

CITY OF UTQIAGVIK, ALASKA

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Compliance Reports

Year Ended June 30, 2019

Altman, Rogers
& Co. | CERTIFIED
PUBLIC
ACCOUNTANTS

CITY OF UTQIAGVIK

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Independent Auditor's Report

Honorable Mayor and City Council
City of Utqiagvik, Alaska
Utqiagvik, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Utqiagvik, Alaska, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Utqiagvik's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The "Supplementary Information" listed above is the responsibility of management and was derived from and relates 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 Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Prior Year Supplementary Information

The prior year comparative information has been derived from City of Utqiagvik, Alaska's 2018 financial statements, which were audited by other auditors. In their report, dated April 5, 2019, they expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2023, on our consideration of the City of Utqiagvik, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Utqiagvik, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Utqiagvik, Alaska's internal control over financial reporting and compliance.

Altman, Rogers & Co.

Anchorage, Alaska
January 24, 2023

City of Utqiagvik, Alaska

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 2,455,543	511,904	2,592,176	648,537
General maintenance	529,826	-	13,763	(516,063)
Community services	347,880	108,075	41,910	171,671
Parks and recreation	1,439,306	50,201	15,408	(1,373,697)
Gaming	272,410	349,620	2,735	79,945
Distribution center	180,918	86,362	4,416	(90,140)
Total primary government	<u>5,225,883</u>	<u>1,106,162</u>	<u>2,670,408</u>	<u>(1,079,747)</u>
General revenues:				
Tobacco, bed and distribution taxes				780,850
Economic impact assistance				18,161
Grants and contributions not restricted to specific programs				196,006
Investment income				127,181
Contributions and donations				187,526
Other				104,221
Total general revenues				<u>1,413,945</u>
Change in net position				334,198
Net position - beginning of year				<u>19,158,222</u>
Net position - ending				<u>\$ 19,492,420</u>

The notes to the financial statements are an integral part of this statement.

City of Utqiagvik, Alaska

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

Year Ended June 30, 2019

Fund balances - all governmental funds	\$ 4,289,813
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 are not reported in the funds. These assets, net of depreciation, consists of:	
Land and land improvements	3,379,705
Construction in progress	5,875,023
Buildings	14,668,803
Improvements other than buildings	3,995,970
Machinery and equipment	1,560,495
Accumulated depreciation	<u>(11,306,718)</u>
Total capital assets	18,173,278
Other long-term liabilities are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
These liabilities consists of:	
Accrued leave	(125,738)
Proportionate share of the collective net pension and OPEB liability:	
PERS	(3,309,356)
Proportionate share of the collective OPEB assets:	
PERS	17,848
Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report.	
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources:	
PERS	729,448
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources:	
PERS	<u>(282,873)</u>
Net position of governmental activities	\$ <u>19,492,420</u>

The notes to the financial statements are an integral part of this statement.

City of Utqiagvik, 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, 2019

Net change in fund balance - total government funds	\$	547,774
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:		
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.		
Net change in the unfunded net pension and OPEB liability (assets):		
PERS		(643,857)
Changes in deferred inflows and outflows of resources are the results of timing differences in the actuarial report and adjustments to reflect the employer and non-employer contributions based on the measurement date of the net pension and OPEB liabilities and assets.		
Net change in deferred outflows/inflows of resources		588,173
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. This is the amount by which depreciation exceeded capital outlay in the current period		
Capital outlay	588,395	
Depreciation expense	<u>(693,679)</u>	(105,284)
Compensated absence expense reported in the Statement of Activities does not require the use of current financial resources and therefore, is not reported as expenditures in the governmental funds. The net change in compensated absences balance is:		
		<u>(52,608)</u>
Change in net position of governmental activities	\$	<u>334,198</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Basic Financial Statements, Continued

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

Sales, bed, distribution, and tobacco taxes, intergovernmental revenues, charges for services, sales and leases, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major governmental funds:

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

The *Utqiagvik Permanent Special Revenue Fund* accounts for monies set aside to provide for long-term financial stability and economic health to the citizens of Utqiagvik. There is no legally adopted budget for this fund.

The *Utqiagvik Gaming Special Revenue Fund* accounts for gaming activity for the City.

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

Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize investment income. Investments are carried at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans)."

Notes to the Basic Financial Statements, Continued

Unearned Grant Revenue

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

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The *nonspendable fund balance* classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

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

Encumbrances

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

Notes to the Basic Financial Statements, Continued

In the government-wide financial statements, deferred inflows are comprised entirely of pension and OPEB related transactions. Those items deferred under modified accrual in the governmental funds as "unavailable" are reversed to revenue at the full-accrual level.

Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted with principles in the United States of America for all governmental fund types, except the Capital Project Funds which adopt project-length budgets. Appropriations for these funds lapse at year end to the extent that they have not been expended or encumbered. Supplemental appropriations that amend the total expenditures of any department or fund require City Council approval. The budgeted financial statements represented in this report reflect the final budget authorization, including amendments made during the year.

A budget was not adopted for the Other Special Revenue Fund.

Use of Estimates

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported in these financial statements. Accordingly, actual results could differ from those estimates.

