy McLaughlin

Acting Public Safety Director

Jennifer Shockley

Public Works Director

Tom Cohenour

Public Utilities Director

Dan Winters

Special Services

Attorney

Boyd, Chandler & Falconer, LLP

Auditors

KPMG LLP

School Board

President

Tammy Fowler Pound

Clerk/Treasurer

Frank Kelty

Member

Cherry Tan

Member

Denise Rankin

Member

Fernando Barrera

Student Representative

James Young

School Officials

Superintendent

John Conwell

Secondary Principal

Jim Wilson

Elementary Principal

Joanna Hinderberger

Business Manager

Danielle Whittern

FINANCIAL SECTION



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
City of Unalaska, Alaska:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City'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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and 1% Sales Tax Special Revenue Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(d)(xii) to the financial statements, in 2018, the City adopted GASB Statement No. 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

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of the City's proportionate share of the net pension and OPEB liability or asset and contributions on pages 4–13 and 64–67 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule, and the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual nonmajor fund financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

KPMG LLP

December 20, 2018

CITY OF UNALASKA, ALASKA
Management Discussion and Analysis (MD&A)
June 30, 2018

Management of the City of Unalaska offers readers of the City of Unalaska's financial statements this narrative overview and analysis of the financial activities of the City of Unalaska for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Unalaska exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$402,490,227 (*net position*).
- The city's total net position increased by \$4,824,386.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$91,168,665, which is an increase of \$7,034,097 from the prior year. Of this total amount, \$30,178,773, is either nonspendable, committed or assigned for emergency operations and general fund projects identified in the City's Capital and Major Maintenance Plan (CMMP).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$60,989,892, or 254% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Unalaska's basic financial statements. The City of Unalaska's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City of Unalaska's finances in a manner similar to that of a private-sector business.

The *statement of net position* presents information on all of the City of Unalaska's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the City's net position will serve as indicators of whether the financial position of the City of Unalaska is improving or deteriorating.

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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Unalaska 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 Unalaska include general government; public safety; public works; parks, culture, and recreation; community support; and education. The business-type activities of the City of Unalaska include electric, water, wastewater, solid waste, ports and harbors, airport terminal, and housing operations.

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The government-wide financial statements include not only the City of Unalaska itself (known as the *primary government*), but also the Unalaska City School District (known as *component unit*), a legally separate entity for which the City of Unalaska is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14–16 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Unalaska, 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 Unalaska can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

The City of Unalaska maintains five individual governmental funds. 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 the General Fund, and 1% Sales Tax Special Revenue Fund, all of which are considered major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements and schedules*, which can be found on pages 68–69.

The City of Unalaska adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17–22 of this report.

Proprietary Funds

The City of Unalaska maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Unalaska uses enterprise funds to account for its electric, water, wastewater, solid waste, ports and harbors, airport terminal, and housing operations.

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June 30, 2018

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, wastewater, ports and harbors, and solid waste, all of which are considered to be major funds of the City of Unalaska. Airport Terminal and Housing operations are accounted for in separate funds but are not presented as major funds.

The basic proprietary fund financial statements can be found on pages 23–26 of this report.

Notes to 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. The notes to the financial statements can be found on pages 27–63 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Unalaska, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$402,490,227 at the close of the most recent fiscal year.

Approximately 70% of the City of Unalaska’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Unalaska uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Unalaska’s investment in its capital assets is reported net of related 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.

	Governmental activities		Business-type activities		Total*	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 157,456,176	171,497,386	67,742,022	89,062,638	225,198,198	260,560,024
Capital assets	100,111,678	103,526,576	250,260,748	233,546,412	350,372,426	337,072,988
Total assets	257,567,854	275,023,962	318,002,770	322,609,050	575,570,624	597,633,012
Deferred outflow s of resources	1,600,527	3,859,698	3,181,584	4,781,186	4,782,111	8,640,884
Long-term liabilities	15,465,424	18,282,667	94,257,543	97,759,859	109,722,967	116,042,526
Other liabilities	57,866,035	79,084,257	6,255,774	8,847,092	64,121,809	87,931,349
Total liabilities	73,331,459	97,366,924	100,513,317	106,606,951	173,844,776	203,973,875
Deferred inflow s of resources	2,461,974	188,999	1,555,758	85,140	4,017,732	274,139
Net position:						
Net investment in capital assets	98,778,847	101,300,691	178,783,251	152,758,179	277,562,098	254,058,870
Unrestricted	84,596,101	80,027,046	40,332,028	67,939,966	124,928,129	147,967,012
Net position	\$ 183,374,948	181,327,737	219,115,279	220,698,145	402,490,227	402,025,882

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Management Discussion and Analysis (MD&A)
June 30, 2018

- * To facilitate ease of presentation, the total columns include the elimination of \$57,452,916 of internal balances.

The balance of unrestricted net position, \$124,928,129, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal year, the City of Unalaska is able to report positive balances in both categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

Deferred outflows of resources decreased \$4,521,588 during 2018 and has three components, deferred outflows of pension related resources, deferred outflows of OPEB related resources, and deferred charge on refunding. The balance for pension related resources decreased primarily due to the recognition of deferred outflows of resources for difference between actual and expected experience of (\$2,261), changes in assumptions of (\$113,432), difference between expected and actual earnings of (\$1,921,167), additional changes in proportion and differences between contributions and proportionate share of contributions of (\$2,339,083), and additional contributions subsequent to the measurement date of \$193,907. The balance for OPEB related resources decreased due to the adoption of GASB Statement 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions* and the recognition of deferred outflows of resources for changes in proportion and differences between contributions and proportionate share of contributions of \$937, and additional contributions subsequent to the measurement date of (\$172,515). This was offset by the amortization of deferred charges of the advance refunding of 2009-1 general obligation bonds which resulted in a reacquisition price that exceeded the net carrying amount.

Deferred inflows of resources increased \$3,743,593 during 2018 and has two components, deferred inflows of pension related resources, and deferred inflows of OPEB related resources. Deferred inflows of resources related to pensions increased due to recognition of deferred resources for the differences between actual and expected of \$58,509. The balance for OPEB related resources increased primarily due to the adoption of GASB Statement 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions* and the recognition of recognition of deferred outflows of resources for difference between actual and expected experience of \$166,168, difference between expected and actual earnings of \$969,957, and additional changes in proportion and differences between contributions and proportionate share of contributions of \$529,086.

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Table 2

	City of Unalaska's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 310,922	265,724	33,680,713	32,038,731	33,991,635	32,304,455
Operating grants and contributions	1,281,171	1,136,416	730,861	697,434	2,012,032	1,833,850
Capital grants and contribution	—	—	85,458	—	85,458	—
General revenues:						
Property taxes	6,052,254	6,195,251	—	—	6,052,254	6,195,251
General sales tax	10,738,006	11,306,512	—	—	10,738,006	11,306,512
Raw seafood tax	4,475,150	4,657,385	—	—	4,475,150	4,657,385
Fisheries tax	8,767,704	8,694,409	—	—	8,767,704	8,694,409
Investment earnings	700,045	494,829	—	—	700,045	494,829
Other	1,798,488	1,832,743	—	(701,355)	1,798,488	1,131,388
Total revenues	<u>34,123,740</u>	<u>34,583,269</u>	<u>34,497,032</u>	<u>32,034,810</u>	<u>68,620,772</u>	<u>66,618,079</u>
Expenses:						
General government	4,944,478	5,060,875	—	—	4,944,478	5,060,875
Public safety	4,881,352	6,103,756	—	—	4,881,352	6,103,756
Public works	8,697,257	9,626,985	—	—	8,697,257	9,626,985
Parks, culture, and recreation	3,421,811	4,079,477	—	—	3,421,811	4,079,477
Community support	1,168,564	1,082,180	—	—	1,168,564	1,082,180
Education	4,684,606	4,622,125	—	—	4,684,606	4,622,125
Interest on long-term debt	55,823	98,864	—	—	55,823	98,864
Electric	—	—	16,900,199	15,655,777	16,900,199	15,655,777
Water	—	—	2,879,952	2,973,316	2,879,952	2,973,316
Wastewater	—	—	3,382,697	3,810,374	3,382,697	3,810,374
Solid waste	—	—	3,033,170	3,429,111	3,033,170	3,429,111
Ports and harbors	—	—	8,486,786	7,371,466	8,486,786	7,371,466
Airport	—	—	806,237	862,448	806,237	862,448
Housing	—	—	453,454	431,054	453,454	431,054
Total expenses	<u>27,853,891</u>	<u>30,674,262</u>	<u>35,942,495</u>	<u>34,533,546</u>	<u>63,796,386</u>	<u>65,207,808</u>
Increase in net position before transfers	6,269,849	3,909,007	(1,445,463)	(2,498,736)	4,824,386	1,410,271
Transfers	<u>(1,575,373)</u>	<u>(2,307,453)</u>	<u>1,575,373</u>	<u>2,307,453</u>	<u>—</u>	<u>—</u>
Change in net position	4,694,476	1,601,554	129,910	(191,283)	4,824,386	1,410,271
Net position beginning of year, as adjusted	<u>178,680,472</u>	<u>179,726,183</u>	<u>218,985,369</u>	<u>220,889,428</u>	<u>397,665,841</u>	<u>400,615,611</u>
Net position, end of year	<u>\$ 183,374,948</u>	<u>181,327,737</u>	<u>219,115,279</u>	<u>220,698,145</u>	<u>402,490,227</u>	<u>402,025,882</u>

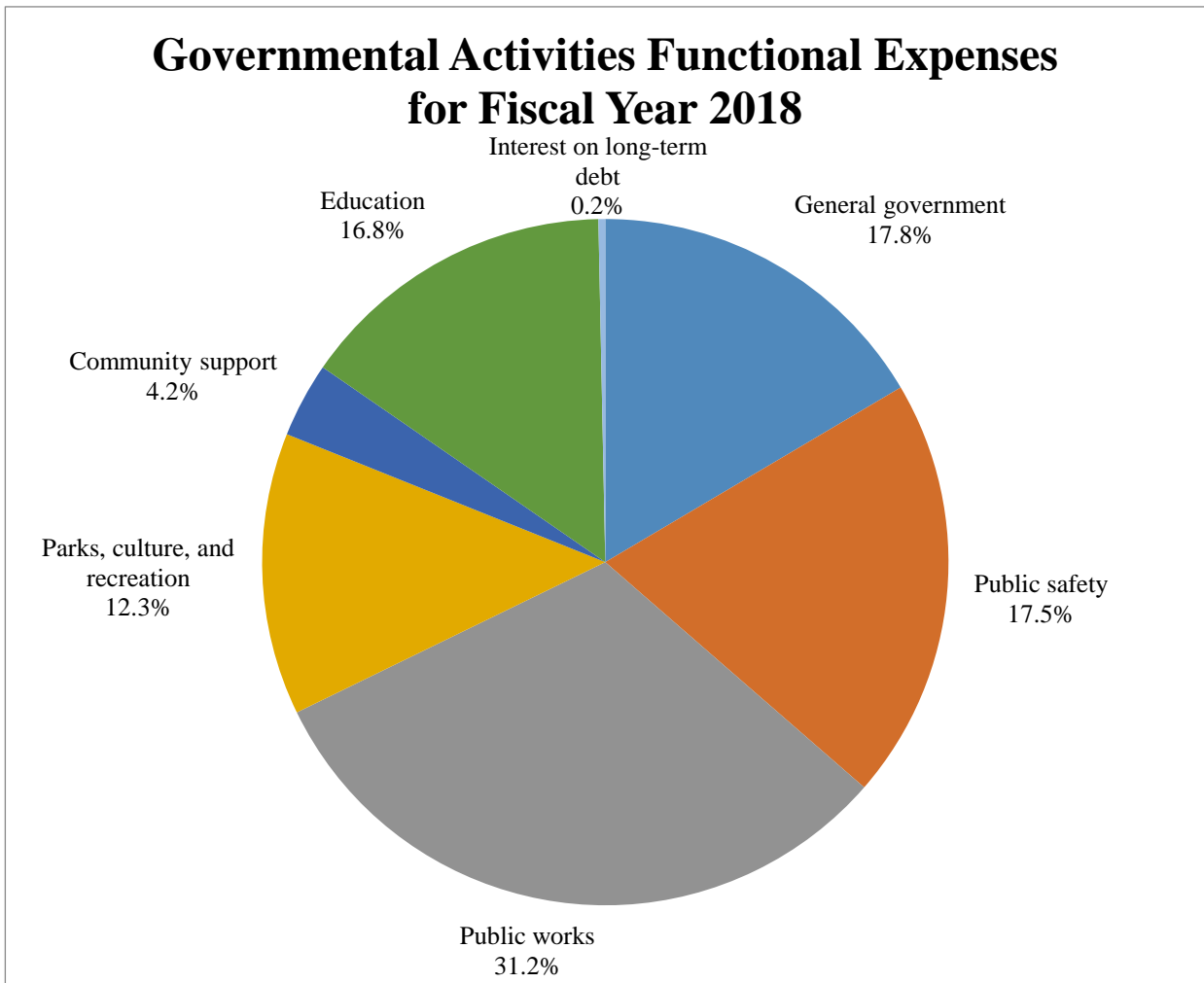
The government's net position increased \$4,824,386 during the current fiscal year. Revenues overall increased 4%. Charges for Services in Business-type activities increased significantly in the Electric Utility Fund (\$1.3 million) and (\$0.6 million) in the Ports and Harbors Fund.

Total expenses were \$1,411,422 less than last year due to decreased operating costs in Public safety (\$1.2 million), Public Works (\$.9 million), and Parks, Recreation and Culture (\$.7 million), these decreases were partially offset by increases in operating costs in the Electric Fund (\$1.2 million) due to higher fuel costs, and the Ports and Harbors Fund (\$1.1 million).

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Governmental Activities

Governmental activities increased the City of Unalaska’s net position by \$4,694,476, due to increases in operating grant revenues, charges for services, operating grants and investment income. Sales tax and Raw Seafood Taxes declined. Expenses increased for personnel and utility costs. Transfers to the Proprietary funds for capital projects declined



Business-Type Activities

Net position increased \$129,910 for Business-type activities (table 2); this is primarily due to a positive change in net position in the Electric Utility Fund offset by losses in four out of the next five Enterprise Funds.

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Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City of Unalaska's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Unalaska's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of 91,168,665, which is an increase of \$7,034,097 from the prior year. Approximately 98% of this total amount, \$89,320,062 constitutes spendable fund balance much of which has been committed for projects identified by the government.

The General Fund is the chief operating fund of the City of Unalaska. At the end of the current fiscal year, spendable fund balance of the General Fund was \$75,109,244, and the total fund balance was \$76,957,847. As a measure of the General Fund's liquidity, both spendable fund balance and total fund balance may be compared to total fund expenditures. Spendable fund balance represents 299% of total General Fund expenditures, while total fund balance represents 308% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$6,666,063 during this fiscal year. This increase is primarily due to excess of revenues over expenditures of approx. \$6.2 million.

The fund balance of the City of Unalaska's 1% Sales Tax Fund increased by \$1,065,908. This fund is used to fund capital projects, and the city is building a reserve for projects in the future. This year, \$1.2 million was transferred to continue a 10-year repayment schedule to the general fund for the Carl E. Moses Small Boat Harbor, approx. \$1.1 million was transferred to the Wastewater Utility Fund and \$.2 million was transferred to the Solid Waste Utility fund to fund utility operations. A transfer schedule is included in the notes to the financial statements.

Proprietary Funds

The City of Unalaska's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of business-type activities at the end of the year amounted to \$40,332,028. The business-type activities net position increased by \$129,910.

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General Fund Budgetary Highlights

Differences between the original budget and the final budget can be briefly summarized as follows:

- The City Managers Department budget increased \$31,400 to contribute toward disposal costs for the fishing vessel Akutan, abandoned in the City of Unalaska waters.
- Public Safety Department's budget increased \$163,895 to recognize grant revenue, grant supplies expense and transfers to fund capital projects.
- The Community Support budget increased \$500,000 to cover an emergency funding request from the Illuliuk Family Clinic.

Capital Asset and Debt Administration

Capital Assets

The City of Unalaska's net investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$277,562,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The City of Unalaska's net investment in capital assets increased \$23,503,228 in the current year.

Major capital asset events during the current fiscal year included the following:

- The Citywide Multiple Location Drainage project continued with \$500,857 in current year general fund expenditures.
- The Electric Utility Fund Captains Bay Electrical upgrade was completed at a cost of \$1,814,475.
- The Wastewater Utility Fund Delta Way Emergency repairs were completed at a cost of \$388,061
- Solid Waste Cell 2-1 project was completed at a cost of \$5,523,476.
- The Robert Storrs Improvement project was finished with a total cost of \$5,345,373.
- The Unalaska Marine Center replacement project continuing costs were \$1,398,672.
- Unalaska Marine Center Expansion project continued with current year expenditures of \$22,706,964.
- The Entrance Channel Dredging Project continued with current year expenditures of \$372,988

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Table 3

	City of Unalaska Capital Assets (Net of Accumulated Depreciation)					
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 31,147,603	31,147,603	3,309,476	3,309,476	34,457,079	34,457,079
Buildings	63,028,222	32,708,625	101,341,326	80,588,317	164,369,548	113,296,942
Infrastructure	51,100,836	34,493,693	182,870,059	112,691,124	233,970,895	147,184,817
Machinery and equipment	10,419,042	1,819,682	33,263,024	22,475,024	43,682,066	24,294,706
Construction in progress	3,732,170	3,356,973	34,108,242	14,482,471	37,840,412	17,839,444
Total capital assets	\$ 159,427,873	103,526,576	354,892,127	233,546,412	514,320,000	337,072,988

Additional information on the City of Unalaska's capital assets can be found in note 3(b) on pages 41–43 of this report.

Long-Term Debt

At the end of the current fiscal year, the City of Unalaska had total debt outstanding of \$75,252,914 (table 4). Of this amount, \$4,730,000 comprises debt backed by the full faith and credit of the government.

Table 4

	City of Unalaska Debt					
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 1,295,000	2,170,000	3,435,000	3,655,000	4,730,000	5,825,000
Revenue bonds	—	—	54,775,000	55,810,000	54,775,000	55,810,000
Other contracts and loans	—	—	15,747,914	16,655,901	15,747,914	16,655,901
Total long-term debt	\$ 1,295,000	2,170,000	73,957,914	76,120,901	75,252,914	78,290,901

The City of Unalaska's total debt decreased by \$3,037,987 (4%) during the current fiscal year. State statutes do not limit the amount of debt a governmental entity may issue. Additional information on the City of Unalaska's long-term debt can be found in note 3(e) on pages 46–51 of this report.

