



Municipality of Anchorage, Alaska Port of Alaska Fund

(A Major Enterprise Fund of the Municipality of
Anchorage, Alaska)

Financial Statements, Required Supplementary Information, and Other Information

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

Honorable Mayor and Members of the Assembly
Municipality of Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Alaska, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port of Alaska'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Alaska as of December 31, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Port of Alaska Enterprise Fund, and do not purport to, and do not present fairly the financial position of the Municipality of Anchorage, Alaska as of December 31, 2018 and 2017, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2018 the Port of Alaska adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 14 and other required supplementary information on pages 60 through 68 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Alaska's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statistical section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019 on our consideration of Port of 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 Port of 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 Port of Alaska's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
July 10, 2019

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Management's Discussion and Analysis

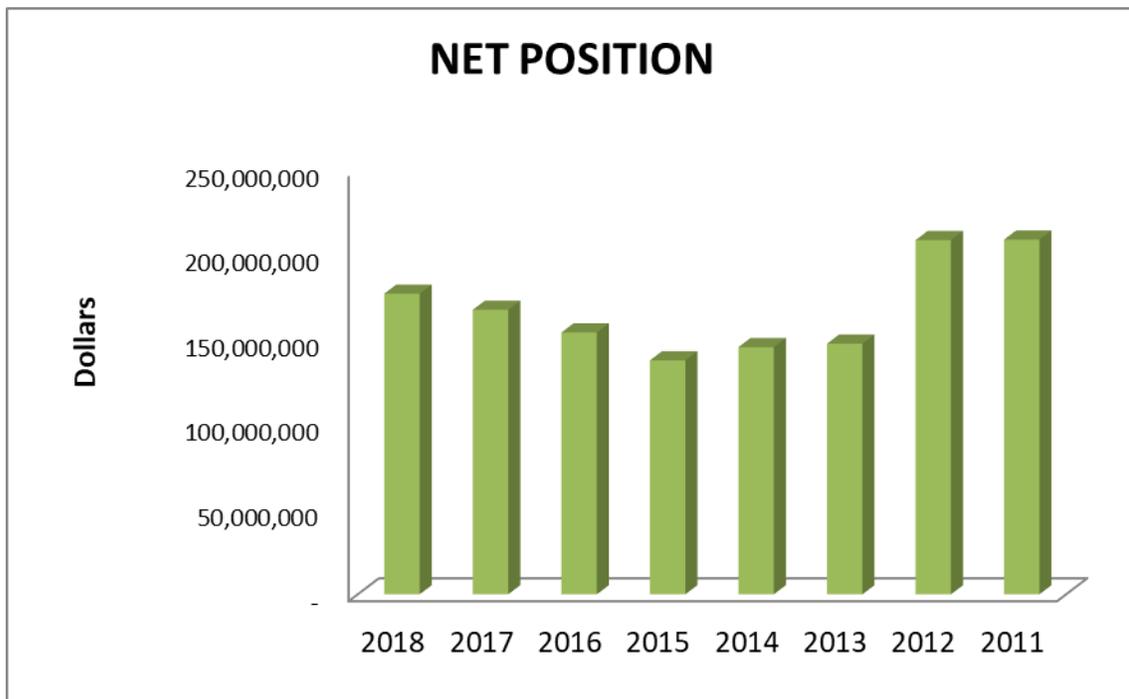
Municipality of Anchorage, Alaska Port of Alaska Fund

Management's Discussion and Analysis December 31, 2018 and 2017

The Port of Alaska Fund (Port) is a department of the Municipality of Anchorage, Alaska (Municipality or Anchorage). A commission consisting of nine members oversees the Port's tariff issues. The commission recommends tariff rates, fees, and charges imposed by the Port for its services to the Anchorage Assembly for approval. The following is a discussion and analysis of the Port's financial performance, providing an overview of the financial activities for the years ended December 31, 2018 and 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the Port's financial activities and identify changes in the Port's financial position. We encourage readers to consider the information presented here in conjunction with the Port's financial statements and accompanying notes, taken as a whole.

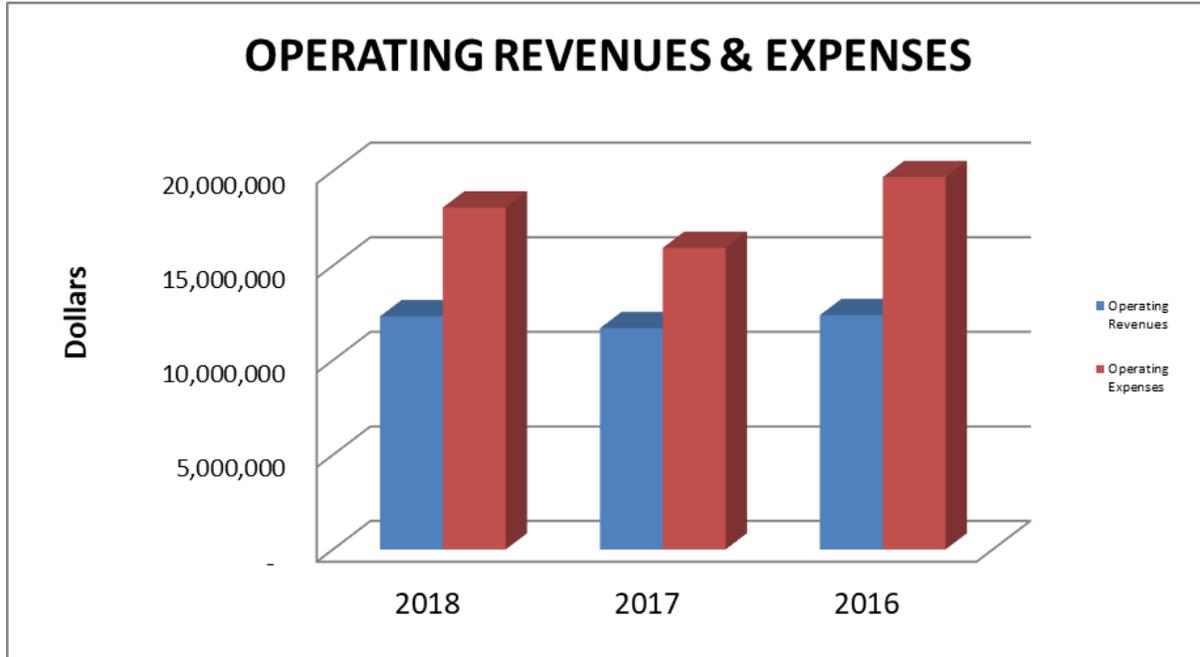
Financial Highlights

- Net position increased \$9,483,055 or 5.66% in 2018. The increase in net position was primarily due to capital contributions of \$18,650,418 exceeding the operating loss of \$5,751,438 and transfers to other funds of \$3,033,915. Beginning net position was reduced by \$472,597 due to adoption of a new accounting standard in 2018. In 2017, net position increased \$13,371,067 or 7.98%. This increase was primarily due to capital contributions of \$11,619,685 and legal settlements received of \$6,750,000 exceeding operating losses of \$4,245,803 and transfers to other funds of \$2,020,440.
- Operating revenues increased \$627,833 or 5.37% in 2018 due to the scheduled and implemented increase to Tariff 8.0. Operating revenues decreased \$688,834 or 5.56% in 2017 due to a decrease in miscellaneous revenues.
- Operating expenses increased by \$2,133,468 or 13.38% in 2018. The increase is primarily due to additional legal services expense of 1,246,733 and an increase in interdepartmental costs of \$475,222. In 2017 operating expenses decreased by \$3,739,269 or -19.0% primarily due to a decrease in legal services expense.



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Overview of the Financial Statements

The Port is a business type activity of the Municipality that operates the Port of Alaska. The Port reports as an enterprise fund of the Municipality.

Required Financial Statements

The Port's financial statements offer short and long-term information about activities of the Port and collectively provide an indication of the Port's financial health. The basic financial statements present on a comparative basis for the years ended December 31, 2018 and 2017, and include the following: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and notes to the basic financial statements. The basic financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

Statements of Net Position - These statements include all of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Statements of Revenues, Expenses, and Changes in Net Position - These statements present the Port's operating revenues and expenses and non-operating revenues and expenses, and the change in net position of the Port for the years presented.

Statements of Cash Flows - These statements report cash and cash equivalent activities for the year resulting from operating activities, non-capital and related financing activities, capital and related financing activities, and investing activities. The net result of these activities added to beginning of year

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cash and cash equivalents reconciles to cash and cash equivalents at the end of the year. The Port presents its Statements of Cash Flows using the direct method of reporting operating cash flows.

Notes to Financial Statements - provide the reader with additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information - presents certain information concerning the progress of funding the Port's obligation to provide pension and other postemployment benefits.

Financial Analysis of the Port

One of the most important questions asked about the Port's finances is whether the Port, as a whole, better off or worse off as a result of the year's activities. The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position report information about the Port's activities in a way that helps answer this question.

These two statements report the Port's net position and changes in net position. One can think of the Port's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as one way to measure financial health or whether financial health is improving or deteriorating. However, one will need to also consider other non-financial factors such as changes in economic conditions, population growth and new or changed legislation.

Changes in the Port's net position can be determined by reviewing the following condensed Summary of Net Position as of December 31, 2018, 2017, and 2016. The analysis below focuses on the Port's net position at the end of the year (Table 1) and changes in net position (Table 2) during the year.

TABLE 1
Summary of Net Position

	2018	2017	2016
Assets:			
Current assets	\$ 22,844,169	\$ 28,853,775	\$ 28,228,217
Noncurrent assets	201,358,054	185,257,922	171,876,881
Deferred outflows of resources	398,763	30,601	446,838
Total Assets and Deferred Outflows of Resources	\$ 224,600,986	\$ 214,142,298	\$ 200,551,936
Liabilities:			
Current liabilities	2,420,669	2,850,748	2,292,424
Noncurrent liabilities	44,814,650	43,467,027	43,962,353
Deferred inflows of resources	236,839	178,750	22,453
Total Liabilities and Deferred Inflows of Resources	47,472,158	46,496,525	46,277,230
Net Position:			
Net investment in capital assets	151,303,669	138,079,071	131,317,508
Restricted for capital construction	9,801,505	6,797,227	5,003,116
Unrestricted	16,023,654	22,769,475	17,954,082
Total Net Position	177,128,828	167,645,773	154,274,706
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 224,600,986	\$ 214,142,298	\$ 200,551,936

During 2018 the Port's total assets increased by approximately \$10,090,526. Noncurrent assets increased by \$16,100,132 primarily due to a \$13,224,598 increase in capital assets. Current assets decreased by \$6,009,606 primarily due to a decrease in equity in general cash pool, which was only partially offset by an

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increase in cash held in the capital acquisition and construction accounts. During 2017 the Port's total assets increased by \$14 million. Noncurrent assets increased by \$6,583,814 primarily due to a \$9,810,128 increase in construction work in progress. Current assets increased by \$7,422,785 primarily due to increases in equity in general cash pool, capital acquisition and construction accounts, and intergovernmental receivables.

During 2018 the Port's current liabilities decreased \$430,079 primarily due to a \$831,533 decrease in capital acquisition and construction accounts and retainage payable exceeding an increase in accounts payable of \$354,710. Total liabilities increased by \$917,544 due to an increase in the net pension liability of \$898,268 and the initial recognition in 2018 of the other postemployment benefits liability of \$488,609. During 2017 the Port's total liabilities increased by \$62,998 primarily due to an increase in capital acquisition and construction accounts and retainage payable, offset by a decrease in net pension liability and a decrease in accounts payable in the amounts of \$1,286,018, \$528,219, and \$739,420 respectively.