2. Cash and Investments

At June 30, 2019, the City's deposits consisted of checking accounts, money market, and cash equivalent funds as follows:

	Carrying Amount	Bank Balance
Checking accounts	\$ 349,167	\$ 432,919
Cash and money market accounts	309,657	309,657
Total deposits	<u>\$ 658,824</u>	<u>\$ 742,576</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits will not be returned to it. The City has no deposit policy with respect to custodial credit risk.

According to the City Code, the following are authorized investments of the City:

1. U.S. Treasury securities;
2. Other obligations guaranteed by the U.S. government or its agencies and instrumentalities;
3. Repurchase agreements with financial institutions for the sale and repurchase of securities specified in subdivisions 1 and 2 above;
4. Certificates of deposit and other deposits at banks and savings and loan associations;
5. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation;

Notes to the Basic Financial Statements, Continued

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash on hand	\$ 1,354
Cash, checking accounts and money market funds	658,824
Investments	3,232,724
Accrued interest	19,688
Total Cash and Investments	<u>\$ 3,912,590</u>

3. Capital Assets

Capital asset activity for the year ended June 30, 2019 follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land and land improvements	\$ 3,379,705	-	-	3,379,705
Construction in progress	5,800,000	75,023	-	5,875,023
Total assets not being depreciated	<u>9,179,705</u>	<u>75,023</u>	<u>-</u>	<u>9,254,728</u>
Capital assets being depreciated:				
Building	14,668,803	-	-	14,668,803
Improvements other than buildings	3,995,970	-	-	3,995,970
Machinery and equipment	1,047,123	513,372	-	1,560,495
Total assets being depreciated	<u>19,711,896</u>	<u>513,372</u>	<u>-</u>	<u>20,225,268</u>
Less accumulated depreciation for:				
Building	7,516,563	350,005	-	7,866,568
Improvements other than buildings	2,177,191	283,033	-	2,460,224
Machinery and equipment	919,285	60,641	-	979,926
Total accumulated depreciation	<u>10,613,039</u>	<u>693,679</u>	<u>-</u>	<u>11,306,718</u>
Total capital assets being depreciated, net	<u>9,098,857</u>	<u>(180,307)</u>	<u>-</u>	<u>8,918,550</u>
Total Governmental Capital Assets Net of Depreciation	<u>\$ 18,278,562</u>	<u>(105,284)</u>	<u>-</u>	<u>18,173,278</u>

Depreciation expense was charged to the functions as follows for the year ended June 30, 2019:

General government	\$ 93,845
General maintenance	45,023
Community services	283,880
Gaming	268,986
Parks and recreation	1,945
Total Depreciation allocated to Governmental Functions	<u>\$ 693,679</u>

Notes to the Basic Financial Statements, Continued

Per Ordinance 87-1, the City of Utqiagvik created the Utqiagvik Permanent Fund to provide for long-term financial stability and economic health. The City must contribute to the Permanent Fund at least fifty percent of the net proceeds from the sale of any real property owned by the City, or the lease of any real property for a term of more than three years, except leases for the purpose of mineral extraction. The City must retain ten percent of the net income of the Permanent Fund in the fund. The other ninety percent is available to be used for other governmental purposes. No principal of the Permanent Fund shall be withdrawn except for a lawful purpose and upon the vote of a majority of the City voters.

7. Property and Equipment Leases

The City leases property and equipment to various organizations within the City. The following is a schedule of future minimum rental payments required under operating leases that have noncancelable lease terms in excess of one year as of June 30, 2019:

	Lot 3 Block 2 Shop	Daycare	Tank Farm	ASTAC	Gravel Pit	Quintillion	The 57 Elder
2020	\$ 19,200	15,278	43,800	12,100	23,622	2,598	7,500
2021	19,200	-	45,551	12,100	24,567	2,650	-
2022	19,200	-	47,374	12,100	25,550	2,703	-
2023	19,200	-	49,268	13,310	26,572	2,757	-
2024	19,200	-	51,239	13,310	27,635	2,812	-
2025-2029	96,000	-	288,629	73,338	155,665	14,926	-
2030-2034	19,200	-	351,162	85,357	189,390	16,480	-
2035-2039	-	-	78,880	31,767	86,786	3,794	-
Total	<u>\$ 211,200</u>	<u>15,278</u>	<u>955,903</u>	<u>253,382</u>	<u>559,787</u>	<u>48,720</u>	<u>7,500</u>

The Daycare lease is for 15 years through May 2020, and the City received the full 15-year lease amount of \$250,000 in August, 2005. The City has deferred the payment and recognizes the revenue over the 15-year lease term at \$16,667 per year.

8. Employee Retirement Systems and Plans

The City follows *Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees* and *GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. *GASB Codification P20* and *GASB Codification P50* establish uniform standards for the measurement, recognition, and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan, PERS also administers other post-employment benefit (OPEB) plans.