Economic Factors and Next Year's Budgets and Rates

The average unemployment rate for the Aleutians West Region, which includes Unalaska, was 3.6% for calendar year 2017, which is an increase from a rate of 3.3% in calendar year 2016. Management does not believe either figure is indicative of unemployment within the City's limits. Since the seafood economy is robust in Unalaska while other communities that are more reliant on snow crab and salmon may be experiencing higher unemployment, neither unemployment rate for the region is indicative of unemployment in Unalaska.

Higher oil prices have positively impacted the City's sales tax through marine fuel. Fuel sales generate over half of the City's sales tax. Total sales tax was 31% of governmental activities revenue in fiscal year 2018.

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The City council authorized rate increases in the City's Proprietary funds as of July 1, 2017. Wastewater rates will increase by 7%, 4%, 2% and 2% in 2018, 2019, 2020, and 2021 respectively. Solid Waste rates will increase 4.5% each year from 2018 to 2020. The goal in approving the increases was to improve self-sufficiency of the operation and minimize taxpayer subsidies. Each enterprise fund is kept on a three-year rate study program when possible.

Requests for Information

This financial report is designed to provide a general overview of the City of Unalaska's finances 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 financial information should be addressed to the Finance Director, City of Unalaska, P.O. Box 610, Unalaska, Alaska 99685.

CITY OF UNALASKA, ALASKA

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources	Primary government				Component unit
	Governmental activities	Business-type activities	Eliminations	Total	Unalaska City School District
Assets:					
Cash and cash equivalents	\$ 3,758,970	150	—	3,759,120	2,919,450
Temporary investments	38,178,462	—	—	38,178,462	—
Receivables:					
Interest	473,976	—	—	473,976	—
Taxes	2,288,946	—	—	2,288,946	—
Accounts, net of allowance for uncollectible amounts of \$121,654	1,729	2,610,076	—	2,611,805	70,947
Special assessments	—	20,023	—	20,023	—
Intergovernmental	8,213,624	562,705	—	8,776,329	—
Internal balances	976,480	52,433,369	(53,409,849)	—	—
Inventories	872,123	1,515,918	—	2,388,041	29,503
Prepaid items	—	—	—	—	965,248
Restricted assets:					
Cash held by fiscal agent	—	6,556,714	—	6,556,714	—
Internal balances	—	4,043,067	(4,043,067)	—	—
Long-term investments	102,691,866	—	—	102,691,866	—
Capital assets:					
Not being depreciated	34,879,774	37,417,717	—	72,297,491	42,500
Being depreciated, net	65,231,904	212,843,031	—	278,074,935	244,800
Total assets	257,567,854	318,002,770	(57,452,916)	518,117,708	4,272,448
Deferred outflows of resources:					
Deferred charge on refunding	—	2,170,913	—	2,170,913	—
OPEB related	298,263	192,974	—	491,237	384,914
Pension related	1,302,264	817,697	—	2,119,961	196,478
Total deferred outflows of resources	1,600,527	3,181,584	—	4,782,111	581,392
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Accounts payable	913,937	4,418,121	—	5,332,058	120,844
Retainage payable	—	24,225	—	24,225	—
Accrued payroll and payroll liabilities	426,788	671,456	—	1,098,244	929,320
Accrued interest	18,118	709,256	—	727,374	—
Deposit payable	2,360	224,476	—	226,836	8,440
Unearned revenue	28,396	—	—	28,396	5,650
Internal balances	56,476,436	208,240	(56,684,676)	—	—
Due to student groups	—	—	—	—	127,648
Noncurrent liabilities:					
Internal balances	—	768,240	(768,240)	—	—
Net OPEB liability	1,800,174	1,164,710	—	2,964,884	2,412,882
Net pension liability	11,177,373	7,324,680	—	18,502,053	2,542,909
Due within one year	2,100,475	4,453,686	—	6,554,161	—
Due in more than one year	387,402	80,546,227	—	80,933,629	—
Total liabilities	73,331,459	100,513,317	(57,452,916)	116,391,860	6,147,693
Deferred inflows of resources:					
OPEB related	1,011,058	654,153	—	1,665,211	852,339
Pension related	1,450,916	901,605	—	2,352,521	196,478
Total deferred inflows of resources	2,461,974	1,555,758	—	4,017,732	1,048,817
Net position:					
Net investment in capital assets	98,778,847	178,783,251	—	277,562,098	287,300
Unrestricted	84,596,101	40,332,028	—	124,928,129	(2,629,970)
Net position	\$ 183,374,948	219,115,279	—	402,490,227	(2,342,670)

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2018

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
Current:				
General government	\$ 4,944,478	54,004	—	—
Public safety	4,881,352	81,500	431,207	—
Public works	8,697,257	—	—	—
Parks, culture, and recreation	3,421,811	175,418	177,132	—
Community support	1,168,564	—	—	—
Education	4,684,606	—	—	—
Interest on long-term debt	55,823	—	672,832	—
Total governmental activities	<u>27,853,891</u>	<u>310,922</u>	<u>1,281,171</u>	<u>—</u>
Business-type activities:				
Electric	16,900,199	18,492,921	140,831	—
Water	2,879,952	2,600,534	29,720	—
Wastewater	3,382,697	2,301,647	33,012	—
Solid waste	3,033,170	2,291,618	28,010	—
Ports and harbors	8,486,786	7,265,078	490,385	85,458
Airport	806,237	486,589	4,614	—
Housing	453,454	242,326	4,289	—
Total business-type activities	<u>35,942,495</u>	<u>33,680,713</u>	<u>730,861</u>	<u>85,458</u>
Total primary government	<u>\$ 63,796,386</u>	<u>33,991,635</u>	<u>2,012,032</u>	<u>85,458</u>
Component unit:				
Unalaska City School District	<u>\$ 9,170,082</u>	<u>347,504</u>	<u>1,076,568</u>	<u>12,000</u>
General revenues:				
Property taxes				
Personal property taxes				
General sales tax				
Raw seafood sales tax				
Fisheries tax				
Other taxes				
Payment in lieu of taxes				
Grants not restricted to specific programs				
Gain/loss on disposal of capital assets				
Investment earnings				
Support from City of Unalaska				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as adjusted				
Net position, end of year				

See accompanying notes to financial statements.

Net (expense) revenue and changes in net position			
Primary government			Component
Governmental activities	Business-type activities	Total	Unit Unalaska City School District
\$ (4,890,474)	—	(4,890,474)	—
(4,368,645)	—	(4,368,645)	—
(8,697,257)	—	(8,697,257)	—
(3,069,261)	—	(3,069,261)	—
(1,168,564)	—	(1,168,564)	—
(4,684,606)	—	(4,684,606)	—
617,009	—	617,009	—
<u>(26,261,798)</u>	<u>—</u>	<u>(26,261,798)</u>	<u>—</u>
—	1,733,553	1,733,553	—
—	(249,698)	(249,698)	—
—	(1,048,038)	(1,048,038)	—
—	(713,542)	(713,542)	—
—	(645,865)	(645,865)	—
—	(315,034)	(315,034)	—
—	(206,839)	(206,839)	—
—	(1,445,463)	(1,445,463)	—
<u>(26,261,798)</u>	<u>(1,445,463)</u>	<u>(27,707,261)</u>	<u>—</u>
—	—	—	(7,734,010)
4,355,310	—	4,355,310	—
1,696,944	—	1,696,944	—
10,738,006	—	10,738,006	—
4,475,150	—	4,475,150	—
8,767,704	—	8,767,704	—
72,398	—	72,398	—
848,873	—	848,873	—
476,373	—	476,373	4,312,121
590	—	590	—
700,045	—	700,045	38
—	—	—	3,945,920
400,254	—	400,254	300,716
<u>(1,575,373)</u>	<u>1,575,373</u>	<u>—</u>	<u>—</u>
<u>30,956,274</u>	<u>1,575,373</u>	<u>32,531,647</u>	<u>8,558,795</u>
4,694,476	129,910	4,824,386	824,785
<u>178,680,472</u>	<u>218,985,369</u>	<u>397,665,841</u>	<u>(3,167,455)</u>
<u>\$ 183,374,948</u>	<u>219,115,279</u>	<u>402,490,227</u>	<u>(2,342,670)</u>

CITY OF UNALASKA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2018

Assets	General Fund	1% Sales Tax Special Revenue Fund	Total nonmajor funds	Total governmental funds
Cash and cash equivalents	\$ 3,758,970	—	—	3,758,970
Temporary investments	38,178,462	—	—	38,178,462
Receivables, net:				
General	1,729	—	—	1,729
Interest	473,976	—	—	473,976
Taxes	1,743,128	533,715	12,103	2,288,946
Intergovernmental	8,213,624	—	—	8,213,624
Due from other funds	—	10,961,944	3,049,861	14,011,805
Inventories	872,123	—	—	872,123
Advances to other funds	976,480	—	—	976,480
Long-term investments	102,691,866	—	—	102,691,866
Total assets	\$ 156,910,358	11,495,659	3,061,964	171,467,981
 Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 569,632	—	344,305	913,937
Accrued payroll liabilities	426,788	—	—	426,788
Customer deposits	2,360	—	—	2,360
Due to other funds	70,488,241	—	—	70,488,241
Unearned revenues	28,396	—	—	28,396
Total liabilities	71,515,417	—	344,305	71,859,722
Deferred inflows of resources:				
Unavailable revenue – taxes	8,437,094	2,500	—	8,439,594
Fund balances:				
Nonspendable:				
Inventories	872,123	—	—	872,123
Advances to other funds	976,480	—	—	976,480
Committed:				
Emergency operations	13,000,000	—	—	13,000,000
Compensated absences	1,000,000	—	—	1,000,000
Community support	—	—	268,536	268,536
Capital projects	—	11,493,159	2,449,123	13,942,282
Assigned	119,352	—	—	119,352
Unassigned	60,989,892	—	—	60,989,892
Total fund balances	76,957,847	11,493,159	2,717,659	91,168,665
Total liabilities, deferred inflows of resources, and fund balances	\$ 156,910,358	11,495,659	3,061,964	171,467,981

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Reconciliation of Net Position between the
Government-Wide and Fund Financial Statements

June 30, 2018

Amounts reported as fund balances on the governmental funds balance sheet	\$ 91,168,665
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	100,111,678
Pension related deferred outflows of resources that are not financial resources and, therefore, are not reported in the funds:	
City contributions subsequent to the measurement date	861,057
Changes in expected and actual earnings	297,289
Changes in proportion and differences between city contributions and proportional share of contributions	<u>143,918</u>
	<u>1,302,264</u>
OPEP related deferred outflows of resources that are not financial resources and, therefore, are not reported in the funds:	
City contributions subsequent to the measurement date	297,694
Changes in proportion and differences between city contributions and proportional share of contributions	<u>569</u>
	<u>298,263</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	3,306,990
Shared fisheries resource landing tax	4,855,139
Real property	137,919
Personal property	132,046
Sales taxes	<u>7,500</u>
	<u>8,439,594</u>
Interest payable on long-term debt and capital leases are not due and payable in the current period and, therefore, are not reported in the funds	(18,118)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds	(1,295,000)
Premium on general obligation bonds	(37,831)
Net OPEB liability	(1,800,174)
Net pension liability	(11,177,373)
Compensated absences	<u>(1,155,046)</u>
	<u>(15,465,424)</u>
Pension related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Difference between actual and expected experience	(201,972)
Net difference between projected and actual earnings on pension plan investments	<u>(1,248,944)</u>
	<u>(1,450,916)</u>
OPEB related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Difference between actual and expected experience	(100,891)
Changes in expected and actual earnings	(588,924)
Changes in proportion	<u>(321,243)</u>
	<u>(1,011,058)</u>
Net position of governmental activities	\$ <u><u>183,374,948</u></u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2018

	<u>General Fund</u>	<u>1% Sales Tax SPECIAL Revenue Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
Revenues:				
Taxes:				
General sales	\$ 7,045,535	3,522,768	169,703	10,738,006
Seafood sales	4,475,150	—	—	4,475,150
Real property	4,347,513	—	—	4,347,513
Personal property	1,796,294	—	—	1,796,294
Other	72,398	—	—	72,398
Intergovernmental:				
Fisheries business tax	4,014,323	—	—	4,014,323
Fisheries resource landing tax	4,532,106	—	—	4,532,106
PERS nonemployer contributions	223,643	—	—	223,643
Payments in lieu of taxes	848,873	—	—	848,873
Corrections contract	431,207	—	—	431,207
Debt reimbursement	672,832	—	—	672,832
Other	429,862	—	—	429,862
Charges for services	310,922	—	—	310,922
Investment income	700,045	—	—	700,045
Other revenues	400,254	—	—	400,254
Total revenues	<u>30,300,957</u>	<u>3,522,768</u>	<u>169,703</u>	<u>33,993,428</u>
Expenditures:				
Current:				
General government	4,552,646	—	—	4,552,646
Public safety	4,929,082	—	—	4,929,082
Public works	6,048,556	—	—	6,048,556
Parks, culture, and recreation	2,636,145	—	—	2,636,145
Community support	993,564	—	175,000	1,168,564
Education	3,945,920	—	—	3,945,920
Debt service:				
Principal	875,000	—	—	875,000
Interest	86,188	—	—	86,188
Capital projects	—	—	1,142,447	1,142,447
Total expenditures	<u>24,067,101</u>	<u>—</u>	<u>1,317,447</u>	<u>25,384,548</u>
Excess revenues over expenditures	<u>6,233,856</u>	<u>3,522,768</u>	<u>(1,147,744)</u>	<u>8,608,880</u>
Other financing sources (uses):				
Proceeds from sale of assets	590	—	—	590
Transfers in	2,398,611	—	793,000	3,191,611
Transfers out	<u>(1,966,994)</u>	<u>(2,456,860)</u>	<u>(343,130)</u>	<u>(4,766,984)</u>
Net other financing sources (uses)	<u>432,207</u>	<u>(2,456,860)</u>	<u>449,870</u>	<u>(1,574,783)</u>
Net change in fund balances	6,666,063	1,065,908	(697,874)	7,034,097
Fund balances, beginning of year	<u>70,291,784</u>	<u>10,427,251</u>	<u>3,415,533</u>	<u>84,134,568</u>
Fund balances, end of year	<u>\$ 76,957,847</u>	<u>11,493,159</u>	<u>2,717,659</u>	<u>91,168,665</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year ended June 30, 2018

Net change in fund balance – total governmental funds	\$ 7,034,097
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	1,851,103
Depreciation expense	(5,266,002)
Proceeds from sale of assets	(590)
Gain on disposal of capital assets	590
	<u>(3,414,899)</u>
Governmental funds report pension payments as expenditures. However, in the statement of activities, the pension costs are actuarially determined – change in:	
City contributions subsequent to the measurement date	117,734
Difference between actual and expected experience	(1,263,290)
Changes in assumptions	(68,872)
Proportion and differences between city contributions and proportional share of contributions	(1,420,205)
Net difference between projected and actual earnings on pension plan investments	(1,166,462)
	<u>(3,801,095)</u>
Governmental funds report OPEB payments as expenditures. However, in the statement of activities, the OPEB costs are actuarially determined – change in:	
City contributions subsequent to the measurement date	(104,175)
Difference between actual and expected experience	(100,891)
Proportion and differences between city contributions and proportional share of contributions	(321,243)
Net difference between projected and actual earnings on pension plan investments	(588,924)
	<u>(1,115,233)</u>
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds – change in:	
Shared fisheries business tax	(342,332)
Shared fisheries resource landing tax	563,608
Real property tax	7,797
Personal property tax	(99,350)
	<u>129,723</u>
The issuance of long-term debt and accrual of compensated absences provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Principal repayments	875,000
Deferred charges on refunding	35,429
Change in OPEB liability	1,249,530
Change in net pension liability	3,701,710
Change in compensated absences	5,278
Amortization of deferred amounts	(18,256)
	<u>5,848,691</u>
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:	
Accrued interest payable	13,192
Change in net position of governmental activities	<u>\$ 4,694,476</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances – Original and Final Budget and Actual

Year ended June 30, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 7,000,000	7,000,000	7,045,535	45,535
Seafood sales	5,300,000	5,300,000	4,475,150	(824,850)
Real property	4,200,000	4,200,000	4,347,513	147,513
Personal property	1,800,000	1,800,000	1,796,294	(3,706)
Other	75,000	75,000	72,398	(2,602)
Intergovernmental:				
Fisheries business tax	3,900,000	3,900,000	4,014,323	114,323
Fisheries resource landing tax	5,300,000	5,300,000	4,532,106	(767,894)
PERS nonemployer contributions	318,531	318,531	223,643	(94,888)
Payments in lieu of taxes	503,416	503,416	848,873	345,457
Corrections contract	481,355	481,355	431,207	(50,148)
Debt reimbursement	672,800	672,800	672,832	32
Other	465,408	465,408	429,862	(35,546)
Charges for services	319,350	319,350	310,922	(8,428)
Investment income	1,300,000	1,300,000	700,045	(599,955)
Other revenues	145,300	145,300	400,254	254,954
Total revenues	<u>31,781,160</u>	<u>31,781,160</u>	<u>30,300,957</u>	<u>(1,480,203)</u>
Expenditures:				
Current:				
General government	5,102,690	5,176,531	4,552,646	623,885
Public safety	6,495,251	6,677,949	4,929,082	1,748,867
Public works	6,480,353	6,506,303	6,048,556	457,747
Parks, culture, and recreation	3,024,880	3,070,495	2,636,145	434,350
Community support	1,002,944	1,502,944	993,564	509,380
Education	3,945,920	3,945,920	3,945,920	—
Debt service:				
Principal	875,000	875,000	875,000	—
Interest	86,188	86,188	86,188	—
Total expenditures	<u>27,013,226</u>	<u>27,841,330</u>	<u>24,067,101</u>	<u>3,774,229</u>
Excess of revenues over expenditures	<u>4,767,934</u>	<u>3,939,830</u>	<u>6,233,856</u>	<u>2,294,026</u>
Other financing sources (uses):				
Proceeds from the sale of assets	10,000	10,000	590	(9,410)
Transfers in	1,200,000	1,200,000	2,398,611	1,198,611
Transfers out	(1,966,994)	(1,966,994)	(1,966,994)	—
Net other financing uses	<u>(756,994)</u>	<u>(756,994)</u>	<u>432,207</u>	<u>1,189,201</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 4,010,940</u>	<u>3,182,836</u>	6,666,063	<u>3,483,227</u>
Fund balances, beginning of year			<u>70,291,784</u>	
Fund balances, end of year			<u>\$ 76,957,847</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