Changes in the Port's net position can be determined by reviewing the following condensed Summary of Revenues, Expenses, and Changes in Net Position for the years ending December 31, 2018, 2017, and 2016 (Table 2).

During 2018 the Port's operating revenues increased by \$627,833 or 5.37%, due chiefly to the 4% increase implemented in Tariff 8 and Preferential User Agreement increases executed in current agreements. In 2017 operating revenues overall decreased by \$688,834. The decrease in 2017 was due primarily to a decrease in miscellaneous revenue.

In 2018 the Port's operating expenses increased by \$2,133,468 due in part to a \$1,246,733 increase in the Port's legal expenses from the Port Intermodal Expansion Project lawsuit (see Note 13) and a \$492,431 increase in pension expenses. In 2017 the Port's operating expenses overall decreased by \$3,739,269, which was primarily attributable to a decrease in professional services.

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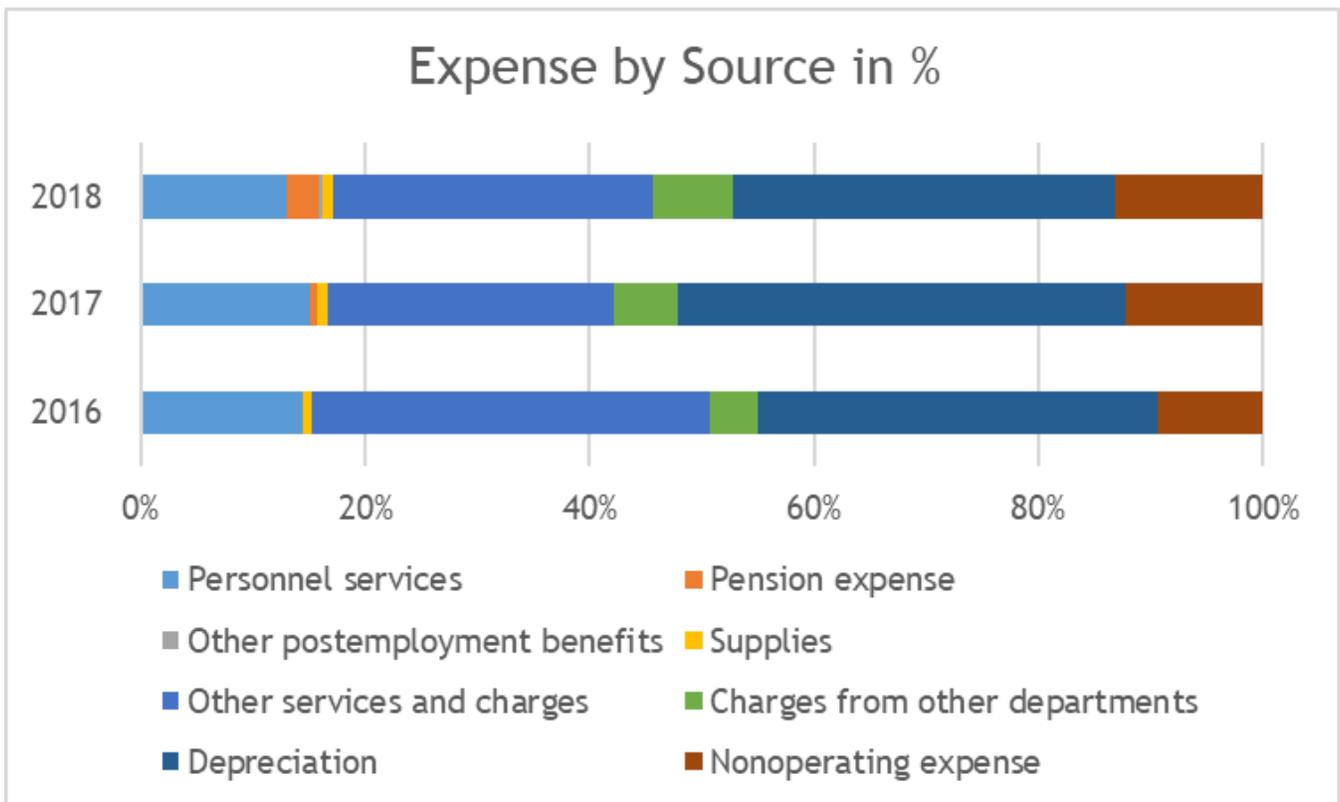
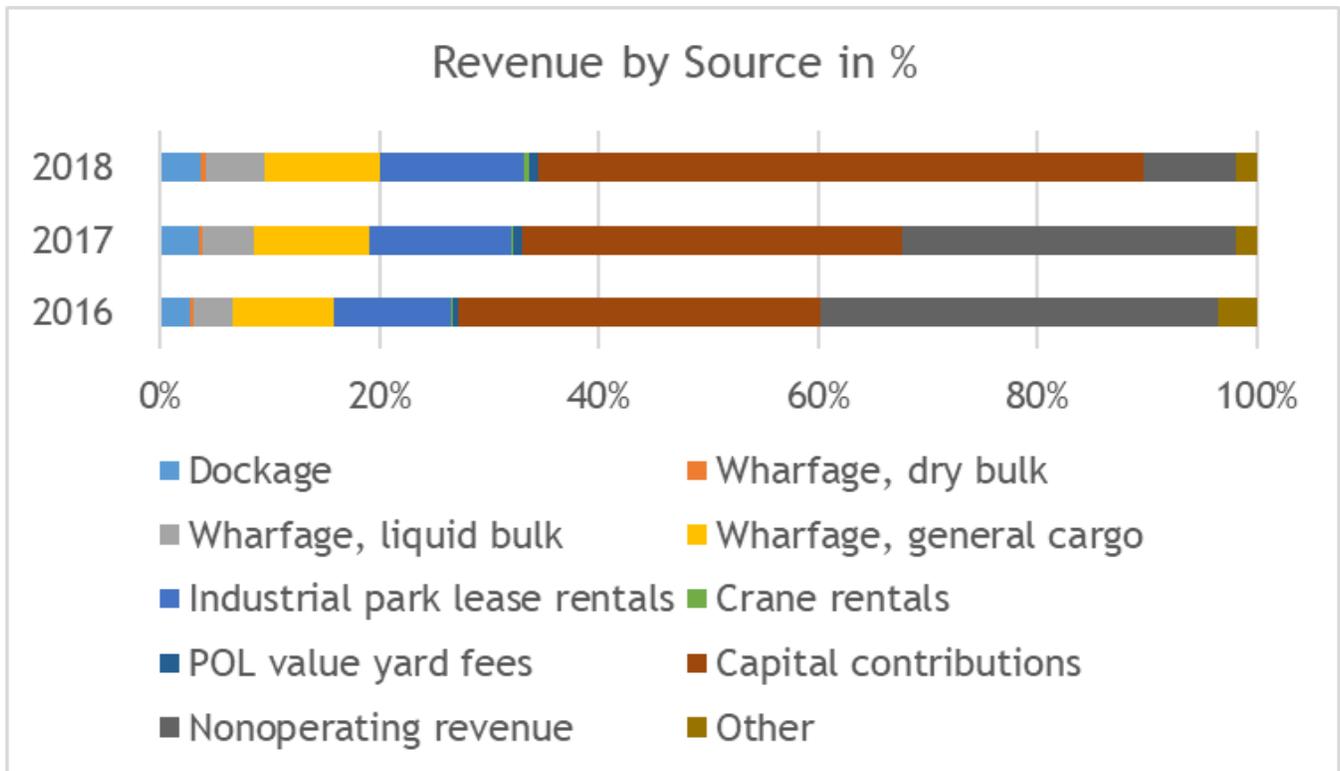
**Management's Discussion and Analysis
December 31, 2018 and 2017**

TABLE 2
Summary of Revenues, Expenses, and Changes in Net Position

	2018	2017	2016
Operating Revenues:			
Dockage	\$ 1,242,374	\$ 1,174,735	\$ 1,089,224
Wharfage, dry bulk	169,575	150,695	148,896
Wharfage, liquid bulk	1,805,784	1,521,105	1,463,035
Wharfage, general cargo	3,544,751	3,529,245	3,670,375
Industrial park lease rentals	4,472,735	4,344,217	4,326,069
Crane rentals	120,960	74,250	72,488
POL valve yard fees	302,861	246,957	176,713
Other	666,672	656,675	1,439,913
Total Operating Revenues	<u>12,325,712</u>	<u>11,697,879</u>	<u>12,386,713</u>
Operating Expenses:			
Personnel services	3,358,553	2,847,731	3,146,242
Supplies	196,237	176,734	151,245
Other services and charges	5,940,591	4,646,464	7,718,973
Charges from other departments	1,493,978	1,018,756	951,146
Depreciation	7,087,791	7,253,997	7,715,345
Total Operating Expenses	<u>18,077,150</u>	<u>15,943,682</u>	<u>19,682,951</u>
Operating loss	(5,751,438)	(4,245,803)	(7,296,238)
Nonoperating Revenues (Expenses)			
Nonoperating revenues	2,825,996	10,153,692	14,577,663
Nonoperating expenses	(2,735,409)	(2,217,567)	(2,045,726)
Total Nonoperating Revenues (Expenses)	<u>90,587</u>	<u>7,936,125</u>	<u>12,531,937</u>
Income (loss) before capital contributions and transfers	(5,660,851)	3,690,322	5,235,699
Capital Contributions and Transfers	15,616,503	9,680,745	11,209,203
Change in Net Position	<u>9,955,652</u>	<u>13,371,067</u>	<u>16,444,902</u>
Net Position, beginning, as restated	167,173,176	154,274,706	137,829,804
Net Position, ending	<u>\$ 177,128,828</u>	<u>\$ 167,645,773</u>	<u>\$ 154,274,706</u>

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Capital Assets and Debt Administration

Capital Assets

The following table summarizes the Port's capital assets, at cost, as of December 31, 2018, 2017 and 2016.

**TABLE 3
Net Capital Assets**

	2018	2017	2016
Land	\$ 20,101,537	\$ 20,101,537	\$ 20,101,537
Infrastructure	40,882,934	42,968,796	45,778,284
Buildings	2,754,611	2,889,031	3,024,920
Building improvements	17,247	17,976	18,705
Land improvements	84,371,646	86,312,104	86,646,523
Vehicles	491,633	274,293	324,164
Machinery and equipment	1,715,932	2,280,842	1,992,450
Computer hardware	27,187	5,588	12,148
Computer software	-	-	-
Office equipment	-	-	-
Art	21,344	21,344	21,344
Construction work in progress	40,919,598	23,207,560	13,397,433
Total Net Capital Assets	\$ 191,303,669	\$ 178,079,071	\$ 171,317,508
Increase in net capital assets	\$ 13,224,598	\$ 6,761,563	

2018 major additions include:

- Infrastructure \$1,710,081 - Wharf & Fender Pile Enhancements

Construction work in progress increased by \$17,712,038 in 2018 due to the continued progress and work done on Phase 1 of the Port Modernization Program.