Notes to the Basic Financial Statements, Continued

Alaska Retiree Healthcare Trust Plan (ARHCT)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF). For the year ended June 30, 2018 (latest available information) employer contributions were 4.88% of annual payroll. Membership in the plan consisted of the following at June 30, 2018 (latest report available):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	35,139
Inactive plan members entitled to but not yet receiving benefits	5,606
Inactive plan members not entitled to benefits	11,128
Active plan members	13,611
Total plan membership	<u>65,484</u>

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan 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. For the year ended June 30, 2019 employer contributions were 0.94%. Membership in the plan consists of the following at June 30, 2018 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	11
Inactive plan members entitled to but not yet receiving benefits	1,183
Inactive plan members not entitled to benefits	11,896
Active plan members	20,811
Total plan membership	<u>33,901</u>

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Employer contributions are 3% of the average annual compensation of all employees in the plan. Membership in the plan consists of the following at June 30, 2018 (latest available report):

Membership	PERS
Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	1,175
Inactive plan members not entitled to benefits	11,896
Active plan members	20,811
Total plan membership	<u>33,901</u>

Investments

The Board is the investment oversight authority of the system's investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's invested assets is pursuant to AS 37.10.210.390.

Notes to the Basic Financial Statements, Continued

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to the salary floor, and other termination costs as described below. This rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined benefit plan.

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

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board (GASB)*. Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% discount rate.

Employer Contribution rates for the year ended June 30 2018 (latest available actuarial report) are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
PERS:				
Pension	16.17%	20.28%	5.58%	32.11%
OPEB	5.83%	7.30%	0%	87.90%
Total PERS contribution rates	22%	27.58%	5.58%	120.01%

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group, or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2019 the past service rate for PERS is 16.53%.

Notes to the Basic Financial Statements, Continued

Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.
Healthcare cost trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drugs: 9.0% grading down to 4.0%

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at: <http://doa.alaska.gov/drb/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I 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 Tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 155 employers participating in PERS defined benefit plan, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2018 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	35,139
Inactive plan members entitled to but not receiving benefits	5,606
Inactive members not entitled to benefits	11,128
Active plan members	<u>13,611</u>
Total DB plan membership	<u>65,484</u>

Retirement 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 peace officers/firefighters 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.

Notes to the Basic Financial Statements, Continued

Public Employees Retirement Plans

For the year ended June 30, 2019 the State of Alaska contributed \$92,560 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statements under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date June 30, 2018 to a total of (\$33,864), to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2019, the City reported liabilities that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City were as follows:

Defined Benefit:		<u>Pension</u>
City's proportionate share of the net pension liability	\$	2,733,404
State's proportionate share of the net pension liability		<u>793,400</u>
Total	\$	<u>3,526,804</u>
		<u>OPEB</u>
City's proportionate share of the ARHCT OPEB liability	\$	564,258
State's proportionate share of the ARHCT OPEB liability		<u>164,135</u>
Total	\$	<u>728,393</u>
City's proportionate share of the ODD OPEB liability (asset)	\$	<u>(17,848)</u>
City's proportionate share of the RMP OPEB liability	\$	<u>11,694</u>
Total City's share of net pension and OPEB liabilities (asset)	\$	<u>3,291,508</u>

The net pension and OPEB liabilities were measured as of June 30, 2018, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2020 through FY2039, as determined by projections based on the June 30, 2018 valuation.

The City's proportionate share and changes in the pension and OPEB liabilities were as follows:

	<u>June 30, 2017</u> <u>Measurement</u>	<u>June 30, 2018</u> <u>Measurement</u>	<u>Change</u>
Pension	.04412%	.05501%	.01089%
OPEB:			
ARHCT	.04413%	.05498%	.01085%
ODD	.06779%	.09190%	.02411%
RMP	.06779%	.09190%	.02411%

CITY OF UTQIAGVIK, ALASKA

Notes to the Basic Financial Statements, Continued

	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(625)
Changes of assumptions	5,418	-
Net difference between projected and actual earnings on OPEB plan investments	-	(1,706)
Changes in proportion and differences between City contributions and proportionate share of contributions	1,671	(14)
City contributions subsequent to the measurement date	8,685	-
Total	\$ 15,774	(2,345)

\$190,802 and \$78,029 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019 (actuarial), respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended		OPEB	OPEB	OPEB
June 30,	Pension	ARHCT	ODD	RMP
2019	\$ 234,932	4,882	(1,234)	223
2020	33,009	69	(1,234)	223
2021	(46,774)	(38,983)	(1,234)	223
2022	(2,647)	(2,622)	(1,031)	806
2023	-	-	(1,027)	795
Thereafter	-	-	(3,106)	2,474
Total	\$ 218,520	(36,654)	(8,866)	4,744

For the year ended June 30, 2019, the City recognized \$89,696 and \$24,775 of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

Sensitivity of the Net Pension and OPEB Liabilities to Changes in the Discount Rate: The following presents the net pension and OPEB liabilities of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension and OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability (asset)	\$ 3,619,717	2,733,404	1,983,691
Net OPEB ARHCT liability (asset)	\$ 1,142,341	564,258	79,707
Net OPEB ODD liability (asset)	\$ (16,760)	(17,848)	(18,743)
Net OPEB RMP liability (asset)	\$ 34,920	11,694	(6,423)