1% Sales Tax Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund balances – Original and Final Budget and Actual

Year ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General sales	\$ 3,300,000	3,300,000	3,522,768	222,768
Total revenues	3,300,000	3,300,000	3,522,768	222,768
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess of revenues over expenditures	3,300,000	3,300,000	3,522,768	222,768
Other financing sources (uses):				
Transfers in	—	—	—	—
Transfers out	<u>(2,456,860)</u>	<u>(2,456,860)</u>	<u>(2,456,860)</u>	<u>—</u>
Net change in fund balance	\$ <u>843,140</u>	<u>843,140</u>	1,065,908	<u>222,768</u>
Fund balances, beginning of year			<u>10,427,251</u>	
Fund balances, end of year			\$ <u>11,493,159</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources	Electric	Water	Wastewater	Solid waste	Ports and harbors	Other proprietary funds	Total
Current assets:							
Cash	\$ -	-	-	-	150	—	150
Accounts receivables (net of allowance for uncollectibles)	1,441,106	182,697	163,349	130,438	606,676	85,810	2,610,076
Assessments receivable	-	712	19,311	-	-	-	20,023
Accounts receivable – Intergovernmental	108,250	-	-	-	454,455	—	562,705
Due from General Fund	9,118,160	9,444,577	5,530,737	8,604,702	17,633,041	2,102,152	52,433,369
Inventories	1,100,802	337,841	29,126	48,149	-	-	1,515,918
Total current assets	11,768,318	9,965,827	5,742,523	8,783,289	18,694,322	2,187,962	57,142,241
Noncurrent assets:							
Restricted assets:							
Cash held by fiscal agent	4,291,602	-	-	-	2,265,112	—	6,556,714
Due from General Fund	-	-	-	-	4,043,067	—	4,043,067
Capital assets, net	58,610,505	21,382,796	34,542,072	18,807,471	109,984,908	6,932,996	250,260,748
Total noncurrent assets	62,902,107	21,382,796	34,542,072	18,807,471	116,293,087	6,932,996	260,860,529
Total assets	74,670,425	31,348,623	40,284,595	27,590,760	134,987,409	9,120,958	318,002,770
Deferred outflows of resources:							
Deferred charge on refunding	2,170,913	—	—	—	—	—	2,170,913
OPEB related	60,840	26,688	29,642	25,151	42,658	7,995	192,974
Pension related	336,192	99,780	84,549	99,456	169,936	27,784	817,697
Total deferred outflows of resources	\$ 2,567,945	126,468	114,191	124,607	212,594	35,779	3,181,584
Liabilities and Deferred Inflows of Resources							
Current liabilities:							
Accounts payable	\$ 455,988	15,743	19,875	253,932	3,651,695	20,888	4,418,121
Retainage payable	-	-	-	24,225	-	—	24,225
Accrued payroll and payroll liabilities	249,845	95,746	38,877	82,940	192,711	11,337	671,456
Accrued interest	266,275	28,184	85,916	22,567	306,314	—	709,256
Bonds, loans, and other liabilities	1,202,181	181,963	432,843	254,232	2,382,467	—	4,453,686
Advances from general fund	208,240	-	-	-	-	—	208,240
Customer deposits	115,700	48,731	23,925	7,943	-	28,177	224,476
Total current liabilities	2,498,229	370,367	601,436	645,839	6,533,187	60,402	10,709,460
Noncurrent liabilities:							
Bonds and loans payable	25,713,715	3,275,332	7,281,610	4,321,936	34,290,158	—	74,882,751
Advances from general fund	768,240	-	-	-	-	—	768,240
Net OPEB liability	367,203	161,074	178,910	151,799	257,468	48,256	1,164,710
Net pension liability	2,668,232	997,707	932,998	911,556	1,544,425	269,762	7,324,680
Accrued landfill closure and post closure costs	-	-	-	5,663,476	-	—	5,663,476
Total noncurrent liabilities	29,517,390	4,434,113	8,393,518	11,048,767	36,092,051	318,018	89,803,857
Total liabilities	32,015,619	4,804,480	8,994,954	11,694,606	42,625,238	378,420	100,513,317
Deferred inflows of resources:							
OPEB related	206,237	90,467	100,484	85,257	144,606	27,102	654,153
Pension related	294,126	120,979	128,391	119,127	199,642	39,340	901,605
Total deferred inflows of resources	500,363	211,446	228,875	204,384	344,248	66,442	1,555,758
Net Position							
Net investment in capital assets	37,119,492	17,925,501	26,823,941	13,989,268	75,992,053	6,932,996	178,783,251
Unrestricted	7,602,896	8,533,664	4,351,016	1,827,109	16,238,464	1,778,879	40,332,028
Total net position	\$ 44,722,388	26,459,165	31,174,957	15,816,377	92,230,517	8,711,875	219,115,279

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2018

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Operating revenues:							
Charges for services	\$ 18,488,321	2,600,534	2,301,647	2,291,618	7,265,078	728,915	33,676,113
Total operating revenues	<u>18,488,321</u>	<u>2,600,534</u>	<u>2,301,647</u>	<u>2,291,618</u>	<u>7,265,078</u>	<u>728,915</u>	<u>33,676,113</u>
Operating expenses:							
Operations	11,564,238	1,210,781	1,472,132	1,509,545	2,344,383	532,459	18,633,538
General and administrative	1,041,120	518,134	450,382	354,501	1,120,934	228,913	3,713,984
Landfill closure and post closure care costs	-	-	-	212,417	-	-	212,417
Depreciation and amortization	3,199,297	1,117,481	1,341,928	884,251	3,191,103	498,319	10,232,379
Total operating expenses	<u>15,804,655</u>	<u>2,846,396</u>	<u>3,264,442</u>	<u>2,960,714</u>	<u>6,656,420</u>	<u>1,259,691</u>	<u>32,792,318</u>
Operating income (loss)	<u>2,683,666</u>	<u>(245,862)</u>	<u>(962,795)</u>	<u>(669,096)</u>	<u>608,658</u>	<u>(530,776)</u>	<u>883,795</u>
Nonoperating revenues (expenses):							
Intergovernmental revenue	140,831	29,720	33,012	28,010	575,843	8,903	816,319
Gain (loss) on disposal of asset	4,600	-	-	-	(344,240)	-	(339,640)
Interest expense	<u>(1,095,544)</u>	<u>(33,556)</u>	<u>(118,255)</u>	<u>(72,456)</u>	<u>(1,486,126)</u>	<u>-</u>	<u>(2,805,937)</u>
Net nonoperating revenues (expenses)	<u>(950,113)</u>	<u>(3,836)</u>	<u>(85,243)</u>	<u>(44,446)</u>	<u>(1,254,523)</u>	<u>8,903</u>	<u>(2,329,258)</u>
Income (loss) before capital contributions and transfers	1,733,553	(249,698)	(1,048,038)	(713,542)	(645,865)	(521,873)	(1,445,463)
Transfers in	200,000	-	1,072,156	184,704	709,000	264,994	2,430,854
Transfers out	<u>(766,587)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,894)</u>	<u>-</u>	<u>(855,481)</u>
Change in net position	1,166,966	(249,698)	24,118	(528,838)	(25,759)	(256,879)	129,910
Net position, beginning of year, as adjusted	<u>43,555,422</u>	<u>26,708,863</u>	<u>31,150,839</u>	<u>16,345,215</u>	<u>92,256,276</u>	<u>8,968,754</u>	<u>218,985,369</u>
Net position, end of year	\$ <u>44,722,388</u>	<u>26,459,165</u>	<u>31,174,957</u>	<u>15,816,377</u>	<u>92,230,517</u>	<u>8,711,875</u>	<u>219,115,279</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2018

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Cash flows from operating activities:						***	
Receipts from customers and users	\$ 18,284,984	2,656,458	2,314,226	2,284,891	7,168,892	788,022	33,497,473
Payments to employees	(1,371,176)	(132,716)	(749,312)	(617,344)	(962,242)	(186,514)	(4,019,304)
Payments to vendors	<u>(11,084,905)</u>	<u>(1,592,191)</u>	<u>(1,245,642)</u>	<u>(1,490,079)</u>	<u>(2,422,536)</u>	<u>(562,558)</u>	<u>(18,397,911)</u>
Net cash provided by operating activities	<u>5,828,903</u>	<u>931,551</u>	<u>319,272</u>	<u>177,468</u>	<u>3,784,114</u>	<u>38,950</u>	<u>11,080,258</u>
Cash flows from noncapital and related financing activities:							
Operating subsidies	-	-	1,072,156	184,704	-	-	1,256,860
Cash received from other governments	<u>65,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,773</u>	<u>-</u>	<u>507,707</u>
Net cash provided by noncapital and related financing activities	<u>65,934</u>	<u>-</u>	<u>1,072,156</u>	<u>184,704</u>	<u>441,773</u>	<u>-</u>	<u>1,764,567</u>
Cash flows from capital and related financing activities:							
Interest payments on long-term obligations	(961,586)	(33,805)	(123,487)	(72,456)	(1,265,062)	-	(2,456,396)
Increase in cash held by fiscal agent	(48,598)	-	-	-	(247,262)	-	(295,860)
Proceeds from the sale of assets	4,600	-	-	-	(789,849)	-	(785,249)
Principal and refunding payments on long-term debt obligations	(1,152,182)	(119,463)	(471,792)	(254,231)	(280,454)	-	(2,278,122)
Advances for capital projects from the General Fund	-	-	-	-	-	264,994	264,994
Repayment of capital projects advances from General Fund	(208,240)	-	-	-	-	-	(208,240)
Acquisition and construction of capital assets	(2,653,300)	(175,286)	(1,206,516)	(326,963)	(24,732,515)	(8,528)	(29,103,108)
Capital contributions returned	(766,586)	-	-	-	(88,894)	-	(855,480)
Capital contributions	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>709,000</u>	<u>-</u>	<u>909,000</u>
Net cash provided by (used for) capital and related financing activities	<u>(5,585,892)</u>	<u>(328,554)</u>	<u>(1,801,795)</u>	<u>(653,650)</u>	<u>(26,695,036)</u>	<u>256,466</u>	<u>(34,808,461)</u>
Change in cash and due from General Fund	308,945	602,997	(410,367)	(291,478)	(22,469,149)	295,416	(21,963,636)
Cash and due from other funds, beginning of year	<u>8,809,215</u>	<u>8,841,580</u>	<u>5,941,103</u>	<u>8,896,180</u>	<u>44,145,408</u>	<u>1,806,736</u>	<u>78,440,222</u>
Cash and due from other funds, end of year	\$ <u>9,118,160</u>	<u>9,444,577</u>	<u>5,530,736</u>	<u>8,604,702</u>	<u>21,676,259</u>	<u>2,102,152</u>	<u>56,476,586</u>
Reconciliation to the statement of net position:							
Cash and cash equivalents	\$ -	-	-	-	150	-	150
Due from other funds	<u>9,118,160</u>	<u>9,444,577</u>	<u>5,530,737</u>	<u>8,604,702</u>	<u>17,633,041</u>	<u>2,102,152</u>	<u>52,433,369</u>
Cash and due from General Fund, June 30, 2018	\$ <u>9,118,160</u>	<u>9,444,577</u>	<u>5,530,737</u>	<u>8,604,702</u>	<u>17,633,191</u>	<u>2,102,152</u>	<u>52,433,519</u>
Due from other funds - Restricted assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,043,067</u>	<u>-</u>	<u>4,043,067</u>

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2018

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 2,683,666	(245,862)	(962,795)	(669,096)	608,658	(530,776)	883,795
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	3,199,297	1,117,481	1,341,928	884,251	3,191,103	498,319	10,232,379
Pension related	88,641	38,881	43,187	36,644	62,151	11,648	281,152
OPEB related	(27,394)	(12,017)	(13,347)	(11,324)	(19,207)	(3,599)	(86,888)
Amortization of landfill costs	-	-	-	212,417	-	-	212,417
Changes in assets and liabilities that provided by (used for) cash:							
Accounts receivable	(218,427)	56,358	7,100	(7,127)	(96,186)	-	(258,282)
Assessments receivable	-	-	4,144	-	-	-	4,144
Prepaid expenses	(78,800)	(3,252)	4,891	19,950	-	-	(57,211)
Inventories	142,000	(15,280)	(13,617)	(281,659)	13,879	58,347	(96,329)
Accounts payable	24,830	(4,324)	(93,555)	(6,988)	23,716	3,128	(53,193)
Accrued payroll and payroll liabilities	15,090	(434)	1,335	400	-	1,883	18,274
Net cash provided by operating activities	\$ <u>5,828,903</u>	<u>931,551</u>	<u>319,272</u>	<u>177,468</u>	<u>3,784,114</u>	<u>38,950</u>	<u>11,080,258</u>
Schedule of noncash capital and noncapital and related financing activities:							
Acquisition and construction of capital assets through accounts and retainages payable	\$ 61,152	—	3,678	242,035	3,628,409	—	3,935,274
Intergovernmental nonemployer pension and OPEB contributions	140,833	29,720	29,720	28,010	47,509	11,648	287,440

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Unalaska, Alaska (the City), was incorporated in 1942 as a first class city and operates under a Council – Manager form of government. The City provides a variety of services including police and fire protections; electric, water, wastewater, and solid waste services; port harbor and airport terminal services; the construction and maintenance of streets and infrastructure; and recreational activities and cultural events.

As required by U.S. generally accepted accounting principles, these basic financial statements present the City and its component unit (an entity for which the City is considered to be financially accountable). The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

(i) Discretely Presented Component Unit – Unalaska City School District

The Unalaska City School District (School District) is responsible for elementary and secondary education within the City's jurisdiction. The members of the School District's governing board are elected by registered voters of the City. However, the School District is fiscally dependent upon the City because the City Council approves the School District's budget, levies taxes to finance operations (if necessary), must approve any debt issuances, and has assumed an obligation to provide financial support.

Complete financial statements of the School District can be obtained from the Unalaska City School District, P.O. Box 570, Unalaska, Alaska 99685.

(b) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been eliminated from the total columns in the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(c) Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 have been met.

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 government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax, sales tax, licenses, and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants, including capital grants, recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *1% Sales Tax Special Revenue Fund* accounts for special projects financed by a percentage of sales tax revenues generated.

The City reports the following major proprietary funds:

- The *Electric Utility Fund* accounts for the operations of the City-owned Electric Utility.
- The *Water Utility Fund* accounts for the operations of the City-owned Water Utility.
- The *Wastewater Utility Fund* accounts for the operations of the City-owned Wastewater Utility.
- The *Solid Waste Fund* accounts for the operations of the City-owned landfill.
- The *Ports and Harbors Fund* accounts for operations at six marine facilities at the International Port of Dutch Harbor.

Additionally, the City reports the following fund types:

Special Revenue Funds – account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Capital Project Funds – account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Funds – account for business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's various utility functions and various other 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, including special assessments. 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Other operating income consists primarily of late fees on unpaid balances and connection fees intended to recover the cost of connecting new customers to the applicable system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

(d) Assets, Liabilities, and Net Position

(i) Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from date of acquisition. In proprietary funds, the City considers changes in amounts due to/from other funds as cash and cash equivalent transactions on the statement of cash flows because the proprietary funds are able to withdraw cash at any time without prior notice or penalty.

There are no statutory limitations on the type of investments allowed; however, there are policies in place listing accepted investment vehicles as noted below:

- a. obligations of the United States and of an agency or instrumentality of the United States;
- b. certificates of deposit; those over the FDIC insurance limit must be secured by eligible collateral as defined in Section 10.0;
- c. repurchase and agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States, including agency

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

mortgage-backed securities (MBS). A Master Repurchase Agreement must be signed with the bank or dealer, before repurchase agreements are entered into;

- d. the Alaska Municipal League Investment Pool, Inc. made in accordance with the terms of that Pool's "Common Investment Agreement;" and in accordance with AS 37.23.010-37.23.900;
- e. commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating by at least two nationally recognized rating services;
- f. obligations of a corporation or municipality if the obligations are investment grade (rated BBB or higher by at least one nationally recognized rating service) at the time of investment; this includes asset-backed securities (ABS); and
- g. money market funds in which the securities of the funds consist of obligations listed in this section and otherwise meet the requirements of this investment policy.

Investments shall not be purchased through the use of leveraged funds.

Collateralization is required on two types of investments: certificates of deposit over FDIC insurance limit and repurchase agreements. In order to anticipate market changes and provide a level of security for all monies, the collateralization level is 102% of market value of principal and accrued interest.

All investments are recorded at fair value when quoted market prices are available. Changes in fair value are included as a component of investment income. The City's budget ordinance requires that all investment income be recorded in the General Fund unless state or federal laws, regulations, or grant conditions require otherwise.

The City's budget ordinance requires that all investment earnings that are not legally or contractually required to be recorded in a specific fund must be recorded in the General Fund. The amount of investment earnings that would have otherwise been assigned to other funds is not known.

(ii) Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances" on the statement of net position and as "advances to/from other funds" in the fund level financial statements. In the fund level financial statements, advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

All outstanding current balances between funds are reported as "due to/from other funds" in the fund level financial statements. These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered. On the statement of cash flows for proprietary funds, these are treated as cash and cash equivalent transactions.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

All trade and property tax receivables are shown net of an allowance for doubtful receivables. The allowance for doubtful receivables is an estimate of the amount uncollectible based on past experience.

Property taxes are levied as of January 1 on property values assessed by an appraisal company. Assessment notices are mailed on or before March 31. Tax bills are mailed on or before June 30. The first half of the payment is due in August and the second half is due in October. Personal property supplemental and involuntary tax rolls are not eligible for two payment dates and are due in full in August. Penalties and interest are assessed the day after the due date.

(iii) Inventories and Prepaid Items

Inventories are valued at cost using the weighted average method. The costs of governmental and proprietary fund inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(iv) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$50,000 (amount not rounded) in governmental funds and \$10,000 (amount not rounded) in proprietary funds and an estimated useful life in excess of two years. All capital assets are reported including those purchased or acquired before June 30, 1980. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets or capital assets received in exchange are recorded at their estimated acquisition value at the date of donation or exchange. Interest incurred during construction is not capitalized on general government capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All capital assets acquired or constructed for general governmental and School District purposes are reported as expenditures in the fund that finances the asset acquisition.