Debt

In June 2013, the Port entered into a \$40,000,000 Revolving Credit Agreement (Agreement) with a commercial bank. A draw in the amount of \$40,000,000 under the Agreement on June 24, 2013 was used to refinance the Port's outstanding commercial paper notes. The outstanding balance under the Agreement as of December 31, 2015 was \$40,000,000. On June 20, 2019 the Municipality and its commercial bank amended the Revolving Credit Agreement under the same terms and conditions but with a revised expiration date of June 20, 2021. It is anticipated that the amount outstanding under the Agreement will be refunded by some form of a long-term borrowing instrument on or before the Commitment Expiration Date of July 1, 2021.

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Economic Factors and Next Year's Budgets and Rates

The Port of Alaska supports more than \$14 billion in commercial activity in Alaska as the state's main inbound containerized freight and fuel distribution center. It is the conduit for goods consumed by 90% of Alaska's population. \$7.1 billion in consumer goods cross the dock at the Port annually, supporting an estimated \$9.2 billion in total retail sales activity across Alaska. Other non-retail freight valued at \$2.9 billion supports state-wide economic activity to include supplies, materials and equipment used in food service, manufacturing and construction activities. Petroleum valued at \$1.5 billion passes over the docks and through the Port of Alaska Valve Yard to support the Ted Stevens Anchorage International Airport and military operations at Joint Base Elmendorf Richardson.

The Port of Alaska's strategic location provides economic value to the communities and businesses it serves with proximity to population centers, Intermodal transportation connections, and a freight handling infrastructure suited to the needs of the users. The Port's on-property intermodal connectivity includes truck, train, and fuel pipeline and Alaska's principal air cargo hub is less than eight miles away. Efficient and continued operations at the Port are a critical part of the foundation of a successful and sustainable state and local economy and are necessary for businesses and the people they serve to continue.

The 2018 budget anticipated Port operating revenues of \$11.4 million and \$2.0 million in non-operating revenues. Actual 2018 operating revenues earned amounted to \$12 million, or \$600 thousand over budget projections. Actual 2018 non-operating revenue including capital contributions earned approximately \$20.6 million, or \$18.6 million over budget projections. The increase in operating revenue was attributable to strong petroleum traffic at the Port in addition to a 4% increase in planned tariff increases. The variance between the 2017 budget and actual non-operating revenues was due to the direct funding from the State of Alaska in the amount of \$18.6 million for grant related expenditures related to the Port Modernization Program (See Note 4).

The 2018 budget anticipated Port operating expenses of \$22 million. Actual 2018 operating expenses incurred amount to \$18 million or \$4 million under budget projection. The contributing factor to the variance between the 2018 budget and actual expenses and transfers was due to lower than anticipated professional services and contract repair services.

The 2017 budget anticipated Port operating revenues of \$11.3 million and \$1.8 million in non-operating revenues. Actual 2017 operating revenues earned amounted to \$11.8 million, or \$460 thousand over budget projections. Actual 2017 non-operating revenues including capital contributions earned amounted to \$21.7 million, or \$19.9 million over budget projections. The increase in operating revenue was attributable to a continued higher than projected petroleum traffic at the port and an increase in miscellaneous revenues. The contributing factors to the variance between 2017 budget and actual non-operating revenues was due to the direct funding from the State of Alaska in the amount of \$11.1 million for grant related expenditures and \$6.7 million in legal settlements between the Port and its contractors involved in the Port Modernization project.

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The 2017 budget anticipated Port operating expenses of \$19.4 million. Actual 2017 operating expenses, incurred amounted to \$15.9 million or \$3.5 million under budget projections. The contributing factor to the variance between 2017 budget and actual expenses and transfers was due to a decrease in other services and charges, MUSA and depreciation that were less than budgeted.

In 2014, the Port undertook a review of its tariff rates terms and conditions. Following the review of its tariff the completion of a Revenue Requirements Study by an independent contractor, the Port Commission proposed, and the Anchorage Assembly approved, the rates, terms and conditions of the Port's Terminal Tariff No. 8 effective January 1, 2015. Tariff No. 8 includes annual rate increases effective January 1, 2015 through December 31, 2019.

Contacting the Port's Financial Management

This financial report is designed to provide the Port's customers, taxpayers, investors, and creditors with a general overview of the Port's finances and to demonstrate the Port's accountability for the money it receives. For questions about this report, or for additional financial information contact the Municipality of Anchorage, Port of Alaska Department, 2000 Anchorage Port Road, Anchorage, AK 99501.

General information can be found at: <http://www.portofanc.com/business/finances/>

Financial Statements

Municipality of Anchorage, Alaska
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Statements of Net Position

<i>December 31,</i>	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 650	\$ 650
Equity in general cash pool	6,520,046	18,328,567
Capital acquisition and construction accounts	14,444,788	8,662,293
Accrued interest on investments	104,449	110,409
Accounts receivable, net	1,369,009	1,320,669
Prepaid items and deposits	76,202	102,162
Parts inventory	329,025	329,025
Total Current Assets	22,844,169	28,853,775
Noncurrent Assets		
Unrestricted Assets:		
Assets held for resale	252,880	381,624
Capital assets, net	191,303,669	178,079,071
Total Unrestricted Noncurrent Assets	191,556,549	178,460,695
Restricted Assets:		
Restricted cash - settlement set aside	1,950,000	1,950,000
Intergovernmental receivables	7,851,505	4,847,227
Total Restricted Noncurrent Assets	9,801,505	6,797,227
Total Noncurrent Assets	201,358,054	185,257,922
Total Assets	224,202,223	214,111,697
Deferred Outflows of Resources		
Related to pensions	242,488	30,601
Related to other postemployment benefits	156,275	-
Total Deferred Outflows of Resources	398,763	30,601
Total Assets and Deferred Outflows of Resources	\$ 224,600,986	\$ 214,142,298

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Statements of Net Position, continued

<i>December 31,</i>	2018	2017
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 903,371	\$ 548,661
Capital acquisition and construction accounts and retainages payable	1,111,348	1,942,881
Compensated absences payable	163,718	161,136
Accrued payroll liabilities	132,871	133,624
Accrued interest payable	109,361	64,446
Total Current Liabilities	2,420,669	2,850,748
Noncurrent Liabilities		
Other noncurrent liabilities	1,788,202	1,801,726
Compensated absences payable	153,537	179,267
Net pension liability	2,384,302	1,486,034
Net other postemployment benefits liability	488,609	-
Notes payable	40,000,000	40,000,000
Total Noncurrent Liabilities	44,814,650	43,467,027
Total Liabilities	47,235,319	46,317,775
Deferred Inflows of Resources		
Related to pensions	59,841	178,750
Related to other postemployment benefits	176,998	-
Total Deferred Inflows of Resources	236,839	178,750
Net Position		
Net investment in capital assets	151,303,669	138,079,071
Restricted for capital construction	9,801,505	6,797,227
Unrestricted	16,023,654	22,769,475
Total Net Position	177,128,828	167,645,773
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 224,600,986	\$ 214,142,298

See accompanying notes to basic financial statements.

Municipality of Anchorage, Alaska
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Statements of Revenues, Expenses, and Changes in Net Position

<i>Years Ended December 31,</i>	2018	2017
Operating Revenues		
Charges for sales and services:		
Dockage	\$ 1,242,374	\$ 1,174,735
Wharfage, dry bulk	169,575	150,695
Wharfage, liquid bulk	1,805,784	1,521,105
Wharfage, general cargo	3,544,751	3,529,245
Storage revenue	219,392	237,335
Office rental	96,994	108,670
Utilities	46,767	29,687
Miscellaneous	303,519	280,983
Total Charges for Sales and Services	7,429,156	7,032,455
Other operating revenues:		
Crane rentals	120,960	74,250
Industrial park lease rentals	4,472,735	4,344,217
POL value yard fees	302,861	246,957
Total Other Operating Revenues	4,896,556	4,665,424
Total Operating Revenues	12,325,712	11,697,879
Operating Expenses		
Operations:		
Personnel services	2,703,250	2,740,357
Pension expense	599,805	107,374
Other postemployment benefits	55,498	-
Supplies	196,237	176,734
Other services and charges	5,940,591	4,646,464
Charges from other departments	1,493,978	1,018,756
Total Operations	10,989,359	8,689,685
Depreciation	7,087,791	7,253,997
Total Operating Expenses	18,077,150	15,943,682
Operating loss	(5,751,438)	(4,245,803)

Municipality of Anchorage, Alaska
Port of Alaska Fund

Statements of Revenues, Expenses, and Changes in Net Position, continued

<i>Years Ended December 31,</i>	2018	2017
Nonoperating Revenues (Expenses)		
Intergovernmental revenues - PERS on-behalf	\$ 51,096	\$ 63,059
Legal settlements	-	6,750,000
Investment income-short term investments	312,700	627,633
Security fees	1,478,313	1,469,614
Right-of-way fees	202,056	173,391
Interest on long-term obligations	(1,152,083)	(677,192)
Security contract	(1,583,326)	(1,540,375)
Gain on sale of assets held for resale	781,831	1,069,995
Total Nonoperating Revenues (Expenses)	90,587	7,936,125
Income (loss) before capital contributions and transfers	(5,660,851)	3,690,322
Contributions and Transfers		
Capital contributions	18,650,418	11,619,685
Transfers to other funds:		
Municipal service assessment	(1,434,021)	(1,401,104)
Dividend	(584,894)	(619,336)
Contributions to other funds	(1,015,000)	-
Transfers from other funds	-	81,500
Change in Net Position	9,955,652	13,371,067
Net Position, beginning, as restated (Note 15)	167,173,176	154,274,706
Net Position, ending	\$177,128,828	\$167,645,773

See accompanying notes to basic financial statements.

Municipality of Anchorage, Alaska
Port of Alaska Fund

Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from Operating Activities		
Receipts from customers	\$ 12,277,372	\$ 11,408,128
Payments to employees	(2,727,151)	(2,701,434)
Payments to vendors	(5,769,682)	(5,558,158)
Internal activity - payments made to other funds	(1,493,978)	(1,018,756)
Net cash flows from operating activities	2,286,561	2,129,780
Cash Flows for Noncapital Financing Activities		
Transfer to other funds	(3,033,915)	(2,020,440)
Security contract	(1,583,326)	(1,540,375)
Right of way and security fees	1,680,369	1,643,005
Transfers from other funds	-	81,500
Net cash flows for noncapital financing activities	(2,936,872)	(1,836,310)
Cash Flows from (for) Capital and Related Financing Activities		
Interest payments on long-term obligations	(1,107,168)	(657,972)
Acquisition and construction of capital assets	(21,143,922)	(12,729,488)
Proceeds from sale of assets held for resale	910,575	1,247,744
Capital claims and judgements	-	6,750,000
Capital contributions received	15,646,140	9,475,574
Net cash flows from (for) capital and related financing activities	(5,694,375)	4,085,858
Cash Flows from Investing Activities		
Investment income	318,660	588,195
Net Increase (Decrease) in Cash	(6,026,026)	4,967,523
Cash, beginning	28,941,510	23,973,987
Cash, ending	22,915,484	28,941,510
Components of Cash		
Cash	650	650
Equity in general cash pool	6,520,046	18,328,567
Restricted cash - settlement set aside	1,950,000	1,950,000
Capital acquisition and construction accounts	14,444,788	8,662,293
Cash, ending	22,915,484	28,941,510

Municipality of Anchorage, Alaska
Port of Alaska Fund

Statements of Cash Flows, continued

<i>Years Ended December 31,</i>	2018	2017
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities:		
Operating loss	(5,751,438)	(4,245,803)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	7,087,791	7,253,997
PERS relief - noncash expenses	51,096	63,059
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources that provided (used) cash:		
Accounts receivable	(48,340)	(289,751)
Prepaid items and deposits	25,960	17,984
Deferred outflows of resources related to pensions	(211,887)	416,237
Deferred outflows of resources related to other postemployment benefits	(123,373)	-
Accounts payable	354,710	(739,420)
Compensated absences payable	(23,148)	44,353
Net pension liability	898,268	(528,219)
Net other postemployment benefits liability	144,445	-
Other noncurrent liabilities	(13,524)	(13,524)
Accrued payroll liabilities	(753)	(5,430)
Deferred inflows of resources related to pensions	(118,909)	156,297
Deferred inflows of resources related to other postemployment benefits	15,663	-
Net Cash Flows from Operating Activities	2,286,561	2,129,780
Noncash Investing, Capital, and Financing Activities		
Capital purchases on account	1,111,348	1,942,881
Assets held for resale	252,880	381,624
Capital contributions	7,851,505	4,847,227
Total Noncash Investing, Capital, and Financing Activities	\$ 9,215,733	\$ 7,171,732

See accompanying notes to basic financial statements.