Property and equipment acquired by proprietary funds are reported in those funds at cost or at estimated acquisition value at time of donation.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

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

Utility distribution system and improvements	20–40 years
Buildings and improvements	20–40 years
Motor vehicles and motorized equipment	5–10 years
Furniture, machinery, and equipment	5–10 years
Dock and improvements	20–40 years

(v) *Deposits Payable*

The General Fund holds a refundable customer deposit of \$2,360 to cover damage or additional costs incurred by the City in leasing its recreational facilities.

The Airport Fund holds refundable customer deposits of \$11,000 to cover damage or additional costs incurred by the City in its leasing operations.

The Housing Fund holds refundable customer deposits of \$17,177 to cover damage to its rental properties.

The Electric Utility Fund, Water Utility Fund, Wastewater Utility Fund, and the Solid Waste Fund hold refundable customer deposits of \$115,670, \$48,731, \$23,925, and \$7,943, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

(vi) *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. During 2018 and in prior years, the General Fund has liquidated the liability for compensated absences.

(vii) *Long-Term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses or expenditures in the period incurred.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

In the governmental fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(viii) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alaska Public Employee Retirement System (PERS) and additions to/deductions 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.

(ix) *Postemployment Benefits Other Than Pensions (OPEB)*

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

(ix) *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualifies for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports four pension related items in this category, difference between actual and expected experience, changes in assumptions, changes in proportion and differences between City contributions and proportionate share of contributions, and contributions made subsequent to the measurement date. Changes in assumptions, proportion and differences between City contributions and proportionate share of contributions, and differences between actual and expected experience are deferred and amortized into pension expense over the average of the expected remaining service lives of all employees that are provided with pensions through PERS (active employees and inactive employees). Contributions made subsequent to the measurement date are deferred in the year they are contributed and recognized as a reduction in the net pension liability in the subsequent year.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualifies for reporting in this category, one arises only under a modified accrual basis of accounting and one only arises under an accrual basis of accounting. Accordingly, the first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from five sources: real property taxes, personal property taxes, sales taxes, shared fisheries business taxes, and shared fisheries resources landing taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, net differences between projected and actual earnings on pension plan investments, is reported only in the government-wide statement of net position. These amounts are amortized into pension expense over five years.

(x) *Fund Equity*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

(xi) *Net Position*

In the government-wide financial statements, net position is reported in three categories; net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(xii) *Recently Adopted and Recently Issued Accounting Pronouncements*

On July 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit other postemployment benefits (OPEB), this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

The impact on the City's net position from adoption of GASB 75 was as follows:

	<u>As previously reported</u>	<u>As adjusted</u>
Government-wide financial statements:		
Statement of activities:		
Net position at beginning of year:		
Governmental activities	\$ 181,327,737	178,680,472
Business-type activities	220,698,145	218,985,369
Proprietary fund statements:		
Statement of revenues, expenses, and changes in net position:		
Net position at beginning of year:		
Electric Fund	44,095,416	43,555,422
Water Fund	26,945,733	26,708,863
Wastewater Fund	31,413,938	31,150,839
Solid Waste Fund	16,568,443	16,345,215
Ports and Harbors Fund	92,634,899	92,256,276
Non-major Enterprise Funds	9,039,716	8,968,754

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This statement is effective for the City for its fiscal year beginning July 1, 2018, permits early adoption, and mandates a retrospective transition method. The City is currently evaluating the effects that the new standard will have on the financial statements.

In June, 2017, GASB Statement No. 87, *Leases*, was issued. This statement supersedes the lease accounting guidance contained in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement requires a lessee to recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (lease any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. This statement is effective for the City for its fiscal year beginning July 1, 2020, permits early adoption, and mandates a retrospective transition method. The City is currently evaluating the effects that the new standard will have on the financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

In June, 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Early adoption was encouraged.

As of July 1, 2017, the City early adopted this statement. The impact on the Ports and Harbors Fund from adoption of GASB 89 was an increase in interest expense of \$1,336,346.

(2) Stewardship, Compliance, and Accountability

(a) Budgetary Information

(i) City

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Capital Projects Funds, which adopt project-length budgets. Governmental funds with adopted annual budgets include the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Enterprise funds are financed through user charges related to providing goods and services to the general public and have annually adopted operating budgets and project length capital budgets.

The appropriated budget is prepared by fund, function, and department. Budgetary control is exercised at the function level as stated and presented in the ordinance adopting the budget. The City Manager is authorized to transfer budget amounts between expenditure categories within any function; however, any supplemental appropriations that amend the total expenditures of any function or fund require a City ordinance. Reported budgeted amounts are as originally adopted or as amended by ordinance.

The City Council made supplemental budgetary appropriations throughout the year, the majority of which were increases in the Capital Project Funds related to major construction projects. Other supplemental budgetary appropriations in other funds were not considered material.

The City's original budget document is available from the City at P.O. Box 610, Unalaska, Alaska 99685-0610 or on the Web at: www.ci.unalaska.ak.us.

Project budgets are adopted for various Capital Project Funds based on the lives of the construction projects. Expenditure authority is limited to the actual revenue and transfers in.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(ii) *School District*

The adopted School Operating Fund budget is submitted to the City for approval of the local appropriation, then to the State of Alaska, Department of Education and Early Development for review to determine compliance with Alaska statutes and Department regulations.

(b) Equity

(i) *Net Position Flow Assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

(ii) *Fund Balance Flow Assumptions*

Sometimes, the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(iii) *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city council has by resolution authorized the finance director to assign fund balance, including removal and modification of assigned amounts. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

The following table shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2018:

	<u>General fund</u>	<u>1% Sales tax</u>	<u>Total nonmajor funds</u>
Nonspendable:			
Inventories	\$ 872,123	—	—
Advances to other funds	976,480	—	—
Total nonspendable	<u>1,848,603</u>	<u>—</u>	<u>—</u>
Committed:			
Emergency operations	13,000,000	—	—
Compensated absences	1,000,000	—	—
Community support	—	—	268,536
Capital projects	—	11,493,159	2,449,123
Total committed	<u>14,000,000</u>	<u>11,493,159</u>	<u>2,717,659</u>
Assigned:			
Purchases on order	119,352	—	—
Capital projects	—	—	—
Total assigned	<u>119,352</u>	<u>—</u>	<u>—</u>
Unassigned	60,989,892	—	—
Total fund balance	<u>\$ 76,957,847</u>	<u>11,493,159</u>	<u>2,717,659</u>

(3) Detailed Notes on All Funds

(a) Cash and Investments

The City maintains a cash and investment pool for use by all funds.

(i) Deposits

At June 30, 2018, the City's carrying amount of bank deposits was \$3,758,970 and the bank balance was \$4,653,413. The \$894,443 difference represents outstanding checks and other reconciling items.

(ii) Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. As of June 30, 2018, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(iii) *Interest Rate Risk*

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the City's investment portfolio to maturities of less than five years.

(iv) *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City is authorized by City Council resolution to invest in, and is restricted to, the following types of securities:

- (1) obligations of the United States and of an agency or instrumentality of the United States;
- (2) certificates of deposit; those over the FDIC insurance – must be secured by eligible collateral as defined in Section 10.0 of the City's investment policy;
- (3) repurchase and agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States, including MBS. A Master Repurchase Agreement must be signed with the bank or dealer, before repurchase agreements are entered into;
- (4) the Alaska Municipal League Investment Pool, Inc. made in accordance with the terms of that Pool's "Common Investment Agreement;" and in accordance with AS 37.23.010-37.23.900;
- (5) commercial paper and other short-term taxable instruments that, at the time of investment, maintain the highest rating by at least two nationally recognized rating services;
- (6) obligations of a corporation or municipality – if the obligations are investment grade (rated BBB or higher by at least one nationally recognized rating service) at the time of investment; this includes ABS and;
- (7) money market funds in which the securities of the funds consist of obligations listed in this section and otherwise meet the requirements of the investment policy.

Investments shall not be purchased through the use of leveraged funds.

At June 30, 2018, the City bonds were rated as follows:

Investment	Standard & Poor's	Moody's Investor Service
Domestic corporate bonds	A- to BBB	A1 to BAA3
Foreign corporate bonds	A+ to BAA3	A1 to AA2
Asset-backed securities	AAA to AA	AAA

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(v) *Investments*

As of June 30, 2018, the City has the following investments and maturities:

	Fair value	Investment maturities (in years)				
		Less than 1	1-2	2-3	3-5	More than 5
AML Investment Pool	\$ 38,178,460	38,178,460	—	—	—	—
Wells Fargo money market	232,620	232,620	—	—	—	—
U.S. government obligations	62,787,412	4,455,090	39,973,213	18,359,109	—	—
Corporate bonds	30,145,921	2,289,463	19,784,669	7,075,381	996,408	—
Mortgage/asset-backed securities	9,525,915	—	349,559	5,353,648	3,204,370	618,338
	<u>\$ 140,870,328</u>	<u>45,155,633</u>	<u>60,107,441</u>	<u>30,788,138</u>	<u>4,200,778</u>	<u>618,338</u>

Reconciliation of cash and investments to the amounts on the statement of net position is as follows:

Cash and cash equivalents:	
Petty cash	\$ 1,700
Demand deposits	<u>3,757,420</u>
Total cash	<u>\$ 3,759,120</u>
Investments:	
Temporary investments	\$ 38,178,462
Long-term investments	<u>102,691,866</u>
	<u>\$ 140,870,328</u>

The Alaska Municipal League Investment Pool, Inc. (AMLIP) represents the City's share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by Generally Accepted Accounting Principles. AMLIP is not SEC-registered and is unrated. Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

The manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of June 30, 2018, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(vi) *Fair Value Measurements*

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 June 30, 2018:

- U.S. Treasury securities are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)
- Corporate bonds are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)
- Mortgage/asset-backed securities are valued using a matrix pricing model (Level 2 inputs)

(b) Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	31,147,603	—	—	31,147,603
Construction in progress	3,356,973	1,142,447	(767,249)	3,732,171
Total	<u>34,504,576</u>	<u>1,142,447</u>	<u>(767,249)</u>	<u>34,879,774</u>
Capital assets, being depreciated:				
Buildings	63,028,221	—	—	63,028,221
Infrastructure	51,020,448	80,386	—	51,100,834
Machinery and equipment	9,327,014	1,395,520	(303,492)	10,419,042
Total	<u>123,375,683</u>	<u>1,475,906</u>	<u>(303,492)</u>	<u>124,548,097</u>
Less accumulated depreciation for:				
Buildings	(30,319,596)	(1,524,397)	—	(31,843,993)
Infrastructure	(16,526,755)	(3,246,200)	—	(19,772,955)
Machinery and equipment	(7,507,332)	(495,405)	303,492	(7,699,245)
Total	<u>(54,353,683)</u>	<u>(5,266,002)</u>	<u>303,492</u>	<u>(59,316,193)</u>
Total capital assets, being depreciated, net	<u>69,022,000</u>	<u>(3,790,096)</u>	<u>—</u>	<u>65,231,904</u>
Governmental-type activities, net	<u>103,526,576</u>	<u>(2,647,649)</u>	<u>(767,249)</u>	<u>100,111,678</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction in progress	14,482,471	26,808,834	(7,183,064)	34,108,241
Total	<u>17,791,947</u>	<u>26,808,834</u>	<u>(7,183,064)</u>	<u>37,417,717</u>
Capital assets, being depreciated:				
Buildings	100,685,511	655,815	—	101,341,326
Infrastructure	178,278,485	5,357,491	(765,916)	182,870,060
Machinery and equipment	31,848,184	1,654,376	(239,536)	33,263,024
Total	<u>310,812,180</u>	<u>7,667,682</u>	<u>(1,005,452)</u>	<u>317,474,410</u>
Less accumulated depreciation for:				
Buildings	(20,097,194)	(2,635,146)	—	(22,732,340)
Infrastructure	(65,587,361)	(5,657,841)	418,450	(70,826,752)
Machinery and equipment	(9,373,160)	(1,939,392)	240,265	(11,072,287)
Total	<u>(95,057,715)</u>	<u>(10,232,379)</u>	<u>658,715</u>	<u>(104,631,379)</u>
Total capital assets, being depreciated, net	<u>215,754,465</u>	<u>(2,564,697)</u>	<u>(346,737)</u>	<u>212,843,031</u>
Business-type activities, net	\$ <u>233,546,412</u>	<u>24,244,137</u>	<u>(7,529,801)</u>	<u>250,260,748</u>

Depreciation expense was charged to the departments and functions of the primary government as follows:

General government	\$ 325,396
Public safety	217,724
Public works	3,354,396
Parks, culture, and recreation	729,800
Education	<u>738,686</u>
 Total – governmental activities	 \$ <u>5,366,002</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Business-type activities:	
Electric	\$ 3,199,297
Water	1,117,481
Wastewater	1,341,928
Solid waste	884,251
Ports and harbors	3,191,103
Airport	316,154
Housing	<u>182,165</u>
Total – business-type activities	<u>\$ 10,232,379</u>

(c) Interfund Receivables, Payables, and Transfers

Current interfund receivables and payables are shown as “Due from other funds” or “Due to other funds” in the Governmental Fund Balance Sheet and the Proprietary Funds Statement of Net Position and as internal balances in the statement of net position. These balances at June 30, 2018 were as follows:

Receivable	Payable
	General fund
General fund	\$ —
1% Sales Tax Special Revenue Fund	10,961,944
Nonmajor governmental funds	3,049,861
Electric	9,118,160
Water	9,444,577
Wastewater	5,530,737
Solid waste	8,604,702
Ports and harbors	21,676,108
Nonmajor proprietary funds	<u>2,102,152</u>
	<u>\$ 70,488,241</u>

The outstanding balances between funds result from cash being held in a central treasury in the General Fund.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Interfund receivables and payables that are not current are shown and are also included in internal balances on the statement of net position. These balances at June 30, 2018 were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	976,480
Current portion	208,240	—
Long-term portion	<u>768,240</u>	<u>—</u>
	<u>\$ 976,480</u>	<u>976,480</u>

On April 27, 2004, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$2,800,000 to be paid back in twenty annual installments, interest free. Payments are due on May 1 of each year.

On August 26, 2014, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$341,200 to be paid back in five annual installments, interest free. Payments are due on May 1 of each year.

A summary of transfers between funds of the City for the year ended June 30, 2018 is as follows:

Transfers in	Transfers out						Total transfers in
	General fund	1% Sales tax	Nonmajor Gov. Funds	Electric	Ports & Harbors	Nonmajor Ent. Fund	
General fund	\$ —	1,200,000	343,130	766,587	88,894	—	2,398,611
1% Sales Tax	—	—	—	—	—	—	—
Nonmajor Gov. Funds	793,000	—	—	—	—	—	793,000
Major Enterprise Funds:							
Electric	200,000	—	—	—	—	—	200,000
Water	—	—	—	—	—	—	—
Wastewater	—	1,072,156	—	—	—	—	1,072,156
Solid Waste	—	184,704	—	—	—	—	184,704
Ports and Harbors	709,000	—	—	—	—	—	709,000
Nonmajor Ent. Funds	<u>264,994</u>	—	—	—	—	—	<u>264,994</u>
	<u>\$ 1,966,994</u>	<u>2,456,860</u>	<u>343,130</u>	<u>766,587</u>	<u>88,894</u>	<u>—</u>	<u>5,622,465</u>

A summary of significant transfers are as follows:

- The 1% Sales Tax Special Revenue Fund transferred \$1,200,000 to the General Fund for port debt repayment.
- The Capital Project Funds transferred \$343,130 to the General Fund for completed capital projects.
- The Electric Fund transferred \$766,586 to the General Fund for completed capital projects.
- The Ports and Harbors Fund transferred \$88,894 to the General Fund for completed projects.
- The General Fund transferred \$793,000 to the Capital Equipment Project Fund for capital projects approved for the FY18 Capital and Major Maintenance Plan.
- The General Fund transferred \$200,000 to the Electric Fund for the Wind Energy Study.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

- The General Fund transferred \$709,000 to the Ports fund for the Channel Dredging project.
- The General Fund transferred \$140,000 to the Airport Fund for the Terminal Roof Replacement.
- The General Fund transferred \$124,994 to the Housing Fund for the Lear Road Duplex Remodel.
- The 1% Sales Tax Special Revenue Fund transferred \$1,072,156 to the Wastewater Fund to subsidize Wastewater Fund operations.
- The 1% Sales Tax Special Revenue Fund transferred \$184,704 to the Solid Waste Fund to subsidize Solid Waste Fund operations.

(d) Operating Leases

On June 30, 1981, the City and Ounalashka Corporation signed a 30 year lease with two 10 year renewal options for land at the Spit Dock. The first 10 year renewal option was entered into on July 1, 2011. Lease payments are \$4,152 per month with the amount to be reevaluated every five years.

On July 6, 1983, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 40 year lease (ADA 05248) for the land for the Airport Terminal. Annual payments of \$9,065 are due July 6 each year, ending July 6, 2023.

On October 2, 1992, the City and North Pacific Fuel entered into a lease agreement for office space for the Port and Harbor Offices. The lease was renewed on January 1, 2018 at a rate of \$3,635 per month.

On January 3, 1996, the City and the State of Alaska Department of Transportation entered into a 40 year lease (ADA 07158) for the Amaknak Fire Station land. Annual payments of \$3,995 are due January 1 each year, ending January 2, 2036.

On May 1, 2000, the City and Ounalashka Corporation entered into a 25 year lease with five 5 year renewal options for land at the Light Cargo Dock. Lease payments are \$5,418 per month with the amount to be reevaluated every 5 years. The next evaluation is in 2020.

On January 1, 2009, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 10-year land use permit (ADA-08620) for the airport long-term parking land. Annual payments of \$2,658 are due January 1 each year, ending December 31, 2019

On July 1, 2016, the City and the United Methodist Ministries entered into a 5 year lease for land for a community ballpark with incremental increases each fiscal year ending June 30, 2021. Rates per year are as follows: FY17-\$16,500, FY18-\$17,500, FY19-\$18,500, FY20-\$19,500, FY21-\$20,500.

Rent expense for the year ended June 30, 2018 was \$190,980.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

The future commitment for operating lease payments is as follows:

Year(s) ending:			
2019	\$	192,544	
2020		147,406	
2021		148,406	
2022		78,082	
2023		78,082	
2024•2028		139,181	
2029•2033		19,975	
2034•2038		11,985	
2039•2043		—	
	\$	815,661	

(e) Long-Term Debt

General Obligation Bonds: The City issues general obligation bonds to provide monies for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year.

General obligation bonds currently outstanding are as follows:

	Principal balance
Governmental activities:	
General obligation bonds:	
2015 Series One bonds issued in 2015 for \$1,800,000, interest rates of 2.0% to 4.0% due in annual installments of \$335,000 to \$385,000 to 2020, payable to the Alaska Municipal Bond Bank Authority (Bond Bank)	\$ 760,000
2009 II school bonds issued in 2009 for \$4,470,000, interest rates of 1.32% to 4.75% due in semiannual installments of \$370,000 to \$535,000 to 2019, payable to the Bond Bank	535,000
Total	\$ 1,295,000

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Other debt: The City issues other debt instruments in connection with its business-type activities. Other debt balances are as follows:

	<u>Principle balance</u>
Business-type activities:	
Bonds:	
2017 Series one bonds issued in 2018 for \$29,655,000, interest rates of 3.75% to 5.0%, due in annual installments of \$685,000 to \$1,935,000, beginning in 2020 through 2043, payable to the Bond Bank	\$ 29,655,000
2015 Series One bonds issued in 2015 for \$20,415,000, interest rates of 3.5% to 4.0%, due in annual installments of \$1,055,000 to \$1,785,000, beginning in 2019 through 2034, payable to the Bond Bank	20,415,000
2010 Series A (tax-exempt) General Obligation Harbor Improvement Bond issued in 2010 for \$2,270,000, interest rates of 2% to 5% due in annual installments of \$180,000 to \$440,000 to 2021, payable to the Bond Bank	705,000
2010 Series B (taxable Build America Bond) General Obligation Harbor Improvement Bond issued in 2010 for \$2,730,000, interest rates of 5.995% to 6.341% due in annual installments of \$255,000 to \$355,000, to 2030, payable to the Bond Bank	2,730,000
2010A (tax-exempt) Electric Utility Revenue Bond issued in 2010 for \$2,015,000, interest rates of 2% to 4% due in annual installments of \$195,000 to 255,000, to 2019, payable to the Bond Bank	505,000
2010B (taxable Recovery Zone Economic Development Bond – direct payment) Electric Utility Revenue Bond issued in 2010 for \$3,465,000, interest rates of 4.925% to 5.432% due in annual installments of \$265,000 to \$350,000, to 2030, payable to the Bond Bank	3,365,000
2009 Revenue bonds issued in 2009 for \$25,000,000, interest rate of 5.00% due in annual installments of \$720,000 to \$835,000, to 2019, payable to the Bond Bank	835,000
State of Alaska loans:	
1997 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	4,513
1997 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	—
2013 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	7,709,940
2013 1.50% Alaska Drinking Water Fund loan payable in annual installments over 20 years	3,457,294
2014 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	<u>4,576,167</u>
Total	<u>\$ 73,957,914</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(i) *Changes in Long-Term Liabilities*

Changes in long-term liabilities for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,170,000	—	(875,000)	1,295,000	910,000
Premium on bonds	73,260	—	(35,429)	37,831	35,429
Compensated absences	<u>1,160,324</u>	<u>1,120,337</u>	<u>(1,125,615)</u>	<u>1,155,046</u>	<u>1,155,046</u>
Governmental activity long-term liabilities	<u>\$ 3,403,584</u>	<u>1,120,337</u>	<u>(2,036,044)</u>	<u>2,487,877</u>	<u>2,100,475</u>
Business-type activities:					
Bonds payable:					
Electric Bonds	\$ 26,155,000	—	(1,035,000)	25,120,000	1,085,000
Ports Bonds	33,310,000	—	(220,000)	33,090,000	225,000
Premium on bonds	<u>3,396,645</u>	<u>—</u>	<u>(115,136)</u>	<u>3,281,509</u>	<u>177,635</u>
Total bonds payable	62,861,645	—	(1,370,136)	61,491,509	1,487,635
Other contracts and loans:					
Water Loans	3,639,257	—	(181,963)	3,457,294	181,963
Wastewater Loans	8,186,245	—	(471,792)	7,714,453	432,843
Solid Waste Loans	4,830,399	—	(254,232)	4,576,167	254,232
Army Corps of Engineers	2,097,013	—	—	2,097,013	—
Accrued landfill closure and postclosure care costs	5,451,059	212,417	—	5,663,476	—
Compensated absences	<u>521,526</u>	<u>395,146</u>	<u>(488,227)</u>	<u>428,445</u>	<u>428,445</u>
Business-type activity – long-term liabilities	<u>87,587,144</u>	<u>607,563</u>	<u>(2,766,350)</u>	<u>85,428,357</u>	<u>2,785,118</u>

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

<u>Year(s) ending June 30:</u>	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 910,000	48,313	958,313
2020	<u>385,000</u>	<u>7,700</u>	<u>392,700</u>
	<u>\$ 1,295,000</u>	<u>56,013</u>	<u>1,351,013</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Annual debt service requirements to maturity for business-type activities bonds are as follows:

Year(s) ending June 30:	Electric		
	Principal	Interest	Total
2019	\$ 1,085,000	1,024,842	2,109,842
2020	1,310,000	976,042	2,286,042
2021	1,350,000	935,742	2,285,742
2022	1,380,000	899,163	2,279,163
2023	1,410,000	859,646	2,269,646
2024–2028	7,830,000	3,380,672	11,210,672
2029–2033	10,755,000	1,328,466	12,083,466
	<u>\$ 25,120,000</u>	<u>9,404,573</u>	<u>34,524,573</u>

Year(s) ending June 30:	Ports and harbors		
	Principal	Interest	Total
2019	\$ 225,000	1,528,299	1,753,299
2020	920,000	1,519,299	2,439,299
2021	965,000	1,475,649	2,440,649
2022	1,010,000	1,427,399	2,437,399
2023	1,065,000	1,374,367	2,439,367
2024–2028	6,105,000	5,977,896	12,082,896
2029–2033	6,545,000	4,279,993	10,824,993
2034–2038	7,295,000	2,761,613	10,056,613
2039–2043	8,960,000	1,103,200	10,063,200
	<u>\$ 33,090,000</u>	<u>21,447,715</u>	<u>54,537,715</u>

The \$2,097,013 payable to the U.S. Army Corps of Engineers for the Breakwater Improvement Project has been excluded from the schedule above as the timing of payment has not been determined.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Annual debt service requirements to maturity for business-type activities other contracts and loans are as follows:

Year(s) ending June 30:	Other proprietary funds		
	Principal	Interest	Total
2019	\$ 869,037	236,219	1,105,256
2020	864,524	223,183	1,087,707
2021	864,524	210,215	1,074,739
2022	864,524	197,247	1,061,771
2023	864,524	184,280	1,048,804
2024–2028	4,322,622	726,880	5,049,502
2029–2033	4,322,622	402,683	4,725,305
2034–2038	2,775,537	88,725	2,864,262
	<u>\$ 15,747,914</u>	<u>2,269,432</u>	<u>18,017,346</u>

(ii) *Build America Bond*

The City has a \$2,730,000 taxable Build America Bond (2010 Series B General Obligation Harbor Improvement Bond). The City will be reimbursed for 35% of the interest associated with this bond by the U.S. Treasury through the American Recovery and Reinvestment Act.

(iii) *Recovery Zone Economic Development Bond*

The City has a \$3,365,000 taxable Recovery Zone Economic Development Bond (2010B Electric Utility Revenue Bond). The City will be reimbursed for 45% of the interest associated with this bond by the U.S. Treasury through the American Recovery and Reinvestment Act.

(iv) *Alaska Department of Environmental Conservation Loans*

On October 4, 2013, the City was approved for an \$8,788,200 loan from the Alaska Department of Environmental Conservation for a landfill phase II expansion. As of June 30, 2018, the City has received \$5,084,630 and has closed the loan. Payments began March 1, 2017.

On June 28, 2013, the City was approved for an \$8,566,600 loan from the Alaska Department of Environmental Conservation for a wastewater treatment plant upgrade. As of June 30, 2018, the City has received the entire loan balance. Payments began October 1, 2016.

On July 23, 2012, the City was approved for a \$5,000,000 loan from the Alaska Department of Environmental Conservation for a new water treatment plant. As of June 30, 2018, the City has received \$3,639,257 under this agreement.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(v) *Advance Refunding*

The City issued \$20,415,000 in general obligation bonds with interest rates ranging from 3.5% to 4.0%. The proceeds were used to advance refund \$19,265,000 of outstanding 2009-1 general obligation bonds which had interest rates ranging from 3.0% to 5.75%. The net proceeds of \$22,431,807 (including a \$2,016,807 premium) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2009-1 general obligation bonds are considered defeased and the liability for those bonds has been removed from the Electric Fund statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,765,838. This amount is being amortized over the remaining life of the refunding debt. The government advance refunded the 2009-1 general obligation bonds to reduce its total debt service payments over 18 years by \$1,734,358 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,769,213.

(4) Other Information

(a) Risk Management

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets, third-party liability, and errors and omissions; and natural disasters for which the City carries commercial insurance. The City's insurance is on a per-occurrence basis.

The City currently participates in the Alaska Public Entity Insurance (APEI) pool, which covers property and contents, general, auto liability, law enforcement legal liability, errors and omissions, earthquake and flood, marine, and workers compensation. APEI is a public entity risk pool that reinsurers risk above certain levels, thereby relieving the members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2018.

Claims on insurance have not exceeded coverage in any of the last three years.

(b) Landfill Closure and Postclosure Care

State and federal laws and regulations require the City to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these estimated closure and postclosure care costs, the City is recording as an operating expense in each period an amount based on landfill capacity used each year of operation. During 2018, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2018. As of June 30, 2018, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$5,663,476, based on the use of 57.4% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$4,816,362, of expense and liability between July 2018, and the year 2051, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure care functions in 2018. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

CITY OF UNALASKA, ALASKA

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Alaska state law requires that the City provide financial assurances annually for the closure and postclosure care of the landfill. Currently, no assets of the City are restricted for payment of closure and postclosure care costs. Future inflation costs and additional costs that might arise from changes in closure and postclosure requirements (due to change in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

(c) Contingencies

Under the terms of state and federal grants, periodic audits may be performed by funding agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could require reimbursement to the grantor agencies.

In the normal course of its activities, the City is involved in various claims and pending litigation.

Management believes that the outcome of the matters discussed in the preceding paragraphs will not have a material adverse effect on the financial statements of the City. Accordingly, no provision for losses has been recorded.

(d) Commitments

Encumbrances outstanding at year-end, including purchase orders, contracts, and other commitments for the expenditure of monies, are reported as committed or assigned fund balances in the governmental funds. Outstanding encumbrances at June 30, 2018 were as follows:

Governmental funds:	
General fund	\$ 119,352
Other nonmajor governmental funds	<u>1,569,248</u>
Total governmental funds	<u>1,688,600</u>
Proprietary funds:	
Electric fund	214,294
Water fund	124,385
Wastewater fund	129,559
Solid Waste fund	870,766
Ports and Harbor fund	7,947,185
Other nonmajor proprietary funds	<u>38,491</u>
Total proprietary funds	<u>9,324,680</u>
Total	<u>\$ 11,013,280</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(e) Alaska Public Employees Retirement System (PERS)

(i) PERS – Plan Description and Contributions

All full-time employees and certain permanent part-time employees of the City participate in the PERS – cost-sharing multiple-employer defined benefit pension and postemployment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). The ARMB has the authority to establish and amend the benefit terms. PERS issues a publicly available financial report that can be obtained at www.doa.alaska.gov/dr/pers/employee/resources/cafr.html.

PERS provides retirement, disability, death, and postemployment health benefits. Benefits vest with five years of credited service. Employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

PERS benefits are earned based on the following tiers:

- 1) Tier 1 employee: entered system between January 1, 1961 and June 30, 1986 – 5 years credited service for pension and OPEB benefits.
- 2) Tier 2 employee: entered system between July 1, 1986 and June 30, 1996 – 5 years credited service for pension and OPEB benefits.
- 3) Tier 3 employee: entered system between July 1, 1996 and June 30, 2005 – 5 years credited service for pension benefits and 10 years credited service for OPEB benefits.

Active PERS members are required to contribute 6.75% (defined benefit plan – 2% pension cost and 4.75% postemployment healthcare cost) and 8.0% (defined contribution plan) of their annual covered salary and the City is required to contribute at an actuarially determined rates as follows:

	Others	Police/fire
Defined benefit plans:		
Pension	21.90%	21.90%
Alaska Healthcare Retirement Trust	3.11	3.11
Occupational Death and Disability	0.16	0.43
Retiree Medical Plan	1.03	1.03
Defined contribution - Pension	4.63	4.63

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Alaska Statute 39.35.255(a) capped the employer rate at 22%, with the State of Alaska making a nonemployer contribution for the difference between actuarially-required contribution and the cap. The contribution requirements of plan members and the City are established and may be amended by the ARMB. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

- (A) Amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less:
- (B) Total of the employer contributions for:
 - (1) Defined contribution employer matching amount
 - (2) Major medical
 - (3) Occupational death & disability, and
 - (4) Health reimbursement arrangement

The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

The defined benefit portion (Tiers I, II and III) of PERS has been closed to new entrants since July 1, 2006.

(ii) *PERS – Defined Benefit Pension Plan*

Pension Benefits

Pension benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2.00% for the first ten years of service and 2.50% for all service over 10 years. The percentage multipliers for all other participants are 2.00% for the first 10 years, 2.25% for the next 10 years, and 2.50% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2.00%.

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan's Administrator if the funding ratio of the Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

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

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 18,502,053
State's proportionate share of the net pension liability associated with the City	<u>6,892,621</u>
Total	\$ <u><u>25,394,674</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the present value of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. At June 30, 2017, the City's proportion was 0.36%, which was a decrease of 0.08 from its proportion measured as of June 30, 2016. The decrease in the employer proportion from 2016 to 2017 was primarily due to an increase in the State's projected present value of future nonemployer contributions.

For the year ended June 30, 2018, the City recognized pension expense of \$2,110,392 and revenue of \$547,078 for support provided by the State. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 496,290	—
Difference between actual and expected experience	—	332,648
Changes in proportion and differences between City contributions and proportionate share of contributions	228,980	2,019,873
City contributions subsequent to the measurement date	<u>1,394,691</u>	<u>—</u>
Total	\$ <u><u>2,119,961</u></u>	<u><u>2,352,521</u></u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

The City reported \$1,394,691 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ (2,088,920)
2020	516,788
2021	231,994
2022	(287,113)
2023	—
Thereafter	—
	<u>\$ (1,627,251)</u>

Pension Plan Fiduciary Net Position

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

(iii) *PERS – Defined Benefit OPEB Plans*

PERS includes three cost-sharing OPEB plans as follows:

Alaska Retiree Healthcare Trust (ARHCT)

ARHCT, a healthcare trust fund of the State, provides major medical coverage to retirees of the defined benefit plan. The ARHCT is self-funded and self-insured. The ARHCT is closed to all new members effective July 1, 2006. Major medical benefits are provided to retirees and their surviving spouses at no premium cost for all Tier 1 members or disabled retirees. Tier 2 and 3 members, and their surviving spouses, must pay the full monthly premium if they are under age 60 and will receive benefits at no premium cost if they are over age 60. Tier 3 members must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, peace officers, and their surviving spouses, with 25 years of peace officer membership service and all other members and their surviving spouses with 30 years of membership service receive benefits at no premium cost, regardless of their age or date of hire. Peace officers/firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

Occupational Death and Disability Plan (ODD)

ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS.

Retiree Medical Plan (RMP)

RMP provides major medical coverage to retirees of the DCR Plan. The RMP is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible.

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

At June 30, 2018, the City reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City as its proportionate share of net OPEB liabilities, the related State support, and the total portion of the net OPEB liabilities that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$	2,964,884
State's proportionate share of the net OPEB liability associated with the City		<u>1,127,892</u>
Total	\$	<u><u>4,092,776</u></u>

The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

proportion of the ARHCT net OPEB liability was based on a projection of the present value of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. The City's proportion of the ODD and RMP plans' net OPEB liability (asset) was based on the City's RMP relative to the total actual RMP contributions from all participating political subdivisions and the State. At June 30, 2017, the City's proportion was 0.36% (ARHC) and 0.67% (ODD and RMP), which were consistent with its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized OPEB expense of \$269,117 and revenue of \$177,222 for support provided by the State. At June 30, 2018, the City reported collective deferred outflows of resources and collective deferred inflows of resources related to OPEB plans from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	969,957
Difference between actual and expected experience	—	166,168
Changes in proportion and differences between City contributions and proportionate share of contributions	937	529,086
City contributions subsequent to the measurement date	<u>490,300</u>	<u>—</u>
Total	<u>\$ 491,237</u>	<u>1,665,211</u>

The City reported \$490,300 as deferred outflows of resources related to OPEB plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	\$ (627,257)
2020	(550,358)
2021	(242,765)
2022	(242,765)
2023	(276)
Thereafter	<u>(853)</u>
	<u>\$ (1,664,274)</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

OPEB Plans' Fiduciary Net Position

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

(iv) *PERS – Actuarial Assumptions*

The total pension and OPEB liability for each plan was determined by actuarial valuations as of June 30, 2016, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2017:

	<u>Pension</u>	<u>OPEB</u>
Inflation rate	3.12%	3.12%
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	4.92 to 9.66%	4.92 to 9.66%
Others	4.34 to 8.55%	4.34 to 8.55%
Investment rate of return	8.00%	8.00%
Healthcare cost trend rates:		
Pre-65 medical	N/A	8.8% grading down to 4.4%
Post 65 medical	N/A	5.8% grading down to 4.0%
Prescription drugs	N/A	5.4% grading down to 4.0%

Pre-termination mortality rates were based upon 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 Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. The net pension and OPEB liabilities are measured as of June 30, 2017. Liabilities are based on the results of the actuarial calculations performed as of June 30, 2016 and were rolled forward to June 30, 2017 using standard update procedures. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

The long-term expected rate of return on 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Asset class:		
Broad domestic equity	26.0%	8.83%
Global equity	22.0	7.79
Real estate	17.0	4.94
Fixed income	13.0	4.76
Private equity	9.0	12.02
Absolute return	7.0	4.76
Alternative equity	5.0	1.29
Cash equivalents	1.0	0.63
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension and total OPEB liabilities was 8.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the plans' fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Sensitivity of the City's proportionate share of the net pension and OPEB liabilities (asset) to changes in the discount rate

The following presents the City's proportionate share of the net pension and OPEB liabilities (asset) calculated using the discount rate of 8.0%, as well as what the City's proportionate share of the net pension and OPEB liabilities (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

Plan	1% decrease (7.0%)	Discount rate (8.0%)	1% increase (9.0%)
Pension	\$ 24,304,152	18,502,053	13,602,402
ARHCT	6,473,022	3,024,629	124,056
ODD	(85,276)	(94,464)	(101,973)
RMP	(162,650)	34,719	65,177

Sensitivity of the City's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's proportionate share of the collective net OPEB liability for each plan, as well as what the City's proportionate share of each plans collective net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan	1% decrease	Current trend rate	1% increase
ARHCT	\$ (335,515)	3,024,629	7,064,326
ODD	N/A	N/A	N/A
RMP	(85,942)	34,719	196,383

(v) *PERS – Defined Contribution Plan*

The State of Alaska Legislature approved SB 141 to create the PERS Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II, or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARMB 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2018

Employees are required to contribute 8% of their annual covered salary, and the City is required to make the following contributions:

	Others Tier IV	Police/fire Tier IV
Individual account	5.00 %	5.00 %
Health reimbursement arrangement (HRA)*	3.00	3.00
Retiree medical plan	1.03	1.03
Occupational death and disability benefits	0.16	0.43
	9.19 %	9.46 %

* HRA – AS 39.30.370 requires that the employer contribute “an amount equal to three percent (3%) of the employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City’s contribution to PERS, including the HRA contribution, for the year ended June 30, 2018 was \$671,400.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Last Ten Fiscal Years
Alaska Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
City's proportion of the net pension liability	0.36 %	0.44 %	0.33 %	0.25 %	0.24 %	*	*	*	*	*
City's proportionate share of the net pension liability	\$ 18,502,053	24,593,846	15,959,767	11,730,783	12,364,036	*	*	*	*	*
State's proportionate share of the net pension liability	6,892,621	3,099,287	4,272,502	10,547,310	12,049,865	*	*	*	*	*
Total	<u>\$ 25,394,674</u>	<u>27,693,133</u>	<u>20,232,269</u>	<u>22,278,093</u>	<u>24,413,901</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
City's covered-employee payroll	\$ 4,052,595	4,682,104	5,228,987	5,600,920	5,773,350	6,151,465	6,545,274	6,776,880	*	*
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.00 %	525.00 %	305.00 %	209.00 %	214.00 %	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	63.37	59.55	63.96	62.37	56.00	*	*	*	*	*

* Information for these years is not available.