Municipality of Anchorage, Alaska Port of Alaska Fund

Notes to Financial Statements
December 31, 2018 and 2017

1. Description of Business and Summary of Significant Accounting Policies

The Port of Alaska (Port) first began operations in September 1961. It had capacity to berth one marine cargo ship at a time, and more than 38,000 tons of marine cargo moved across its single berth that year. Since 1964, the Port has expanded to a five-berth terminal providing facilities for the movement of containerized freight, bulk petroleum, break bulk freight and cement. Today, approximately 4 million tons of material moves across its docks each year. The Port serves 87 percent of the State of Alaska's population, handles 90 percent of the consumer goods of Alaska and is one of 23 Strategic Seaports designated by the Department of Defense. The Port is the major gateway for Alaska's water-borne commerce and a vital element of the regional economy.

The Port's steady growth in the past decade is expected to continue into the future. To keep pace with the future trends in the shipping industry and to better serve its existing clients, the Port is currently undergoing a modernization project that began in 2014. This project targets four marine terminals that are in need of replacement. The marine terminal redevelopment will upgrade crane reach and provide a deeper draft to accommodate larger ships and improve commercial dock space.

The accompanying financial statements reflect the activities of the Port. The Port is an enterprise fund of the Municipality of Anchorage (Municipality). Enterprise funds are established to finance and account for the operation and maintenance of facilities and services such as those of the Port that are predominately self-supported by user charges. User charges for the Port are established in the Port of Anchorage Terminal Tariff No. 8 and through contractual Terminal Preferential Usage Agreements as recommended by the Anchorage Port Commission, and approved by the Anchorage Municipal Assembly and reported to the Federal Maritime Commission.

The accounting records and accompanying financial statements conform to U.S. Generally Accepted Accounting Principles (GAAP). The accrual basis of accounting is used for enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred.

Accounting and reporting treatment applied to the Port is accounted for on a flow of economic resources measurement focus. As such, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the Port are included on the Statements of Net Position. Net position as shown on the statements is segregated into the following categories: Net investment in capital assets; Restricted for capital construction; and Unrestricted.

Cash Pool and Investments

The Municipality uses a central treasury to account for all cash and investments. Bond and grant proceeds are shown as equity in the bond and grant capital acquisition and construction pool and are used for capital projects; all other cash is shown as equity in the general cash pool. Equity in the general capital cash pools are treated as a cash equivalent for cash flow purposes. Investments are recorded at fair value. Interest on cash pool investments is allocated to the Port each month based on its monthly closing cash pool equity balances.

For purposes of the Statements of Cash Flows, the Port has defined cash as the demand deposits and all investments maintained in the general and construction cash pool, regardless of maturity period, since the various funds use the general and construction cash pool essentially as a demand deposit account.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

Restricted Assets

It is the Port's policy to first use restricted assets to make certain payments when both restricted and unrestricted assets are available for the same purpose. "Intergovernmental receivables" represent grant receivables due from state and federal governments. The Port has restricted assets of \$9,801,505 and \$6,797,227 at December 31, 2018 and 2017, respectively.

Parts Inventory

Parts inventory is valued at cost using the specific identification method and is expensed when used (consumption method). The value of the Port's inventory totaled \$329,025 at December 31, 2018 and 2017.

Capital Assets

Capital assets are stated at cost. To be considered for capitalization, the cost of an asset must exceed \$5,000 and the service life must exceed more than one year. Land, construction in progress, and works of art are not depreciated. The Port depreciates all other assets using a straight-line method and whole life convention. Additions to plant in service are recorded at original cost of contracted services, direct labor and materials, interest and indirect overhead charges. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Estimated lives of major capital asset categories follow:

Buildings	5-44 years
Building improvements	10-20 years
Land improvements	5-40 years
Vehicles	5-7 years
Machinery and equipment	3-20 years
Computer hardware and software	3-10 years
Office furniture and fixtures	5-20 years
Infrastructure	3-40 years

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. At December 31, 2018 and 2017, the Port had deferred outflows of resources from pension and other postemployment benefits (OPEB) related items.

Operating Revenues and Expenses

Operating revenues and expenses result from providing services in connection with the Port's principal ongoing operations. Nonoperating revenues and expenses include those revenues and expenses not directly related to the Port's principal ongoing operations.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

Compensated Absences Payable

The Port records compensated absences payable, which includes cashable sick leave, when earned.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until then. At December 31, 2018 and 2017, the Port had deferred inflows of resource for pension and OPEB related items.

Intergovernmental Charges

Certain functions of the Municipality of a general and administrative nature are centralized and the related cost is allocated to the various funds of the Municipality, including the Port. Charges from other departments to the Port totaled \$1,493,978 and \$1,018,756 for the years ended December 31, 2018 and 2017, respectively. These amounts do not include the Port's payments to the Municipality's risk management programs.

Risk Management and Self-Insurance

The Municipality is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; illness of and injuries to employees; unemployment; and natural disasters. The Municipality utilizes three risk management funds to account for and finance its uninsured risks of loss.

The Municipality provides coverage up to the maximum of \$3,000,000 per occurrence for automobile and general liability claims and for each workers' compensation claim. No settled claim exceeded this commercial coverage in 2018, 2017 or 2016.

Unemployment compensation expense is based on actual claims paid by the State of Alaska and reimbursed by the Municipality.

All Municipal departments participate in the risk management program and make payments to the risk management funds based on actuarial estimates of the amounts needed to pay prior and current year claims.

Claims payable represent estimates of claims to be paid based upon past experience modified for current trends and information. The ultimate amount of losses incurred through December 31, 2018, is dependent upon future developments. At December 31, 2018, claims incurred but not reported included in the liability accounts are \$10,207,137 in the General Liability/Workers' Compensation Fund and Medical/Dental Self Insurance Fund.

Interfund Payable/Receivable - Capital Projects Fund

In the event that the Port borrows from the Municipal Central Treasury to fund capital projects, the Municipality assesses a monthly fee. The fee is based on the investment earnings rate plus a margin negotiated between the Municipality and the Port. When the Port sells commercial paper, the cash pool will be reimbursed from the debt proceeds. In the event that other funds borrow from the Port, the Port will receive the investment earnings.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

2. Cash and Investments

At December 31, 2018 and 2017, the Port had the following cash and investments in the cash pool, with fixed income investment maturities noted:

December 31, 2018

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Central Treasury-Unrestricted:					
Cash & Money					
Market Funds	\$ 21,308,292	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	22,398,105	22,398,105	-	-	-
U.S. Treasuries	148,917,831	80,567,294	55,484,846	12,414,634	451,057
U.S. Agencies	20,351,315	10,114	10,552,227	5,456,530	4,332,444
Asset-Backed Securities**	25,781,328	394,826	17,416,412	2,667,894	5,302,196
Corporate Fixed Income Securities	136,435,070	40,724,193	55,624,808	38,378,958	1,707,111
	\$ 375,191,941	\$ 144,094,532	\$ 139,078,293	\$ 58,918,016	\$ 11,792,808

Central Treasury-Restricted:					
Cash & Money					
Market Funds	\$ 22,072,465	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	3,164,717	3,164,717	-	-	-
U.S. Treasuries	34,914,468	11,383,671	21,712,952	1,754,113	63,732
U.S. Agencies	21,222,562	1,429	19,838,011	770,974	612,148
Asset-Backed Securities**	3,642,746	55,787	2,460,834	376,957	749,168
Corporate Fixed Income Securities	19,277,450	5,754,082	7,859,449	5,422,715	241,204
	\$ 104,294,408	\$ 20,359,686	\$ 51,871,246	\$ 8,324,759	\$ 1,666,252

Port's share of Central Treasury \$ 22,914,834

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

December 31, 2017

Investment Type	Fair Value*	Fixed Income Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Central Treasury-Unrestricted:					
Cash & Money					
Market Funds	\$ 37,673,284	\$ -	\$ -	\$ -	\$ -
Commercial Paper	1,535,603	1,535,603	-	-	-
U.S. Treasuries	121,706,339	13,506,923	87,014,400	21,185,016	-
U.S. Agencies	13,180,799	550,253	241,092	6,981,798	5,407,656
Asset-Backed Securities**	34,730,718	-	22,268,024	4,460,439	8,002,255
Corporate Fixed Income Securities	122,048,793	14,372,805	59,766,782	43,625,370	4,283,836
	<u>\$ 330,875,536</u>	<u>\$ 29,965,584</u>	<u>\$ 169,290,298</u>	<u>\$ 76,252,623</u>	<u>\$ 17,693,747</u>

Central Treasury-Restricted:					
Cash & Money					
Market Funds	\$ 32,165,339	\$ -	\$ -	\$ -	\$ -
Commercial Paper	99,654	99,654	-	-	-
U.S. Treasuries	22,840,772	15,819,079	5,646,873	1,374,820	-
U.S. Agencies	21,909,848	4,118,857	16,986,967	453,090	350,934
Asset-Backed Securities**	2,253,879	-	1,445,102	289,464	519,313
Corporate Fixed Income Securities	7,920,460	932,735	3,878,616	2,831,105	278,004
	<u>\$ 87,189,952</u>	<u>\$ 20,970,325</u>	<u>\$ 27,957,558</u>	<u>\$ 4,948,479</u>	<u>\$ 1,148,251</u>

Port's share of Central Treasury \$ 28,940,860

* Market value plus accrued income.

** Includes asset-backed securities, residential and commercial mortgage-backed securities, and collateralized debt obligations.

Municipality of Anchorage, Alaska

Port of Alaska Fund

Notes to Financial Statements

The Municipality manages its Central Treasury in four portfolios; one internally managed portfolio and three externally managed duration portfolios based on liability duration and cash needs: working capital, contingency reserve and strategic reserve.

The Municipality maintains a comprehensive policy over cash and investments that is designed to mitigate risks while maximizing investment return and providing for operating liquidity. Pursuant to Anchorage Municipal Code (AMC) 6.50.030, the Municipality requires investments to meet specific rating and issuer requirements.