Changes in assumptions. Amounts reported in 2018 reflect a change in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
Schedule of City Contributions
Last Ten Fiscal Years
Alaska Public Employees Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 891,571	1,200,784	1,167,149	1,034,346	963,284	811,763	816,945	625,113	656,073	*
Contributions in relation to the contractually required contributions	<u>(891,571)</u>	<u>(1,200,784)</u>	<u>(1,167,149)</u>	<u>(1,034,346)</u>	<u>(963,284)</u>	<u>(811,763)</u>	<u>(816,945)</u>	<u>(625,113)</u>	<u>(656,073)</u>	*
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	*
City's covered-employee payroll	\$ 5,220,800	4,052,595	4,682,104	5,228,987	5,600,920	5,773,350	6,151,465	6,545,274	6,776,880	*
Contributions as a percentage of covered-employee payroll	22.00 %	29.63 %	24.93 %	19.78 %	17.20 %	14.06 %	13.28 %	9.55 %	9.68 %	*

* Information for these years is not available.

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
Last Ten Fiscal Years
Alaska Public Employees Retirement System – OPEB

	<u>AHCRT</u>		<u>ODD</u>		<u>RMP</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	35.81 %	44.02 %	— %	— %	— %	— %
City's proportionate share of the net OPEB liability (asset)	\$ 3,024,628	5,047,603	(94,464)	(85,058)	34,719	60,311
State's proportionate share of the net OPEB liability	<u>1,127,892</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 4,152,520</u>	<u>5,047,603</u>	<u>(94,464)</u>	<u>(85,058)</u>	<u>34,719</u>	<u>60,311</u>
City's covered-employee payroll	\$ 4,052,595	4,682,104	4,052,595	4,682,104	4,052,595	4,682,104
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	75 %	108 %	(2)%	(2)%	1 %	1 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	62.37 %	56.00 %	56.00 %	56.00 %	56.00 %	56.00 %
Information for 10 years is not available.						

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
 Schedule of City Contributions
 Last Ten Fiscal Years
 Alaska Public Employees Retirement System – OPEB

	AHCRT		ODD		RMP	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 397,538	565,081	15,685	15,979	77,079	81,755
Contributions in relation to the contractually required contributions	<u>(397,538)</u>	<u>(565,081)</u>	<u>(15,685)</u>	<u>(15,979)</u>	<u>(77,079)</u>	<u>(81,755)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
City's covered-employee payroll	\$ 5,220,800	4,052,595	5,220,800	4,052,595	5,220,800	4,052,595
Contributions as a percentage of covered-employee payroll	7.61 %	13.94 %	0.30 %	0.39 %	1.48 %	2.02 %
Information for 10 years is not available.						

See accompanying independent auditors' report.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2018

Assets	Bed Tax Special Revenue Fund	Equipment capital projects	Street paving	Total nonmajor funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Receivables, net:				
Taxes	\$ 12,103	—	—	12,103
Due from other funds	<u>256,433</u>	<u>1,755,699</u>	<u>1,037,729</u>	<u>3,049,861</u>
Total assets	<u>\$ 268,536</u>	<u>1,755,699</u>	<u>1,037,729</u>	<u>3,061,964</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ —	<u>28,923</u>	<u>315,382</u>	<u>344,305</u>
Total liabilities	<u>—</u>	<u>28,923</u>	<u>315,382</u>	<u>344,305</u>
Fund balances committed:				
Community support	268,536			268,536
Capital projects	<u>—</u>	<u>1,726,776</u>	<u>722,347</u>	<u>2,449,123</u>
Total fund balances	<u>268,536</u>	<u>1,726,776</u>	<u>722,347</u>	<u>2,717,659</u>
Total liabilities and fund balances	<u>\$ 268,536</u>	<u>1,755,699</u>	<u>1,037,729</u>	<u>3,061,964</u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

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

Year ended June 30, 2018

	Bed Tax Special Revenue Fund	Equipment capital projects	Street paving	Total nonmajor funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Taxes	\$ 169,703	—	—	169,703
Total revenues	<u>169,703</u>	<u>—</u>	<u>—</u>	<u>169,703</u>
Expenditures:				
Current:				
Community support	175,000	—	—	175,000
Capital projects	<u>—</u>	<u>591,590</u>	<u>550,857</u>	<u>1,142,447</u>
Total expenditures	<u>175,000</u>	<u>591,590</u>	<u>550,857</u>	<u>1,317,447</u>
Excess (deficiency) revenues over expenditures	<u>(5,297)</u>	<u>(591,590)</u>	<u>(550,857)</u>	<u>(1,147,744)</u>
Other financing sources (uses):				
Transfers in	—	793,000	—	793,000
Transfers out	<u>—</u>	<u>(343,130)</u>	<u>—</u>	<u>(343,130)</u>
Net other financing sources (uses)	<u>—</u>	<u>449,870</u>	<u>—</u>	<u>449,870</u>
Net change in fund balances	(5,297)	(141,720)	(550,857)	(697,874)
Fund balances, beginning of year	<u>273,833</u>	<u>1,868,496</u>	<u>1,273,204</u>	<u>3,415,533</u>
Fund balances, end of year	\$ <u><u>268,536</u></u>	<u><u>1,726,776</u></u>	<u><u>722,347</u></u>	<u><u>2,717,659</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Bed Tax Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund balance – Budget and Actual

Year ended June 30, 2018

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 175,000	169,703	(5,297)
Expenditures:			
Community support	<u>175,000</u>	<u>175,000</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	—	(5,297)	(5,297)
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	\$ <u>—</u>	<u>(5,297)</u>	<u>(5,297)</u>
Fund balance at beginning of year		<u>273,833</u>	
Fund balance at end of year		\$ <u><u>268,536</u></u>	

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 June 30, 2018

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Current assets:			
Accounts receivables (net of allowance for uncollectibles)	\$ 82,160	3,650	85,810
Due from General Fund	<u>1,596,744</u>	<u>505,408</u>	<u>2,102,152</u>
Total current assets	<u>1,678,904</u>	<u>509,058</u>	<u>2,187,962</u>
Noncurrent assets:			
Capital assets, net	<u>2,725,090</u>	<u>4,207,906</u>	<u>6,932,996</u>
Total noncurrent assets	<u>2,725,090</u>	<u>4,207,906</u>	<u>6,932,996</u>
Total assets	<u>\$ 4,403,994</u>	<u>4,716,964</u>	<u>9,120,958</u>
Deferred outflows of resources:			
OPEB related	\$ 4,143	3,852	7,995
Pension related	<u>19,459</u>	<u>8,325</u>	<u>27,784</u>
	<u>23,602</u>	<u>12,177</u>	<u>35,779</u>
Liabilities and Deferred Inflows of Resources			
Current liabilities:			
Accounts payable	\$ 17,598	3,290	20,888
Accrued payroll and payroll liabilities	5,712	5,625	11,337
Customer deposits	<u>11,000</u>	<u>17,177</u>	<u>28,177</u>
Total current liabilities	34,310	26,092	60,402
Noncurrent liabilities:			
Net OPEB liability	25,004	23,252	48,256
Net pension liability	<u>166,609</u>	<u>103,153</u>	<u>269,762</u>
Total liabilities	<u>\$ 225,923</u>	<u>152,497</u>	<u>378,420</u>
Deferred inflows of resources:			
OPEB related	\$ 14,043	13,059	27,102
Pension related	<u>19,875</u>	<u>19,465</u>	<u>39,340</u>
	<u>33,918</u>	<u>32,524</u>	<u>66,442</u>
Net Position			
Net investment in capital assets	\$ 2,725,090	4,207,906	6,932,996
Unrestricted	<u>1,442,666</u>	<u>336,213</u>	<u>1,778,879</u>
Total net position	<u>\$ 4,167,756</u>	<u>4,544,119</u>	<u>8,711,875</u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

Combining Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2018

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 486,589	242,326	728,915
Total operating revenues	<u>486,589</u>	<u>242,326</u>	<u>728,915</u>
Operating expenses:			
Operations	408,429	124,030	532,459
General and administrative	81,654	147,259	228,913
Depreciation and amortization	316,154	182,165	498,319
Total operating expenses	<u>806,237</u>	<u>453,454</u>	<u>1,259,691</u>
Operating loss	<u>(319,648)</u>	<u>(211,128)</u>	<u>(530,776)</u>
Nonoperating revenues (expenses):			
Intergovernmental revenue	4,614	4,289	8,903
Loss on disposal of asset	<u>—</u>	<u>—</u>	<u>—</u>
Net nonoperating revenues	<u>4,614</u>	<u>4,289</u>	<u>8,903</u>
Loss before capital contributions and transfers	(315,034)	(206,839)	(521,873)
Transfers in	140,000	124,994	264,994
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>
Change in net position	(175,034)	(81,845)	(256,879)
Net position, beginning of year restated	<u>4,342,790</u>	<u>4,625,964</u>	<u>8,968,754</u>
Net position, end of year	\$ <u><u>4,167,756</u></u>	<u><u>4,544,119</u></u>	<u><u>8,711,875</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
 Nonmajor Proprietary Funds
 Combining Statement of Cash Flows
 Year ended June 30, 2018

	Airport	Housing	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 544,479	243,543	788,022
Payments to employees	(95,929)	(90,585)	(186,514)
Payments to vendors	(387,830)	(174,728)	(562,558)
Net cash provided by operating activities	60,720	(21,770)	38,950
Cash flows from capital and related financing activities:			
Capital contributions	140,000	124,994	264,994
Advances for capital projects from the General Fund	—	—	—
Repayment of capital projects advances from General Fund	—	—	—
Acquisition and construction of capital assets	(40)	(8,488)	(8,528)
Net cash used for capital and related financing activities	139,960	116,506	256,466
Change in cash and due from General Fund	200,680	94,736	295,416
Cash and due from other funds, beginning of year	1,396,064	410,672	1,806,736
Cash and due from other funds, end of year	\$ 1,596,744	505,408	2,102,152
Reconciliation to balance sheet:			
Cash and due from General Fund, June 30, 2018	\$ 1,596,744	505,408	2,102,152
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (319,648)	(211,128)	(530,776)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	316,154	182,165	498,319
Pension related	6,036	5,612	11,648
OPEB related	(1,865)	(1,734)	(3,599)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	—	—	—
Accounts payable	57,890	457	58,347
Accrued payroll and payroll liabilities	1,488	1,640	3,128
Customer deposits	666	1,217	1,883
Net cash provided by operating activities	\$ 60,721	(21,771)	38,950
Schedule of noncash capital and noncapital and related financing activities:			
Intergovernmental nonemployer pension and OPEB contributions	\$ 6,036	5,612	11,648

See accompanying independent auditors' report.

STATISTICAL SECTION

CITY OF UNALASKA, ALASKA

Statistical Section

June 30, 2018

Statistical Section

This part of the City of Unalaska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends	74–80
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	81–86
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	87–91
<i>These schedules presents information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	92–93
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	94–96
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: The City's comprehensive annual financial reports for the previous 10 years, District files, and public records from various local and state agencies.

Table 1

CITY OF UNALASKA, ALASKA

Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:										
Net investment in capital assets	\$ 74,518	78,951	85,914	84,763	87,329	92,389	99,476	102,588	101,301	98,779
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	84,150	60,934	69,731	65,008	69,518	75,878	67,336	77,138	80,027	84,596
Total governmental activities	<u>\$ 158,668</u>	<u>139,885</u>	<u>155,645</u>	<u>149,771</u>	<u>156,847</u>	<u>168,267</u>	<u>166,812</u>	<u>179,726</u>	<u>181,328</u>	<u>183,375</u>
Business-type activities:										
Net investment in capital assets	\$ 67,851	86,670	114,909	125,055	154,863	164,240	185,023	178,831	152,758	178,783
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	51,102	54,362	29,195	45,100	45,102	43,173	31,810	42,058	67,940	40,332
Total business-type activities	<u>\$ 118,953</u>	<u>141,032</u>	<u>144,104</u>	<u>170,155</u>	<u>199,965</u>	<u>207,413</u>	<u>216,833</u>	<u>220,889</u>	<u>220,698</u>	<u>219,115</u>
Primary government:										
Net investment in capital assets	\$ 142,369	165,621	200,823	209,818	242,192	259,411	286,499	281,419	254,059	277,562
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	135,252	115,296	98,926	110,108	114,620	116,269	99,146	119,197	147,967	124,928
Total primary government activities	<u>\$ 277,621</u>	<u>280,917</u>	<u>299,749</u>	<u>319,926</u>	<u>356,812</u>	<u>375,680</u>	<u>385,645</u>	<u>400,616</u>	<u>402,026</u>	<u>402,490</u>

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government	\$ 4,025	3,982	4,191	4,123	4,439	4,773	4,206	4,610	5,061	4,994
Public safety	4,515	4,577	4,477	4,269	5,003	5,229	4,728	5,322	6,104	4,881
Public works	6,128	6,347	6,369	6,746	6,595	6,782	9,504	8,362	9,627	8,697
Parks, culture, and recreation	2,955	3,073	3,146	3,208	3,494	3,670	3,482	3,725	4,079	3,422
Community support	853	843	1,626	932	1,258	1,047	1,106	1,139	1,082	1,169
Education support	4,473	4,438	3,828	4,736	4,483	4,683	4,456	4,615	4,622	4,685
Interest on long-term debt	275	349	265	431	149	185	148	104	99	56
Total governmental activities expenses	23,224	23,609	23,902	24,445	25,421	26,369	27,630	27,877	30,674	27,904
Business-type activities:										
Electric	10,547	13,955	13,745	16,757	16,973	18,004	15,363	13,967	15,656	16,900
Water	1,987	2,072	2,227	2,248	2,372	2,600	2,332	2,705	2,973	2,880
Wastewater	1,532	3,947	1,748	4,408	5,504	2,054	1,740	2,518	3,810	3,383
Solid waste	1,722	1,814	1,986	2,093	2,220	2,238	2,670	2,640	3,429	3,033
Ports and harbors	4,063	1,620	4,418	2,299	1,815	6,404	5,928	6,623	7,371	8,487
Airport	784	894	777	787	840	799	809	843	862	806
Housing	233	227	355	736	528	463	436	415	431	453
Total business-type activities expenses	20,868	24,529	25,256	29,328	30,252	32,562	29,278	29,711	34,532	35,942
Total primary government expenses	\$ 44,092	48,138	49,158	53,773	55,673	58,931	56,908	57,588	65,206	63,846
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 13	65	12	9	66	12	21	5	19	54
Public safety	85	29	54	8	3	2	83	69	52	82
Public works	—	—	—	—	—	—	—	—	—	—
Culture and recreation	219	204	183	201	222	215	218	205	195	175
Operating grants and contributions	1,275	1,703	1,604	1,620	1,635	1,540	1,623	1,283	1,136	—
Capital grants and contributions	—	63	760	21	59	750	919	686	—	—
Total primary government activities program revenues	1,592	2,064	2,613	1,859	1,985	2,519	2,864	2,248	1,402	311