Both externally and internally managed investments are subject to the primary investment objectives outlined in AMC 6.50.030, in priority order as follows: safety of principal, liquidity, return on investment and duration matching. Consistent with these objectives, AMC 6.50.030 authorizes investments that meet the following rating and issuer requirements:

- Obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations and agencies.
- Corporate Debt Securities that are guaranteed by the U.S. government or the Federal Deposit Insurance Corporation (FDIC) as to principal and interest.
- Taxable and tax-exempt municipal securities having a long-term rating of at least A- by a nationally recognized rating agency or taxable or tax-exempt municipal securities having a short-term rating of at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Debt securities issued and guaranteed by the International Bank for Reconstruction and Development (IBRD) and rated AAA by a nationally recognized rating agency.
- Commercial paper, excluding asset-backed commercial paper, rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch.
- Bank debt obligations, including unsecured certificates of deposit, notes, time deposits, and bankers' acceptances (with maturities of not more than 365 days), and deposits with any bank, the short-term obligations of which are rated at least A-1 by Standard & Poor's, P-1 by Moody's, or F-1 by Fitch and which is either:
 - a) Incorporated under the laws of the United States of America, or any state thereof, and subject to supervision and examination by federal or state banking authorities; or
 - b) Issued through a foreign bank with a branch or agency licensed under the laws of the United States of America, or any state thereof, or under the laws of a country with a Standard & Poor's sovereign rating of AAA, or a Moody's sovereign rating for bank deposits of Aaa, or a Fitch national rating of AAA, and subject to supervision and examination by federal or state banking authorities.
- Repurchase agreements secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies.
- Dollar denominated corporate debt instruments rated BBB- or better (investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency.
- Dollar denominated corporate debt instruments rated lower than BBB- (noninvestment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency, including emerging markets.
- Dollar denominated debt instruments of foreign governments rated BBB- or better (investment grade) by Standard & Poor's or the equivalent by another nationally recognized rating agency

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

- Asset Backed Securities (ABS), excluding commercial paper, collateralized by: credit cards, automobile loans, leases and other receivables which must have a credit rating of AA- or above by Standard & Poor's or the equivalent by another nationally recognized rating agency.
- Mortgage Backed Securities, including generic mortgage-backed pass-through securities issued by Ginnie Mae, Freddie Mac, and Fannie Mae, as well as nonagency mortgage-backed securities, Collateralized Mortgage Obligations (CMOs), or Commercial Mortgage-Backed Securities (CMBS), which must have a credit rating of AA- or better by Standard & Poor's or the equivalent by another nationally recognized rating agency.
- Debt issued by the Tennessee Valley Authority.
- Money Market Mutual Funds rated Am or better by Standard & Poor's, or the equivalent by another nationally recognized rating agency, as long as they consist of allowable securities as outlined above.
- The Alaska Municipal League Investment Pool (AMLIP).
- Mutual Funds consisting of allowable securities as outlined above.
- Interfund Loans from a Municipal Cash Pool to a Municipal Fund.

In addition to providing a list of authorized investments, AMC 06.50.030 specifically prohibits investment in the following:

- Structured Investment Vehicles.
- Asset Backed Commercial Paper.
- Short Sales.
- Securities not denominated in U.S. Dollars.
- Commodities.
- Real Estate Investments.
- Derivatives, except "to be announced" forward mortgage-backed securities (TBAs) and derivatives for which payment is guaranteed by the U.S. government or an agency thereof.

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**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

The Investment Management Agreement (IMA) for each external manager and the policy and procedures (P&P) applicable to the internally managed investments provide additional guidelines for each portfolio's investment mandate. The IMA and P&P limit the concentration of investments for the working capital portfolio at the time new investments are purchased as follows:

Investment Type	Concentration Limit	Working Capital Portfolio Holding % at December 31, 2018	Working Capital Portfolio Holding % at December 31, 2017
U.S. Government Securities*	50% to 100% of portfolio	53%	28%
Repurchase Agreements	0% to 50% of portfolio	13%	-%
Certificates of Deposit	0% to 25% of portfolio; maximum 5% per issuer	-%	-%
Commercial Paper	0% to 25% of portfolio; maximum 5% per issuer	-%	2%
Bankers Acceptances	0% to 25% of portfolio; maximum 5% per issuer	-%	-%
Corporate Fixed Income**	0% to 25% of portfolio; maximum 5% per issuer	18%	11%
Taxable & Tax-exempt Municipal Debt Securities	0% to 15% of portfolio; maximum 5% per issuer	-%	-%
Dollar denominated debt of foreign governments and the International Bank for Reconstruction and Development (IBRD)	0% to 10% of portfolio; maximum 5% per issuer	-%	-%
Money Market Mutual Funds***	0% to 25% of portfolio	16%	59%
		100%	100%

* Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

** The maximum exposure to Corporate floating rate and variable rate debt securities in the Working Capital Portfolio is 10 percent. Corporation fixed income debt securities must have a final maturity within one (1) year of purchase, and corporate floating rate or variable rate debt securities must have a final maturity within two (2) years of purchase.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

***The Working Capital Portfolio contained an excess of cash equivalents at December 31, 2017 in anticipation of planned within a week. The portfolios were back in compliance the first week of 2018.

The IMA and P&P limit the concentration of investments for the internally managed portfolio at the time new investments are purchased as follows:

Investment Type	Concentration Limit	Internally Managed Holding % at December 31, 2018	Internally Managed Holding % at December 31, 2017
U.S. Government Securities*	50% to 100% of portfolio	71%	55%
Repurchase Agreements	0% to 50% of portfolio	-%	-%
Certificates of Deposit	0% to 50% of portfolio;	-%	-%
Commercial Paper	0% to 25% of portfolio;		
	maximum 5% per issuer	-%	-%
Bankers Acceptances	0% to 25% of portfolio;		
	maximum 5% per issuer	-%	-%
Corporate Fixed Income	0% to 25% of portfolio;		
	maximum 5% per issuer	18%	-%
Alaska Municipal League Investment Pool (AMLIP)	0% to 25% of portfolio	-%	-%
Dollar denominated fixed income securities, other than those listed herein, rated by at least one nationally recognized rating agency	0% to 10% of portfolio; maximum 5% per issuer	-%	-%
Money Market Mutual Funds**	0% to 25% of portfolio	29%	45%
		100%	100%

* Includes debt obligations issued or guaranteed by the U.S. government, U.S. agencies or U.S. government-sponsored corporations.

** The Internally Managed Portfolio contained an excess of cash equivalents at December 31, 2018 and 2017, respectively, in anticipation of planned spending within a week. The portfolios were back in compliance in the first week of 2018 and 2019, respectively.

Municipality of Anchorage, Alaska Port of Alaska Fund

Notes to Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The externally managed portfolios of the Municipal Central Treasury utilize the duration method to measure exposure to interest rate risk.

Duration is a measure of an investment's sensitivity to interest rate changes and represents the sensitivity of an investment's market price to a one percent change in interest rates. The effective duration of an investment is determined by its expected future cash flows, factoring in uncertainties introduced through options, prepayments, and variable rates. The effective duration of a pool is the average fair value weighted effective duration of each security in the pool.

AMC 6.50.030 requires the Working Capital Portfolio have a duration of zero to 270 days. At December 31, 2018, the Working Capital Portfolio had a duration of 1.37 years, or approximately 500 days, and was not within the targeted duration. AMC 6.50.030 also requires that the Contingency Reserve Portfolio have an average duration within half a year of its benchmark. At December 31, 2018, the Contingency Reserve Portfolio had a duration of 1.83 years as compared to its benchmark, Barclays 1-3 Year Government Index, which had a duration of 1.90 years. AMC 6.50.030 requires the Strategic Reserve Portfolio have a maximum duration no greater than one year in excess of its benchmark. At December 31, 2018, the Strategic Reserve Portfolio had a duration of 3.12 years as compared to its benchmark, Barclays Intermediate Government/Corporate Index, which had a duration of 2.91 years.

The effective duration of the externally managed portfolio of the Municipal Central Treasury working capital portfolio at December 31, 2018, was 1.37 years, which is not within the targeted duration of +/-0.25 years of the Merrill Lynch 90-day Treasury Bill Index, as required per Alaska Permanent Capital Management Investment Manager Agreement. The effective duration of the contingency reserve and strategic reserve portfolios at December 31, 2018, were 1.83 years, and 3.12 years, respectively, which are within the required durations per the policy.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fixed income securities, this risk is generally expressed as a credit rating.

At December 31, 2018, the Municipal Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$185,136,594. The distribution of ratings on these securities was as follows:

	Moody's		S&P
Aaa	13%	AAA	11%
Aa	11%	AA	6%
A	22%	A	25%
Baa	26%	BBB	30%
Ba or lower	24%	BB or lower	22%
Not rated	4%	Not rated	6%
	100%		100%

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

At December 31, 2017, the Municipal Central Treasury's investment in marketable debt securities, excluding U.S. Treasury and Agency securities, totaled \$167,959,335. The distribution of ratings on these securities was as follows:

	Moody's		S&P	
Aaa	17%	AAA		16%
Aa	4%	AA		2%
A	21%	A		20%
Baa	23%	BBB		27%
Ba or lower	32%	BB or lower		30%
Not rated	3%	Not rated		5%
	100%			100%

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested in a single issuer exceeds 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. Government, as well as mutual funds and other pooled investments, are exempted from this requirement.

At December 31, 2018 and 2017, the Municipal Central Treasury had no investments in any single issuer exceeding 5% of total investments.

Custodial Credit Risk

Custodial credit risk is the risk, in event of the failure of a depository institution, that an entity will not be able to recover deposits or collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk, in event of the failure of the counterparty to a transaction, that an entity will not be able to recover the value of the investment or collateral securities in the possession of an outside party.

All collateral consists of obligations issued, or fully insured or guaranteed as to payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation, with market value not less than the collateralized deposit balances.

AMC 6.50.030 requires that repurchase agreements be secured by obligations of the U.S. government, U.S. agencies, or U.S. government-sponsored corporations and agencies. As of December 31, 2018, cash deposits and investments were not exposed to custodial risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Municipality has no specific policy addressing foreign currency risk; however foreign currency risk is managed through the requirements of AMC 6.50.030 and the asset allocation policies of each portfolio.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

The Municipal Central Treasury is not exposed to foreign currency risk because AMC 6.50.030 explicitly prohibits the purchase of securities not denominated in U.S. Dollars. At December 31, 2018 and 2017, all debt obligations held in the Municipal Central Treasury were payable in U.S. Dollars.