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Charges for services:	\$									
Electric	11,611	10,488	12,847	18,295	17,390	18,825	16,571	13,527	17,198	18,493
Water	1,937	1,870	2,020	2,215	2,323	2,208	2,560	2,878	2,810	2,601
Wastewater	1,365	1,334	1,456	1,815	1,898	2,082	2,262	2,373	2,361	2,302
Solid waste	1,165	1,111	1,331	1,555	1,630	1,817	2,197	2,654	2,275	2,292
Ports and harbors	3,681	3,986	5,545	5,459	5,785	6,427	6,538	6,634	6,640	7,265
Airport	425	488	458	457	472	481	512	573	518	486
Housing	190	157	127	184	238	245	259	276	236	242
Capital grants and contributions	2,582	1,162	6,608	4,545	22,721	1,072	9,131	4,048	—	85
Operating grants and contributions	—	213	1,421	995	1,065	7,834	755	804	697	731
Total business-type activities program revenues	<u>22,956</u>	<u>20,809</u>	<u>31,813</u>	<u>35,520</u>	<u>53,522</u>	<u>40,991</u>	<u>40,785</u>	<u>33,767</u>	<u>32,735</u>	<u>34,497</u>
Total primary government program revenues	<u>\$ 24,548</u>	<u>22,873</u>	<u>34,426</u>	<u>37,379</u>	<u>55,507</u>	<u>43,510</u>	<u>43,649</u>	<u>36,015</u>	<u>34,137</u>	<u>34,808</u>
Net (expense) revenue:										
Governmental activities	\$ (21,632)	(21,545)	(21,289)	(22,586)	(23,436)	(23,850)	(24,766)	(25,629)	(29,272)	(26,312)
Business-type activities	2,088	(3,720)	6,557	6,192	23,270	8,429	11,507	4,056	(1,797)	(1,445)
Total primary government net expense	<u>\$ (19,544)</u>	<u>(25,265)</u>	<u>(14,732)</u>	<u>(16,394)</u>	<u>(166)</u>	<u>(15,421)</u>	<u>(13,259)</u>	<u>(21,573)</u>	<u>(31,069)</u>	<u>(27,757)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,257	4,296	4,630	4,750	4,987	5,210	5,709	6,063	6,195	6,052
General sales tax	10,361	8,863	10,755	13,960	13,272	12,554	12,220	11,846	11,307	10,738
Raw seafood sales tax	4,044	3,594	5,372	5,261	4,784	4,450	4,982	5,124	4,657	4,475
Other taxes	266	56	158	87	102	118	89	32	38	72
Fisheries tax	9,079	7,094	7,378	9,324	11,422	8,956	7,198	12,188	8,694	8,768
Grants not restricted to specific programs	—	632	811	1,232	1,436	1,364	808	974	571	476
Gain (loss) on disposal of capital assets	80	(6)	—	—	—	4	11	9	7	1
Investment earnings	5,618	2,650	1,603	1,067	436	742	636	1,307	495	700
Other	2,033	1,326	920	611	878	891	971	823	1,216	1,249
Transfers	(7,493)	(25,781)	5,459	(19,580)	(6,805)	980	(2,229)	178	(2,307)	(1,575)
Extraordinary item	2,019	—	—	—	—	—	—	—	—	—
Total governmental activities	<u>30,264</u>	<u>2,724</u>	<u>37,086</u>	<u>16,712</u>	<u>30,512</u>	<u>35,269</u>	<u>30,395</u>	<u>38,544</u>	<u>30,873</u>	<u>30,956</u>
Business-type activities:										
Gain (loss) on disposal of capital assets	19	(39)	—	—	16	—	—	—	(701)	—
Investment earnings	102	57	—	—	—	—	—	—	—	—
Other	10	—	1,974	—	—	—	—	—	—	—
Transfers	7,493	25,781	(5,459)	19,580	6,805	(980)	2,229	—	2,307	1,575
Extraordinary item	1,135	—	—	—	—	—	—	—	—	—
Total business-type activities	<u>8,759</u>	<u>25,799</u>	<u>(3,485)</u>	<u>19,580</u>	<u>6,821</u>	<u>(980)</u>	<u>2,229</u>	<u>—</u>	<u>1,606</u>	<u>1,575</u>
Total primary government	<u>\$ 39,023</u>	<u>28,523</u>	<u>33,601</u>	<u>36,292</u>	<u>37,333</u>	<u>34,289</u>	<u>32,624</u>	<u>38,544</u>	<u>32,479</u>	<u>32,531</u>
Change in net position:										
Governmental activities	\$ 8,632	(18,821)	15,797	(5,874)	7,076	11,419	5,629	12,915	(191)	4,644
Business-type activities	10,847	22,079	3,072	25,772	30,091	7,449	13,736	4,056	1,602	130
Total primary government	<u>\$ 19,479</u>	<u>3,258</u>	<u>18,869</u>	<u>19,898</u>	<u>37,167</u>	<u>18,868</u>	<u>19,365</u>	<u>16,971</u>	<u>1,411</u>	<u>4,774</u>

Table 3

CITY OF UNALASKA, ALASKA
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (Amounts expressed in thousands)

<u>Fiscal year</u>	<u>Sales tax</u>	<u>Raw seafood tax</u>	<u>Real property taxes</u>	<u>Personal property taxes</u>	<u>Bed tax</u>	<u>Penalty and interest on taxes</u>	<u>Total</u>
2009	10,361	4,044	2,893	1,364	172	94	18,928
2010	8,713	3,594	2,967	1,282	150	56	16,762
2011	10,598	5,372	3,416	1,214	157	159	20,916
2012	13,960	5,261	3,389	1,361	170	87	24,228
2013	13,272	4,784	3,446	1,541	189	102	23,334
2014	12,554	4,450	3,469	1,741	118	118	22,450
2015	12,220	4,982	3,857	1,852	189	88	23,188
2016	11,846	5,123	4,163	1,900	210	32	23,274
2017	11,306	4,657	4,230	1,965	189	38	22,385
2018	10,738	4,475	4,355	1,697	169	72	21,506

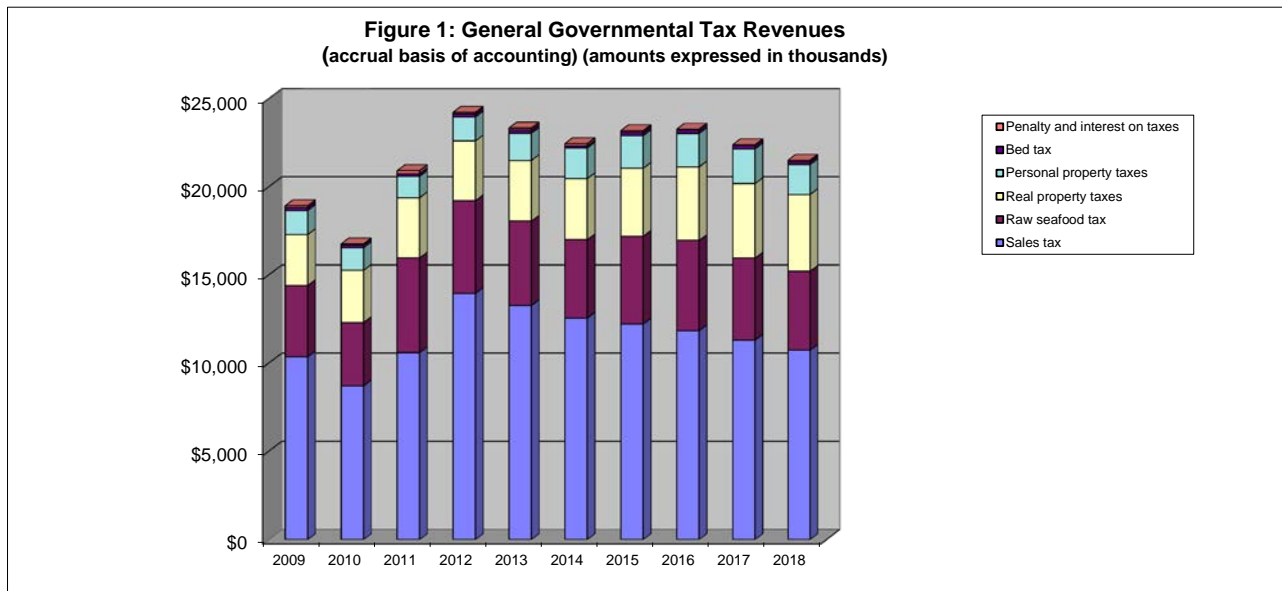


Table 4

CITY OF UNALASKA, ALASKA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund (after GASB 54):										
Nonspendable	\$ —	—	2,316	2,282	2,091	2,061	2,337	2,156	2,012	1,849
Committed	—	—	34,500	20,300	14,300	14,300	14,300	14,000	14,000	14,000
Assigned	—	—	264	190	333	239	234	292	308	119
Unassigned	—	—	10,603	12,509	14,760	29,094	37,888	43,981	53,972	60,990
General fund (prior to GASB 54):										
Reserved	2,736	3,581	—	—	—	—	—	—	—	—
Unreserved	49,012	35,014	—	—	—	—	—	—	—	—
Total general fund	\$ 51,748	38,595	47,683	35,281	31,484	45,694	54,759	60,429	70,292	76,958
All other governmental funds (after GASB 54):										
Committed	\$ —	—	3,000	3,000	—	3,953	5,188	7,902	10,701	14,211
Assigned	—	—	13,488	19,491	28,339	18,601	9,719	6,043	3,142	—
Unassigned	—	—	(78)	—	—	—	(804)	—	—	—
All other governmental funds (prior to GASB 54):										
Reserved	2,795	3,918	—	—	—	—	—	—	—	—
Unreserved, reported in:										
Special revenue funds	16,450	3,249	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—
Capital projects funds	5,612	10,100	—	—	—	—	—	—	—	—
Total all other governmental funds	\$ 24,857	17,267	16,410	22,491	28,339	22,554	14,103	13,945	13,843	14,211

Table 5

CITY OF UNALASKA, ALASKA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 19,514	16,763	20,901	24,018	23,191	22,286	23,060	22,923	22,033	21,429
Intergovernmental	12,307	12,742	10,747	11,127	13,197	16,047	15,330	10,811	15,091	11,153
Changes for services	317	298	250	210	290	229	322	279	266	311
Investment income	5,618	2,650	1,603	1,067	436	742	636	1,307	495	700
Other	79	206	99	—	104	121	296	178	382	400
Total revenues	37,835	32,659	33,600	36,422	37,218	39,425	39,644	35,498	38,267	33,993
Expenditures:										
General government	3,937	4,013	—	3,917	4,291	4,457	4,578	4,137	4,082	4,553
Public safety	4,228	4,308	4,237	4,030	4,707	4,944	5,417	5,051	4,966	4,929
Public works	5,016	5,203	5,143	5,132	5,275	5,545	5,861	5,341	5,409	6,049
Parks, culture, and recreation	2,101	2,139	2,194	2,233	2,440	2,615	2,722	2,532	2,585	2,636
Community support	853	843	920	932	1,258	1,046	1,106	1,139	1,082	1,169
Education support	3,750	3,736	3,828	4,024	3,822	4,023	3,869	3,879	3,886	3,946
Debt service:										
Principal	379	771	823	834	720	755	780	805	835	875
Interest	237	337	325	397	165	212	184	150	119	86
Capital projects	3,753	6,379	9,795	1,664	5,695	8,017	10,894	6,961	3,241	1,142
Total expenditures	24,254	27,729	27,265	23,163	28,373	31,614	35,411	29,995	26,205	25,385
Excess of revenues over expenditures	13,581	4,930	6,335	13,259	8,845	7,811	4,233	5,503	12,062	8,608
Other financing sources (uses):										
Proceeds from long-term debt	4,648	—	—	—	—	—	11	—	—	—
Refunding bonds issued	—	255	—	—	—	—	1,930	—	—	—
Payments to refunded bond escrow agent	—	(248)	—	—	—	—	(1,930)	—	—	—
Transfers in	6,905	13,206	11,683	15,681	15,358	6,353	11,822	4,604	5,709	3,192
Transfers out	(14,398)	(38,987)	(6,224)	(35,261)	(22,163)	(5,748)	(15,452)	(4,604)	(8,016)	(4,767)
Other	—	102	8	—	9	9	—	9	7	1
Total other financing sources (uses)	(2,845)	(25,672)	5,467	(19,580)	(6,796)	614	(3,619)	9	(2,300)	(1,574)
Net change in fund balance	\$ 10,736	(20,742)	11,802	(6,321)	2,049	8,425	614	5,512	9,762	7,034
Debt service as a percentage of noncapital expenditures	3.0%	5.2%	6.6%	5.7%	3.9%	4.1%	3.9%	4.1%	4.2%	4.0%

CITY OF UNALASKA, ALASKA
 Governmental Expenditures
 Last Ten Fiscal Years

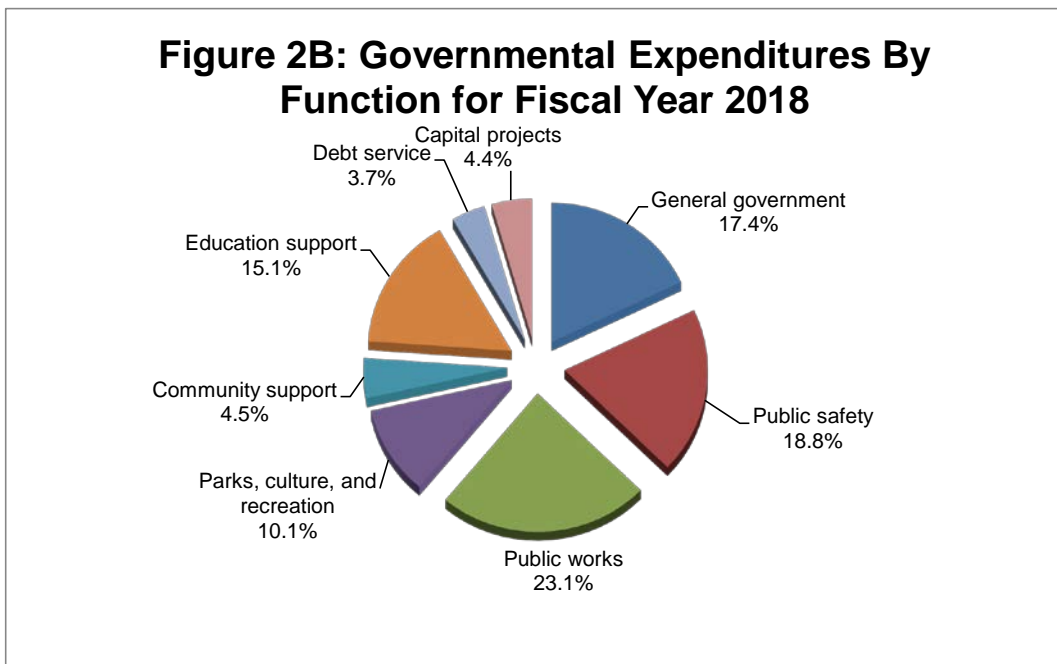
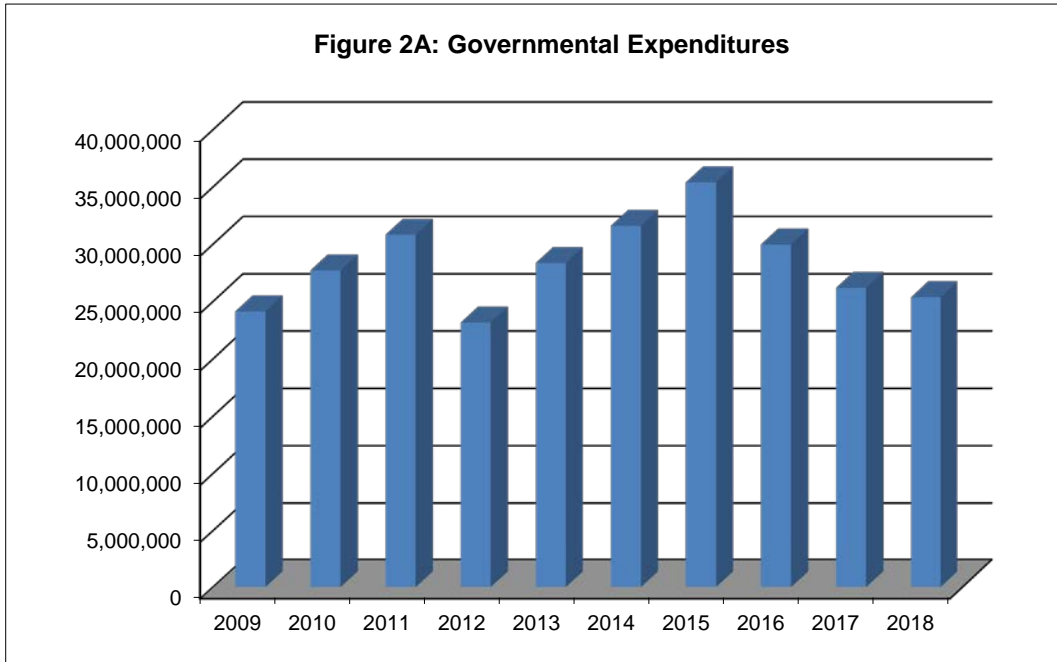


Table 7

CITY OF UNALASKA, ALASKA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)

<u>Fiscal year</u>	<u>Sales tax</u>	<u>Raw seafood tax</u>	<u>Real property taxes</u>	<u>Personal property taxes</u>	<u>Bed tax</u>	<u>Penalty and interest on taxes</u>	<u>Total</u>
2009	\$ 10,368	4,619	2,892	1,367	172	93	19,511
2010	8,713	3,594	2,967	1,282	150	56	16,762
2011	10,772	5,372	3,384	1,214	157	159	21,058
2012	13,790	5,261	3,364	1,367	170	87	24,039
2013	12,084	4,784	3,494	1,539	189	102	23,192
2014	12,385	4,450	3,451	1,713	169	118	22,286
2015	12,031	4,982	3,862	1,907	189	89	23,060
2016	11,846	5,123	4,085	1,836	210	32	23,132
2017	11,307	4,657	4,234	1,798	189	38	22,223
2018	10,568	4,475	4,348	1,796	170	72	21,429

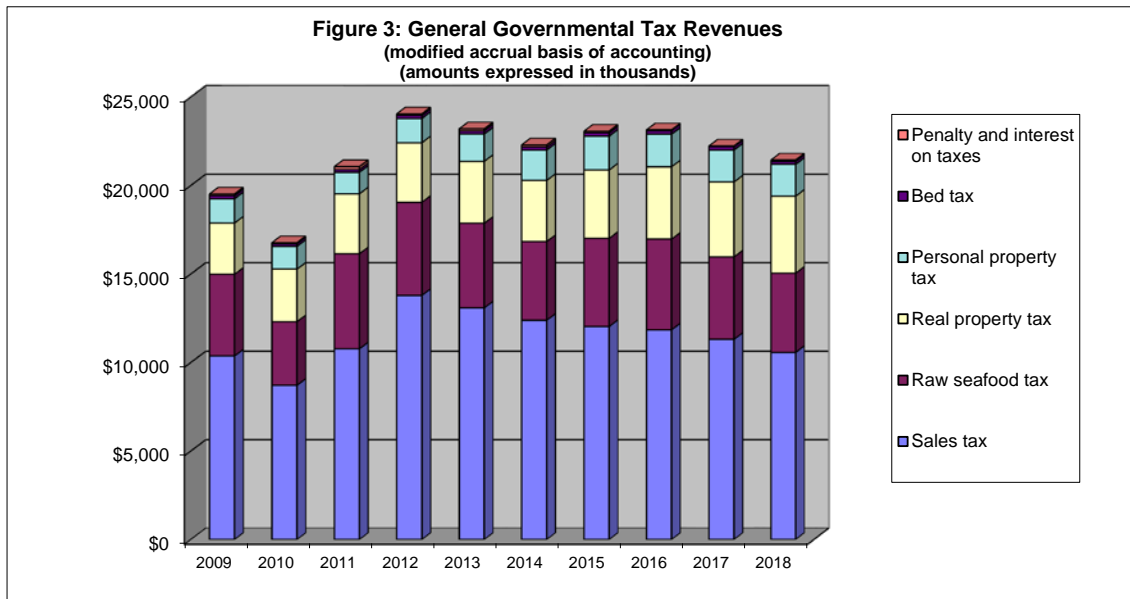


Table 8

CITY OF UNALASKA, ALASKA

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Amount expressed in thousands)

Fiscal year	Real property		Personal property		Total		Ratio of assessed value to estimated	Total direct tax rate
	Assessed value	Estimated value	Assessed value	Estimated value	Assessed value	Estimated value		
2009	\$ 284,432	320,884	125,775	141,894	410,207	462,778	89	10.50
2010	329,903	378,069	122,778	140,704	452,681	518,773	87	10.50
2011	321,616	382,876	132,439	157,665	454,055	540,541	84	10.50
2012	330,239	393,142	134,744	160,410	464,983	553,552	84	10.50
2013	330,908	376,032	161,341	183,342	492,249	559,374	88	10.50
2014	367,166	410,517	177,979	198,993	545,145	609,510	89	10.50
2015	396,455	435,665	182,178	200,196	578,633	635,861	91	10.50
2016	397,350	428,733	171,733	185,297	569,083	614,030	93	10.50
2017	416,223	447,552	174,302	187,422	590,525	634,974	93	10.50
2018	427,990	433,082	166,579	168,679	594,569	601,761	99	10.50

Table 9

CITY OF UNALASKA, ALASKA

City Tax Rates

All Governments

Last Ten Fiscal Years

	Total city millage rate (1)	City Sales Tax rate (2)	City Raw Seafood Tax rate (3)
Fiscal year ending:	11.78	3.00	2.00
2009	10.50	3.00	2.00
2010	10.50	3.00	2.00
2011	10.50	3.00	2.00
2012	10.50	3.00	2.00
2013	10.50	3.00	2.00
2014	10.50	3.00	2.00
2015	10.50	3.00	2.00
2016	10.50	3.00	2.00
2017	10.50	3.00	2.00
2018	10.50	3.00	2.00

(1) The rate is per thousand dollars of assessed value. There are no restrictions or mandates on the rate nor is there a separate component for debt service.