Fair Value Measurements

At December 31, 2018 and 2017, the Municipality had the following cash and investments, valued as follows:

- Asset-backed securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Money market funds are valued at amortized cost.
- Repurchase agreements are valued at the daily closing price as reported using the daily price quoted by the financial institution holding the investment for the Municipality.
- U.S. treasuries are valued at the closing price reported on the active market on which the individual securities traded.
- U.S. agencies are valued using pricing models maximizing the use of observable inputs for similar securities.
- Corporate fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The Municipality utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Port determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principle or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: quoted prices for identical assets or liabilities in active markets
- Level 2 Inputs: quoted prices for similar assets or liabilities in active or inactive markets; or inputs other than quoted prices that are observable
- Level 3 Inputs: significant unobservable inputs for assets or liabilities

The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

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

Investment Type:	Total	Level 1	Level 2
Central Treasury- Unrestricted Investments Measured at Fair Value:			
U.S. Treasuries	\$ 148,917,831	\$ 103,429,738	\$ 45,488,093
U.S. Agencies	20,351,315	-	20,351,315
Asset-Backed Securities	25,781,328	-	25,781,328
Corporate Fixed Income Securities	136,435,070	-	136,435,070
	<u>\$ 331,485,544</u>	<u>\$ 103,429,738</u>	<u>\$ 228,055,806</u>

Investments Measured at
Amortized Cost:

Money Market Funds	\$ 21,308,292
Repurchase Agreements	<u>22,398,105</u>
Total Central Treasury - Unrestricted	<u>\$ 375,191,941</u>

Investment Type:	Total	Level 1	Level 2
Central Treasury- Restricted Investments Measured at Fair Value:			
U.S. Treasuries	\$ 34,914,468	\$ 28,487,275	\$ 6,427,193
U.S. Agencies	21,222,562	-	21,222,562
Asset-Backed Securities	3,642,746	-	3,642,746
Corporate Fixed Income Securities	19,277,450	-	19,277,450
	<u>\$ 79,057,226</u>	<u>\$ 28,487,275</u>	<u>\$ 50,569,951</u>

Investments Measured at
Amortized Cost:

Money Market Funds	\$ 22,072,465
Repurchase Agreements	<u>3,164,717</u>
Total Central Treasury - Restricted	<u>\$ 104,294,408</u>

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

The Municipality has the following recurring fair value measurements as of December 31, 2017:

Investment Type:	Total	Level 1	Level 2
Central Treasury- Unrestricted Investments Measured at Fair Value:			
Commercial Paper	\$ 1,535,603	\$ -	\$ 1,535,603
U.S. Treasuries	121,706,339	121,706,339	-
U.S. Agencies	13,180,799	-	13,180,799
Asset-Backed Securities	34,730,718	-	34,730,718
Corporate Fixed Income Securities	122,048,793	-	122,048,793
	\$ 293,202,252	\$ 121,706,339	\$ 171,495,913
Investments Measured at Amortized Cost:			
Money Market Funds	\$ 37,673,284		
Total Central Treasury - Unrestricted	\$ 330,875,536		
Investment Type:	Total	Level 1	Level 2
Central Treasury- Restricted Investments Measured at Fair Value:			
Commercial Paper	\$ 99,654	\$ -	\$ 99,654
U.S. Treasuries	22,840,772	22,840,772	-
U.S. Agencies	21,909,848	-	21,909,848
Asset-Backed Securities	2,253,879	-	2,253,879
Corporate Fixed Income Securities	7,920,460	-	7,920,460
	\$ 55,024,613	\$ 22,840,772	\$ 32,183,841
Investments Measured at Amortized Cost:			
Money Market Funds	\$ 32,165,339		
Total Central Treasury - Restricted	\$ 87,189,952		

Municipality of Anchorage, Alaska

Port of Alaska Fund

Notes to Financial Statements

3. Accounts Receivable

The Port reports accounts receivable on its Statement of Net Position net of allowances for uncollectable accounts. At December 31, 2018 and 2017, the Port reported gross receivables of \$1,369,009 and \$1,320,669, respectively. At December 31, 2018 and 2017, the Port determined that allowance for uncollectable accounts was not necessary because a majority of the receivable balances were in current status.

4. Port Modernization Project

Port of Alaska is a Municipality of Anchorage owned and operated facility that handles half of all Alaska inbound marine freight - some 3.9 million tons of fuel and cargo in 2018 - half of which is delivered to final destinations outside of Anchorage. It is critical transportation infrastructure that serves regional, statewide and national commerce, economic development, homeland security and disaster recovery needs. Port of Alaska is:

- Intermodal transport hub that efficiently connects Alaska's primary marine, road, rail, pipeline and air cargo systems
- Department of Defense commercial strategic seaport that projects U.S. power across Alaska, the Pacific Rim and the Arctic
- Anchorage's only foreign trade zone (FTZ no. 160) that extends U.S. Customs benefits to Ted Stevens International Airport and other businesses and sites throughout the region
- Critical infrastructure that is key to successful implementation of virtually every state and federal earthquake/disaster response plan

Port of Alaska has more inbound cargo-handling capacity than all other Southcentral Alaska ports combined. It is located at the state's population center and routinely handles containers, dry bulk, break bulk, petroleum products and cruise ships. It is adjacent to hundreds of millions of dollars of public and private cargo-handling infrastructure, Alaska Railroad's main cargo yard, two private barge terminals, Joint Base Elmendorf-Richardson (JBER) and Ted Stevens International Airport. It is the only tsunami-proof, inbound-cargo port on Alaska's Railbelt-connected road system.

The facility's docks first opened in 1961 and have long-exceeded their 35-year design life. Its aging wharf piles have lost up to three-quarters of their original thickness to corrosion. Port officials started installing pile jackets in 2004 and have reinforced more than half of the dock's piles. However, jackets are a one-time fix that last 10-to-15 years and all terminals continue to lose load ratings and will start closing in about nine years, regardless of repairs, seismic activity or anything else.

Port of Alaska Modernization Program (PAMP) is a series of construction projects that will 1) replace aging docks and related infrastructure; 2) improve operational safety and efficiency; 3) accommodate modern shipping operations; and 4) improve resiliency - to survive extreme earthquakes and Cook Inlet's harsh marine environment.

PAMP officials staged a design charrette and drafted conceptual designs to replace all Port of Alaska docks. They completed a test-pile program in 2016 to demonstrate constructability and support design and permitting. They also completed final design and are moving forward to construct a new petroleum cement terminal (PCT). The PCT must be built first and south of existing docks to enable safe and continuous port operations during construction of all remaining docks. Initial PCT-related shore improvements were constructed in 2018 and additional shore improvements and transitional dredging are contracted for completion in 2019. In-water PCT construction is expected in 2020 and 2021, subject to funding. Reimbursable State of Alaska grants have funded most PAMP-related work

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

that has been completed or contracted to date. Municipality of Anchorage and PAMP officials are pursuing a combination of tariff and fee increases, private-funding opportunities and additional State and Federal grants to complete remaining tasks.

5. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2018:

	Balance January 1, 2018	Increase	Decrease	Balance December 31, 2018
Capital assets not being depreciated:				
Land	\$ 20,101,537	\$ -	\$ -	\$ 20,101,537
Works of art	21,344	-	-	21,344
Construction in progress	23,207,560	20,220,851	(2,508,813)	40,919,598
Total capital assets not being depreciated	43,330,441	20,220,851	(2,508,813)	61,042,479
Capital assets being depreciated:				
Buildings	7,069,156	-	-	7,069,156
Building improvements	377,334	-	-	377,334
Land improvements	109,125,612	1,710,081	-	110,835,693
Vehicles	931,517	338,541	(26,536)	1,243,522
Machinery and equipment	11,765,511	140,436	(5,150)	11,900,797
Computer hardware	147,901	28,270	-	176,171
Computer software	18,130	-	-	18,130
Office furniture and fixtures	148,077	-	-	148,077
Infrastructure	129,622,461	384,567	-	130,007,028
Total capital assets being depreciated	259,205,699	2,601,895	(31,686)	261,775,908
Less accumulated depreciation for:				
Buildings	4,180,125	134,420	-	4,314,545
Building improvements	359,358	729	-	360,087
Land improvements	22,813,508	3,650,539	-	26,464,047
Vehicles	657,224	119,657	(24,992)	751,889
Machinery and equipment	9,484,669	705,346	(5,150)	10,184,865
Computer hardware	142,313	6,671	-	148,984
Computer software	18,130	-	-	18,130
Office furniture and fixtures	148,077	-	-	148,077
Infrastructure	86,653,665	2,470,429	-	89,124,094
Total accumulated depreciation	124,457,069	7,087,791	(30,142)	131,514,718
Capital assets being depreciated, net	134,748,630	(4,485,896)	(1,544)	130,261,190
Total Capital Assets, net	\$ 178,079,071	\$ 15,734,955	\$ (2,510,357)	\$ 191,303,669

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2017:

	Balance January 1, 2017	Increase	Decrease	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 20,101,537	\$ -	\$ -	\$ 20,101,537
Works of art	21,344	-	-	21,344
Construction in progress	13,397,433	14,126,161	(4,316,034)	23,207,560
Total capital assets not being depreciated	33,520,314	14,126,161	(4,316,034)	43,330,441
Capital assets being depreciated:				
Buildings	7,069,156	-	-	7,069,156
Building improvements	377,334	-	-	377,334
Land improvements	105,908,437	3,217,175	-	109,125,612
Vehicles	965,226	-	(33,709)	931,517
Machinery and equipment	11,350,647	892,073	(477,209)	11,765,511
Computer hardware	147,901	-	-	147,901
Computer software	18,130	-	-	18,130
Office furniture and fixtures	148,077	-	-	148,077
Infrastructure	129,526,275	96,186	-	129,622,461
Total capital assets being depreciated	255,511,183	4,205,434	(510,918)	259,205,699
Less accumulated depreciation for:				
Buildings	4,044,237	135,888	-	4,180,125
Building improvements	358,629	729	-	359,358
Land improvements	19,261,914	3,551,594	-	22,813,508
Vehicles	641,062	49,872	(33,710)	657,224
Machinery and equipment	9,358,197	603,680	(477,208)	9,484,669
Computer hardware	135,753	6,560	-	142,313
Computer software	18,130	-	-	18,130
Office furniture and fixtures	148,077	-	-	148,077
Infrastructure	83,747,991	2,905,674	-	86,653,665
Total accumulated depreciation	117,713,990	7,253,997	(510,918)	124,457,069
Capital assets being depreciated, net	137,797,193	(3,048,563)	-	134,748,630
Total Capital Assets, net	\$ 171,317,507	\$ 11,077,598	\$ (4,316,033)	\$ 178,079,071

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

6. Operating Leases

The Port has leased to unrelated third parties 200 acres of space in the Port Industrial Park. The 2018 carrying value of the leased assets is \$10,277,427 with a cost of \$15,878,995 and accumulated depreciation of \$5,601,568. The 2017 carrying value of the leased assets is \$10,340,436 with a cost of \$15,878,995 and accumulated depreciation of \$5,538,559. The leases provide for five-year rental adjustment intervals. Future minimum payments to be received are as follows:

Years Ending June 30,

2019	\$ 4,443,814
2020	4,475,781
2021	795,014
2022	447,456
2023	371,674
2024-2028	1,816,506
2029-2033	1,454,766
2034-2038	800,000
2039-2043	800,000
2044-2048	461,420
Total	\$ 15,866,431

Total lease revenue was \$4,472,735 and \$4,344,217 for the years ended December 31, 2018 and 2017, respectively.

7. Long-Term Liabilities

In June 2013, the Anchorage Assembly authorized the establishment of a long-term borrowing program in an amount not to exceed \$40,000,000 as an interim financing program for the Port expansion project. On June 20, 2016 the Municipality and its commercial bank amended the Revolving Credit Agreement under the same terms and conditions but with a revised expiration date of June 20, 2019. Any amount still outstanding is required to be repaid on the Commitment Expiration Date. Any amount may be repaid prior to that date at the option of the Port. Interest rate charged to the Port is variable; as of December 31, 2018 and 2017, the interest rate was 3.175% and 1.871%, respectively. The amount of interest expense recognized on the note in 2018 and 2017 was \$1,152,083 and \$677,192, respectively. The Port's financial statements show the Agreement's note as a noncurrent liability since the Port refinanced the note prior to its expiration date and established a new expiration date of July 1, 2021.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Notes payable	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ -
Compensated absences payable	340,403	134,140	(157,288)	317,255	163,718
Total long-term liabilities	\$ 40,340,403	\$ 134,140	\$ (157,288)	\$ 40,317,255	\$ 163,718

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Notes payable	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000	\$ -
Compensated absences payable	296,050	211,059	(166,706)	340,403	161,136
Total long-term liabilities	\$ 40,296,050	\$ 211,059	\$ (166,706)	\$ 40,340,403	\$ 161,136

8. Other Noncurrent Liability

In February 2012, the Port entered into an agreement with the Department of Defense to acquire 48 acres of undeveloped land (Tract J) for fair market value of \$10,305,000. In exchange, the Port has committed to provide a permanent access road connecting Joint Base Elmendorf-Richardson to the Port and to accept responsibility for the environmental condition of the transferred land. This obligation is reflected on the Port's Statements of Net Position as a noncurrent liability totaling \$1,788,202 and \$1,801,726 at December 31, 2018 and 2017, respectively. See Note 9 for a description of environmental issues affecting this land.

9. Environmental Issues

In February 2012, the Port entered into an agreement with the Department of Defense to acquire 48 acres of undeveloped land (Tract J) for fair market value of \$10,305,000. In exchange, the Port has committed to provide a permanent access road connecting Joint Base Elmendorf-Richardson to the Port and to accept responsibility for the environmental condition of the transferred land. This obligation is reflected on the Port's Statement of Net Position as a noncurrent liability totaling \$1,788,202 at December 31, 2018. In 2011, the Port recognized a capital contribution in the amount of \$8,425,612. Both Tract H and Tract J at the Port are ADEC designated contaminated sites. In 2018 and 2017, the monitoring and reporting costs for Tract J were \$11,361 and \$31,794, respectively. No required monitoring expenses were incurred for Tract H in 2018.

Municipality of Anchorage, Alaska Port of Alaska Fund

Notes to Financial Statements

10. Pensions

A. Defined Benefit Pension Plans

General Information About the Plan

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

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

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by phoning (907) 465-4460.

The PERS I-III DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS IV Defined Contribution (DC) Plan described later in this note.

Historical Context and Special Funding Situation

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

Alaska Statute requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board.

Although current statutes call for the State of Alaska to contribute to the Plan, the Alaska Department of Law determined that the statute does not create a legal obligation to assume the liabilities of the Plan; rather it establishes a contribution mechanism to provide employer relief against the rising contribution rates. This relief payment is subject to funding availability, and therefore not legally mandated. As a result, the State initially determined that the Plan is not in a special funding situation.

Municipality of Anchorage, Alaska

Port of Alaska Fund

Notes to Financial Statements

Following much discussion with various stakeholders, participant communities, attorneys, auditors, and the GASB, itself the State has subsequently reversed its position on this matter, and as of June 30, 2015, the State did record the liability presuming that the current statute does constitute a special funding situation as the legislation is currently written. It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process, and it is likely that the State will pursue efforts to do so in a future legislative session.

For the current year financial statements, management has treated AS 39.35.255 as constituting a special funding situation under GASB Statement No. 68 rules and has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

Employee Contribution Rates

Regular employees are required to contribute 6.75 percent of their annual covered salary.

Employer and Other Contribution Rates

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

Employer Effective Rate

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

ARM Board Adopted Rate

This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. 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 (as demonstrated in the contribution rate tables below).

On-behalf Contribution Rate

This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the 2018 and 2017 Port financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period July 1, 2017 to June 30, 2018 and July 1, 2016 to June 30, 2017, respectively. During the measurement period the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition. Total on-behalf amounts recognized as of the measurement period are actuarially calculated.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

GASB Rate

This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For fiscal year 2018 and 2017, the rate uses an 8 percent pension discount rate and an 8 percent and 4.55 percent healthcare discount rate, respectively.

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

Contribution rates for the years ended June 30, 2017 and June 30, 2018 were determined in the June 30, 2015 and June 30, 2016 actuarial valuations, respectively. Municipality contribution rates for the 2018 and 2017 calendar year were as follows:

<i>January 1, 2018 to June 30, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Postemployment healthcare (ARHCT) (see note 11)	4.88%	3.11%	0.00%	66.85%
Total Contribution Rates	22.00%	25.01%	3.01%	95.92%

<i>July 1, 2018 to December 31, 2018</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	16.17%	23.21%	5.58%	32.11%
Postemployment healthcare (ARHCT) (see note 11)	5.83%	4.37%	0.00%	87.90%
Total Contribution Rates	22.00%	27.58%	5.58%	120.01%

<i>January 1, 2017 to June 30, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Postemployment healthcare (ARHCT) (see note 11)	7.04%	5.80%	0.00%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

<i>July 1, 2017 to December 31, 2017</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01%	29.07%
Postemployment healthcare (ARHCT) (see Note 11)	4.88%	3.11%	0.00%	66.85%
Total Contribution Rates	22.00%	25.01%	3.01%	95.92%

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

	Measurement Period July 1, 2017 to June 30, 2018	Port's Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions (including DBUL)	\$ 203,344	\$ 196,494
Nonemployer contributions (on-behalf)	47,344	67,918
Total Contributions	\$ 250,688	\$ 264,412

In 2017, the Port was credited with the following contributions into the pension plan.

	Measurement Period July 1, 2016 to June 30, 2017	Port's Fiscal Year January 1, 2017 to December 31, 2017
Employer contributions (including DBUL)	\$ 160,313	\$ 175,099
Nonemployer contributions (on-behalf)	57,998	51,150
Total Contributions	\$ 218,311	\$ 226,249

In addition, employee contributions to the Plan totaled \$55,538 and \$54,256 for the years ended December 31, 2018 and 2017, respectively.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Financial Statements

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

At December 31, 2018 and 2017, the Port reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Port. The amount recognized by the Port for its proportional share and the related State proportionate share are as follows:

	2018
Port's proportionate share of NPL	\$ 2,384,302
State's proportionate share of NPL associated with the Port	690,549
Total Net Pension Liability	\$ 3,074,851
	2017
Port's proportionate share of NPL	\$ 1,486,034
State's proportionate share of NPL associated with the Port	553,637
Total Net Pension Liability	\$ 2,039,671

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The Port's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the Port's proportionate share was 0.65995 percent, an increase of 0.04688 percent from the prior year. At the June 30, 2017 measurement date, the Port's proportionate share was 0.61307 percent, an increase of 0.14897 percent from the prior year.

The Port recognized pension expense of \$599,805 for the year ended December 31, 2018, of which \$32,333 was recorded as on-behalf revenue and expense for additional contributions paid by the State of Alaska. At December 31, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (59,841)
Net difference between projected and actual earnings on pension plan investments	52,658	-
Changes in proportion and differences between Port contributions and proportionate share of contributions	86,668	-
Port contributions subsequent to the measurement date	103,162	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 242,488	\$ (59,841)

**Municipality of Anchorage, Alaska
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Notes to Financial Statements

The Port recognized pension expense of \$107,374 for the year ended December 31, 2017, of which \$63,059 was recorded as on-behalf revenue and expense for additional contributions paid by the State of Alaska. At December 31, 2017, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (31,135)
Changes in proportion and differences between Port contributions and proportionate share of contributions	-	(147,615)
Port contributions subsequent to the measurement date	30,601	-
Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions	\$ 30,601	\$ (178,750)

The \$103,162 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future years in pension expense as follows:

Year Ending December 31,

2019	\$	93,800
2020		28,793
2021		(40,800)
2022		(2,308)
Total Amortization	\$	79,485

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Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The total pension liability for the measurement period ended June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2017. The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2010 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected

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future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables (note that the rates shown below exclude the inflation component).

Those estimates for the years ending December 31, 2018 and 2017 are as follows:

June 30, 2018

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

June 30, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

Discount Rate

The discount rate used to measure the total pension liability was 8.00% in 2018 and 2017. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Discount Rate Sensitivity

The following presents the Port's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

December 31, 2018

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Port's proportionate share of the net pension liability	0.04798%	\$ 3,157,417	\$ 2,384,302	\$ 1,730,340

December 31, 2017

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Port's proportionate share of the net pension liability	0.02875%	\$ 1,952,043	\$ 1,486,034	\$ 1,092,508

Pension Plan Fiduciary Net Position

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

B. Defined Contribution Pension Plans

Public Employees' Retirement System (PERS IV)

Plan Information

The Municipality participates in the Alaska Public Employees' Retirement System (PERS IV or the Plan). PERS IV is a Defined Contribution (DC) plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/dr/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by phoning (907) 465-4460.

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Notes to Financial Statements

Plan Participation and Benefit Terms

The Plan is governed by Section 401(a) of the Internal Revenue Code. A portion of employee wages and matching employer contributions are made to the Plan before tax. These contributions plus any change in value (interest, gains and losses), and minus any Plan administrative fees or other charges, are payable to the employee or the employee's beneficiary at a future date. The Plan is a participant-directed plan with investment options offered by providers that are selected by the Alaska Retirement Management (ARM) Board.

Employees first enrolling into PERS after July 1, 2006 participate in PERS IV. PERS IV is a defined contribution retirement plan that includes a component of defined benefit postemployment healthcare. Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2018 and 2017, the Port was required to contribute 5% of covered salary into the Plan.

11. Other Postemployment Benefits (OPEB) Plans

A. Defined Benefit OPEB Plan

General Information About the Plan

As part of its participation in the PERS Defined Benefit Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the Port participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the Defined Benefit Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS Defined Contribution Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. They may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by phoning (907) 465-4460.

Employer Contribution Rates

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

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Notes to Financial Statements

Employer contribution rates for the year 2018 and 2017 calendar years were as follows:

<i>For the year ended December 31, 2018</i>	1/1 - 6/30	7/1 - 12/31
ARHCT	4.88%	5.83%
RMP	1.03%	0.94%
ODD	0.16%	0.26%
Total Contribution Rates	6.07%	7.03%

<i>For the year ended December 31, 2017</i>	1/1 - 6/30	7/1 - 12/31
ARHCT	7.04%	4.88%
RMP	1.18%	1.03%
ODD	0.17%	0.16%
Total Contribution Rates	8.39%	6.07%

In 2018, the Port was credited with the following contributions to the OPEB plan:

	Measurement Period July 1, 2017 to June 30, 2018	Port Fiscal Year January 1, 2018 to December 31, 2018
Employer contributions - ARHCT	\$ 57,962	\$ 63,786
Employer contributions - RMP	6,507	6,582
Employer contributions - ODD	1,602	2,397
Nonemployer contributions (on-behalf) - ARHCT	-	-
Total Contributions	\$ 66,071	\$ 72,765

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

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

	2018
City's proportionate share of NOL - ARHCT	\$ 492,347
City's proportionate share of NOL - RMP	7,102
City's proportionate share of NOL - ODD	(10,840)
State's proportionate share of the ARHCT NOL associated with the Port	142,923
Total Net OPEB Liabilities	\$ 631,532

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

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
Port's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.04126%	0.04797%	0.00672%
RMP	0.04860%	0.05581%	0.00721%
ODD	0.04860%	0.05581%	0.00721%

As a result of its requirement to contribute to the Plan, the Port recognized net OPEB expense of \$55,498, which includes \$18,763 of on-behalf expense, and on-behalf revenue of \$18,763 for actuarially calculated support provided by the State. At December 31, 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (56,063)
Changes in assumptions	77,985	-
Net difference between projected and actual earnings on OPEB plan investments	-	(105,750)
Changes in proportion and differences between Port contributions and proportionate share of contributions	35,977	(15,185)
Port contributions subsequent to the measurement date	42,313	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	\$ 156,275	\$ (176,998)

The \$42,313 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ending December 31,