(2) Per Ordinance Section 6.40.020.

(3) Per Ordinance Section 6.44.020.

Note: There are no overlapping governmental units.

Table 10

CITY OF UNALASKA, ALASKA
Principal Real Property Taxpayers
June 30, 2018 and 2009

	2018			2009		
	Total assessed value	Rank	Percentage of total taxable assessed value	Total assessed value	Rank	Percentage of total taxable assessed value
Ounalashka Corporation and Subsidiaries	\$ 127,799,108		29.9 %	\$ 89,206,896	1	31.4 %
Unisea Inc.	58,370,856		13.6	40,628,313	2	14.3
Western Pioneer Inc.	52,177,449		12.2	*	*	*
Westward Seafoods Inc.	27,556,500		6.4	24,888,000	3	8.8
Alyeska Seafoods Inc.	21,617,790		5.1	19,395,095	4	6.8
Offshore Systems Inc.	16,349,300		3.8	*	*	*
Strong Holdings LLC	12,473,410		2.9	*	*	*
Kloosterboer Dutch Harbor, LLC	7,682,700		1.8			
Valdez Petroleum Terminal Inc.	4,728,630		1.1	*	*	*
Petro Star	4,296,000		1.0	*	*	*
All Remaining Taxpayers	94,937,814		22.2	109,753,137		38.7
	<u>\$ 427,989,557</u>		<u>100 %</u>	<u>\$ 283,871,441</u>		<u>100 %</u>

* Unknown or unavailable due to software change

Table 11

CITY OF UNALASKA, ALASKA
Principal Electric Utility Customers
June 30, 2018 and 2007

Taxpayer	2018			2009		
	Receipts from customer	Rank	Percentage of total electric utility customers billed	Receipts from customer	Rank	Percentage of total electric utility customers billed
American President Lines	\$ 3,552,667	1	19.2	1,537,501	1	17.5
Alyeska Seafoods	3,313,792	2	17.9	—		-
Horizon Lines	1,890,349	3	10.2	1,358,463	2	15.5
City of Unalaska	1,536,527	4	8.3	776,336	3	8.8
Kloosterboer	573,772	5	3.1			-
Safeway	535,821	6	2.9	534,054	5	6.1
Coastal Transportation	403,444	7	2.2			-
Alaska Ship Supply	403,043	8	2.2	304,845	8	3.5
Unalaska City School	378,582	9	2.0	442,765	7	5.0
North Pacific Fuel	321,353	10	1.7	585,648	6	6.7
Harbor Crown	—		—	569,008	4	6.5
Alaska Commercial Company	—		—	278,961	9	3.2
Pacific Stevedoring, Inc.	—		—	212,385	10	2.4
	<u>\$ 12,909,350</u>		<u>69.7</u>	<u>6,599,966</u>		<u>75.2</u>

Table 12

CITY OF UNALASKA, ALASKA

Property Tax Levies and Collections

Last Ten Fiscal Years

(Amounts expressed in thousands)

Fiscal year	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
2009	\$ 4,307	4,260	98.9	2	4,262	99.0	45	1.0
2010	4,299	4,249	98.8	6	4,255	99.0	44	1.0
2011	4,645	4,622	99.5	8	4,630	99.7	15	0.3
2012	4,760	4,689	98.5	59	4,748	99.7	12	0.3
2013	4,986	4,948	99.2	—	4,948	99.2	38	0.8
2014	5,141	5,090	99.0	—	5,090	99.0	51	1.0
2015	5,725	5,656	98.8	40	5,696	99.5	29	0.5
2016	6,076	5,854	96.3	24	5,878	96.7	198	3.3
2017	6,183	5,942	96.1	89	6,031	97.5	152	2.5
2018	6,243	6,129	98.2	15	6,144	98.4	99	1.6

Table 13

CITY OF UNALASKA, ALASKA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

<u>Fiscal year</u>	<u>Governmental activities General obligation bonds</u>	<u>Business type activities Ports and harbors fund GO bonds</u>	<u>Electric fund revenue bonds</u>	<u>ADEC loans</u>	<u>Total primary government</u>	<u>Percentage of personal income</u>	<u>Per capita</u>
2009	\$ 8,558	—	25,000	396	33,954	22 %	9,272
2010	7,796	5,000	25,000	352	38,148	24	8,718
2011	6,974	4,815	30,380	309	42,478	24	9,734
2012	6,186	4,635	29,560	265	40,646	21	8,515
2013	5,460	4,450	28,715	222	38,847	19	8,893
2014	4,698	4,260	27,845	178	36,981	58	7,800
2015	3,954	4,065	28,085	4,605	40,709	14	8,840
2016	3,114	3,942	29,175	16,006	52,237	17	11,270
2017	2,243	34,856	28,068	16,656	81,823	*	18,849
2018	1,333	34,576	26,916	15,748	78,573	*	*

* Data unavailable or incomplete

Table 14

CITY OF UNALASKA, ALASKA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita amount)

Fiscal year		General obligation bonds	Percentage of estimated actual taxable value of property	Per capita
2009	\$	8,558	1.85	2,337
2010		7,796	1.50	1,782
2011		6,974	1.29	1,598
2012		6,186	1.12	1,288
2013		5,460	0.98	1,242
2014		4,698	0.77	985
2015		3,954	0.62	843
2016		3,114	0.52	700
2017		2,243	0.35	496
2018		1,333	0.22	*
				Population Not available

Table 15

CITY OF UNALASKA, ALASKA

Direct Governmental Activities Debt (1)

June 30, 2018

Jurisdiction	Outstanding debt	Percentage applicable to City of Unalaska	Amount applicable to City of Unalaska
Direct:			
City of Unalaska	\$ 1,332,831	100.00 %	1,332,831

(1) Direct debt is long-term debt and does not include long-term liabilities such as internal advances, accrued landfill closure costs, or compensated absences.

Note: There are no overlapping governmental units.

CITY OF UNALASKA, ALASKA

Legal Debt Margin Information

June 30, 2018

There is no legal debt margin for municipalities in the State of Alaska.

Table 17

CITY OF UNALASKA, ALASKA

Pledged-Revenue Coverage

Electric Fund

<u>Fiscal year</u>	<u>Operating revenues</u>	<u>Operating expenses (1)</u>	<u>Income from operations</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2013	\$ 17,389,996	13,523,054	3,866,942	845,000	1,510,417	2,355,417	164
2014	18,825,315	14,424,067	4,401,248	870,000	1,478,167	2,348,167	187
2015	16,571,260	11,780,405	4,790,855	910,000	1,420,542	2,330,542	206
2016	13,527,050	9,811,512	3,715,538	920,000	1,027,254	1,947,254	191
2017	17,198,440	11,505,578	5,692,862	990,000	1,123,667	2,113,667	269
2018	18,488,321	12,605,358	5,882,963	1,035,000	1,095,544	2,130,544	276

(1) Operating expenses exclude depreciation.

(2) Rates are required to generate net revenues equal to or greater than 135% times annual debt payments.

Table 18

CITY OF UNALASKA, ALASKA

Demographic Statistics

Last Ten Fiscal Years

<u>Calendar year</u>	<u>Unalaska population (1)</u>	<u>Aleutians west region personal income (amounts expressed in thousands) (2)</u>	<u>Aleutians west region per capita personal income (2)</u>	<u>Unalaska school enrollment (3)</u>	<u>Aleutians west region unemployment (4)</u>
2009	3,662	\$ 156,852	33,668	403	7.3
2010	4,376	159,644	28,791	407	6.9
2011	4,389	175,274	31,845	412	7.8
2012	4,516	195,082	35,525	414	9.1
2013	4,516	202,105	36,673	415	8.8
2014	4,517	304,806	53,010	407	4.8
2015	4,440	299,746	52,569	396	3.8
2016	4,448	316,823	56,105	375	3.3
2017	4,341	*	53,010	389	3.6
2018	*	*	*	400	*

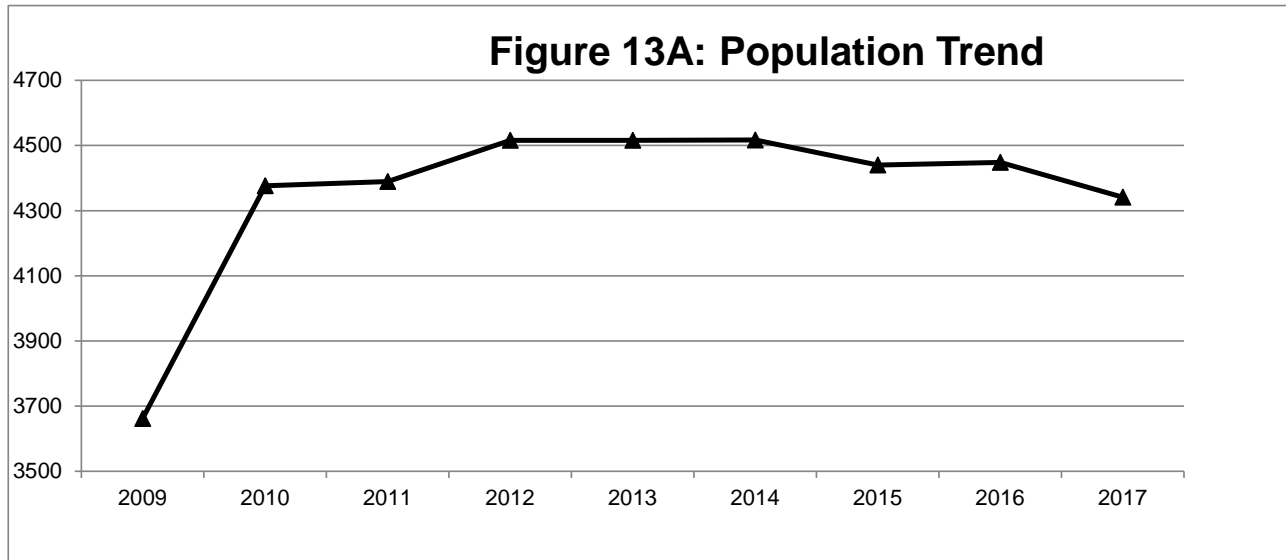
* Data unavailable or incomplete.

(1) Source – Alaska Department of Commerce, Community and Economic Development

(2) Source – U.S. Department of Commerce, Bureau of Economic Analysis: Statistics are kept for the region, not for the City of Unalaska.

(3) Source – Unalaska City School District: Official fall count of calendar year.

(4) Source – Alaska Department of Labor: Statistics are kept for the region, not for the City of Unalaska.



CITY OF UNALASKA, ALASKA

Principal Employers

Alaska Department of Labor can no longer give out any information related to employers in Alaska due to new federal regulations.

Table 20

CITY OF UNALASKA, ALASKA
 Full-Time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Council	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Manager	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.00	2.00
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	11.50	11.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
IS	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Planning	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00
Public safety:	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	24.50	24.50
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
Public works:										
Public works administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Streets and roads	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.00	10.00
Supply	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Vehicle department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Building maintenance	8.00	8.00	8.00	8.35	8.35	8.78	8.50	9.00	9.00	9.00
Parks, culture, and recreation:										
Community center	12.00	12.00	12.00	12.00	12.00	12.00	12.50	12.50	12.89	12.89
Libraries	4.50	4.50	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Community pool	5.50	5.50	5.50	5.00	5.00	5.00	4.25	4.25	4.78	4.78
Public utilities administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	13.00	13.00	13.00	14.00	14.00	14.33	13.00	13.00
Water	4.00	4.00	4.00	4.33	4.66	5.00	5.00	5.00	5.00	5.00
Wastewater	3.34	3.34	3.34	3.34	4.00	4.50	5.17	3.50	7.00	7.00
Ports and airport	10.00	10.00	10.00	10.00	9.00	10.00	10.00	10.00	11.00	11.00
Solid waste	4.33	4.33	4.33	4.33	4.50	4.50	4.50	4.50	4.50	5.50
Total employees	<u>153.63</u>	<u>153.63</u>	<u>154.63</u>	<u>156.31</u>	<u>156.47</u>	<u>159.74</u>	<u>159.88</u>	<u>159.04</u>	<u>166.13</u>	<u>167.13</u>

Notes:

1. Source: City of Unalaska, *Operating and Capital Budgets*

Table 21

CITY OF UNALASKA, ALASKA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Custodies	337	320	257	274	241	271	263	325	267	124
Fire:										
Fire response	24	37	50	42	29	21	49	38	30	42
Burn permits	159	116	129	99	65	65	129	114	92	73
Fire safety	31	26	41	15	17	20	35	14	28	18
EMS:										
EMS ambulance Calls	191	107	147	184	131	113	290	186	148	101
Public works:										
Building permits issued	28	55	34	18	14	27	25	21	21	21
Parks, culture, and recreation:										
Community Center admissions	72,532	84,134	72,889	89,178	42,747	43,161	43,158	41,194	42,407	42,407
Aquatic center attendance	18,500	19,072	14,631	18,348	11,950	13,219	16,928	13,317	16,181	16,181
CC & aquatic center volunteer hours	2,280	1,334	1,908	1,731	1,693	975	894	885	889	889
Library volunteer hours	840	410	733	667	766	116	98	83	49	63
Library circulation	197,743	208,749	211,841	239,936	267,630	196,852	198,012	75,916	67,346	80,837
Library attendance	110,960	115,735	113,439	105,931	138,955	91,252	71,537	41,060	47,802	52,792
Electric:										
Power generated MW	35,705	30,060	37,998	46,958	43,742	45,198	44,411	43,213	58,515	58,515
Water:										
Water produced (MG)	1,093	971	1,090	1,204	1,262	1,164	1,163	1,246	1,284	1,284
Daily pumping capacity (MGD)	4	4	4	4	4	4	4	4	4	4
Total daily capacity (MGD)	13	12	12	12	12	12	12	13	13	13
Wastewater:										
Average daily treatment (MG)	0.48	0.47	0.56	0.55	0.43	0.43	0.39	0.40	0.41	0.41
Solid waste:										
Tons of waste collected	6,785	6,061	6,442	7,128	7,484	7,238	7,508	8,419	6,440	6,440
Cubic yards of waste collected	9,234	8,637	8,978	10,625	10,678	10,910	11,022	11,760	10,934	10,934
Ports and harbors:										
UMC vessel calls	407	334	237	577	655	751	680	574	613	461
UMC wharfage tons	286,698	363,038	338,029	479,630	356,032	498,098	535,028	488,758	550,253	505,888
Airport:										
Passengers	53,624	52,613	55,135	53,698	59,792	51,424	54,200	*	57,710	*

* Data unavailable or incomplete

Source: City of Unalaska

Table 22

CITY OF UNALASKA, ALASKA
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	7	7	7	7	7	7	7	7	7	7
EMS:										
Ambulances	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of public roads	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2
Miles of paved roads	6.6	6.6	7.0	7.0	7.0	9.5	9.5	9.5	9.5	9.5
Street lights	179	179	179	179	179	245	246	251	317	317
Flashing/cautionary lights	9	9	9	9	9	15	15	15	15	15
Number of bridges	7	7	7	7	7	10	11	11	11	11
Parks, culture and recreation:										
Community Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Parks	8	8	8	8	8	8	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Electric:										
Number of city owned power plants	1	1	1	1	1	1	1	1	1	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2
Water:										
Wells	4	4	4	4	4	4	4	3	3	3
Surface water treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of water lines	23	23	23	23	23	23	23	23	23	23
Number of connections	599	599	599	599	582	582	586	590	590	590
Wastewater:										
Sanitary sewers MH's	353	353	353	353	353	367	367	367	367	367
Miles of sewer lines	17	17	17	17	17	18	21	21	21	21
Lift stations	9	9	9	9	9	10	10	10	10	10
Solid waste:										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors:										
Dock facilities – linear feet of docking:										
Unalaska Marine Center (UMC)	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Spit Dock facility	1,975	1,975	1,975	1,975	2,400	2,400	2,400	2,400	2,400	2,400
Light Cargo Dock	340	340	340	340	340	340	340	340	340	340
Small Boat Harbor	1,232	1,232	1,232	1,232	1,232	1,232	1,232	1,072	1,072	1,072
CEM Small Boat Harbor	*	*	*	5,919	5,919	5,919	5,919	5,919	5,919	5,919

Source: City of Unalaska