2019	\$ (14,409)
2020	(12,056)
2021	(34,456)
2022	(2,252)
2023	32
Thereafter	105

Total Amortization	\$ (63,036)
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Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2018 (Port calendar year 2018) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/ Firefighter. Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for 2018 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% Prescription drug: 9.0% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Participation (ARHCT)	100% system paid for members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

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Notes to Financial Statements

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

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

The long-term expected rate of return on OPEB 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 postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

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

Discount Rate

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

Discount Rate Sensitivity

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

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	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Port's proportionate share of the net OPEB liability (asset):				
ARHCT	0.04797%	\$ 996,755	\$ 492,347	\$ 69,549
RMP	0.05581%	\$ 21,209	\$ 7,102	\$ (3,901)
ODD	0.05581%	\$ (10,179)	\$ (10,840)	\$ (11,384)

Healthcare Cost Trend Rate Sensitivity

The following presents the Port's proportionate share of the net OPEB liabilities as of June 30, 2018, calculated using the healthcare cost trend rates as summarized in the 2018 actuarial valuation report, as well as what the Plan's net OPEB liabilities would be if they were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (in thousands):

	Proportional Share	1% Decrease	Current Discount Rate	1% Increase
Port's proportionate share of the net OPEB liabilities (asset):				
ARHCT	0.04797%	\$ 9,557	\$ 492,347	\$ 1,073,914
RMP	0.05581%	\$ (6,038)	\$ 7,102	\$ 24,688
ODD	0.05581%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

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

B. Defined Contribution OPEB Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan (RMP). Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and postemployment healthcare benefits. In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement (HRA). AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan". As of July 1, 2018, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,103 per year for each full-time employee, and \$1.35 per hour for part-time employees.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the years ended December 31, 2018 and 2017 were as follows:

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<i>For the year ended December 31, 2018</i>	1/1 - 6/30	7/1 - 12/31
HRA	3.00%	3.00%
RMP	1.03%	0.94%
ODD	0.16%	0.26%
Total Contribution Rates	4.19%	4.20%

<i>For the year ended December 31, 2017</i>	1/1 - 6/30	7/1 - 12/31
HRA	3.00%	3.00%
RMP	1.18%	1.03%
ODD	0.17%	0.16%
Total Contribution Rates	4.35%	4.19%

Annual Postemployment Healthcare Cost

The Port contributed \$16,771 and \$15,100 in DC OPEB costs for the years ended December 31, 2018 and 2017, respectively. These amounts have been recognized as expense/expenditures.

12. Subsequent Events

Effective January 1, 2019, Port tariff rates will be increasing through the published Terminal Tariff No. 8, 2015 publication. Terminal Tariff No. 8 expires on December 31, 2019 and the Port is working to prepare and submit Terminal Tariff No. 9 for approval in the 4th quarter of 2019.

13. Port of Alaska Expansion Litigation

A multi-year expansion project at the Port began in 2003 and continued until May 31, 2012. The project encountered problems and work was suspended while the Port investigated the scope and cause of the problems and determined how to proceed.

Investigative reports concluded the project design was flawed and significant aspects of the work were constructed incorrectly. In March 2013, the Port filed suit to recover damages. In 2016, the Municipality reached an agreement to fully and finally settle, release and resolve any and all claims, liabilities and damages of the Municipality relative to work performed by MKB Constructors, Quality Asphalt Paving and Terracon Consultants for \$5,500,000, \$5,150,000 and \$1,950,000 respectively. In total, these settlements amount to \$12,600,000 recorded in 2016 as legal settlements shown on the Statements of Revenues, Expenses and Changes in Net position as nonoperating revenue. As required under two of the settlement agreements the Port restricted \$1,950,000 of the \$12,600,000 contribution to a Port litigation escrow account recorded in 2018 and 2017 as Restricted Cash - "Settlement Set Aside" - under the restricted assets section of the Statement of Net Position. The remaining defendants executed settlement agreements as follows: ICRC for \$3,750,000, PND for \$750,000, GeoEngineers for \$750,000 and CH2M Hill for \$1,500,000 each recorded in 2017. An order for dismissal in the US District Court for the District of Alaska was signed on February 22, 2017 closing the case filed in the State of Alaska. The separate action filed in the United States Court of Federal

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Notes to Financial Statements

Claims against the U.S. Maritime Administration (MARAD) is ongoing. That case remains active and no claims have been asserted against the Municipality.

14. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. The following new accounting standards were implemented by the Port for 2018 reporting:

- *GASB 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions.* The provisions of this statement address accounting and financial reporting issues for postemployment benefits other than pensions (other postemployment benefits or OPEB) provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit 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. The Port applied this statement to the State of Alaska PERS OPEB plans for December 31, 2018.
- *GASB 85 - Omnibus 2017.* The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). As of December 31, 2018, the Port implemented guidance from this statement as it related to OPEB reporting. We considered the other objectives and were determined to be not applicable.
- *GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement was considered and determined to be not applicable at this time. We will consider this guidance in future years.

The following standards are required to be implemented in future financial reporting periods.

- *GASB 83 - Certain Asset Retirement Obligations.* The provisions of this Statement are required to be implemented for the 2019 financial reporting period.
- *GASB 84 - Fiduciary Activities.* The provisions of this Statement are required to be implemented for the 2019 financial reporting period.
- *GASB 87 - Leases.* The provisions of this Statement are required to be implemented for the 2020 financial reporting period.
- *GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The provisions of this statement are required to be implemented in the 2019 reporting period.

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- GASB 89 - *Accounting for Interest Costs Incurred before the End of a Construction Period*. The provisions of this statement are required to be implemented in the 2020 reporting period.
- GASB 90 - *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The provisions of this statement are required to be implemented in the 2019 reporting period.
- GASB 91 - *Conduit Debt Obligations*. The provisions of this statement are required to be implemented in the 2021 reporting period.

15. Change in Accounting Principle

As discussed in Note 11 to the financial statements, the Port participates in the Alaska Public Employees Retirement System (PERS) plan. In 2018, the Port adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the Port to recognize its proportional share of the Net OPEB Liability (and related deferred inflows of resources and deferred outflows of resources), as of the beginning of the Port's fiscal year. Information was not available to implement GASB Statement No. 75 for the prior period presented in the financial statements. As a result of the implementation of this statement, the Port has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease opening net position as follows:

	Opening Net Position, as Originally Presented	Change in Accounting Principle Adjustment	Opening Net Position, as Restated
Net Position	\$ 167,645,773	\$ (472,597)	\$ 167,173,176

Required Supplementary Information

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Public Employees' Retirement System Pension Plan
Schedule of the Port's Proportionate Share of the Net Pension Liability

Years Ended December 31,	Measurement Period Ended June 30,	Port's Proportion of the Net Pension Liability	Port's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Port's Covered Payroll	Port's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	2018	0.04798000%	\$ 2,384,302	\$ 690,549	\$ 3,074,851	\$ 1,449,474	164.49%	65.19%
2017	2017	0.04125000%	1,486,034	553,637	2,039,671	1,286,487	115.51%	63.37%
2016	2016	0.03604000%	2,014,253	253,804	2,268,057	943,387	213.51%	59.55%
2015	2015	0.03570000%	1,482,666	397,126	1,879,792	965,281	153.60%	63.96%
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**Municipality of Anchorage, Alaska
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**Public Employees' Retirement System Pension Plan
Schedule of Port Contributions - Pension Plan**

Years Ended December 31,	Measurement Period Ended June 30,	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	Port's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	2018	\$ 196,494	\$ 196,494	-	1,462,579	13.435%
2017	2017	175,980	175,980	-	1,319,601	13.336%
2016	2016	113,997	113,997	-	961,507	11.856%
2015	2015	108,499	108,499	-	987,830	10.984%
2014	2014	*	*	*	*	*
2013	2013	*	*	*	*	*
2012	2012	*	*	*	*	*
2011	2011	*	*	*	*	*
2010	2010	*	*	*	*	*
2009	2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

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Public Employees' Retirement System OPEB Plan
Schedule of the Port's Proportionate Share of the Net OPEB Liability - ARHCT

Years Ended December 31,	Measurement Period Ended June 30,	Port's Proportion of the Net OPEB Liability	Port's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Port's Covered Payroll	Port's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.04798000%	\$ 492,347	\$ 142,923	\$ 635,270	\$ 1,449,474	33.97%	88.12%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Municipality of Anchorage, Alaska
Port of Alaska Fund

Public Employees' Retirement System OPEB Plan
Schedule of Port Contributions - ARHCT

Years Ended December 31,	Measurement Period Ended June 30,	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	Port's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	2018	\$ 63,786	\$ 63,786	-	1,462,579	4.36%
2017	2017	*	*	*	*	*
2016	2016	*	*	*	*	*
2015	2015	*	*	*	*	*
2014	2014	*	*	*	*	*
2013	2013	*	*	*	*	*
2012	2012	*	*	*	*	*
2011	2011	*	*	*	*	*
2010	2010	*	*	*	*	*
2009	2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

Municipality of Anchorage, Alaska
Port of Alaska Fund

Public Employees' Retirement System OPEB Plan
Schedule of the Port's Proportionate Share of the Net OPEB Liability - RMP

Years Ended December 31,	Measurement Period Ended June 30,	Port's Proportion of the Net OPEB Liability	Port's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Port's Covered Payroll	Port's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.00055810%	\$ 7,102	-	\$ 7,102	\$ 1,449,474	0.49%	88.71%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

**Public Employees' Retirement System OPEB Plan
Schedule of Port Contributions - RMP**

Years Ended December 31,	Measurement Period Ended June 30,	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	Port's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	2018	\$ 6,582	\$ 6,582	-	1,462,579	0.45%
2017	2017	*	*	*	*	*
2016	2016	*	*	*	*	*
2015	2015	*	*	*	*	*
2014	2014	*	*	*	*	*
2013	2013	*	*	*	*	*
2012	2012	*	*	*	*	*
2011	2011	*	*	*	*	*
2010	2010	*	*	*	*	*
2009	2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

**Public Employees' Retirement System OPEB Plan
Schedule of the Port's Proportionate Share of the Net OPEB Liability - ODD**

Years Ended December 31,	Measurement Period Ended June 30,	Port's Proportion of the Net OPEB Liability	Port's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Port's Covered Payroll	Port's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2018	0.00055810%	\$ (10,840)	-	\$ (10,840)	\$ 1,449,474	-0.75%	270.62%
2017	2017	*	*	*	*	*	*	*
2016	2016	*	*	*	*	*	*	*
2015	2015	*	*	*	*	*	*	*
2014	2014	*	*	*	*	*	*	*
2013	2013	*	*	*	*	*	*	*
2012	2012	*	*	*	*	*	*	*
2011	2011	*	*	*	*	*	*	*
2010	2010	*	*	*	*	*	*	*
2009	2009	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

**Public Employees' Retirement System OPEB Plan
Schedule of Port Contributions - ODD**

Years Ended December 31,	Measurement Period Ended June 30,	Contractually Required Contributions	Contributions Relative to the Contractually Required Contributions	Contribution Deficiency (Excess)	Port's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	2018	\$ 2,397	\$ 2,397	-	1,462,579	0.16%
2017	2017	*	*	*	*	*
2016	2016	*	*	*	*	*
2015	2015	*	*	*	*	*
2014	2014	*	*	*	*	*
2013	2013	*	*	*	*	*
2012	2012	*	*	*	*	*
2011	2011	*	*	*	*	*
2010	2010	*	*	*	*	*
2009	2009	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Notes to Required Supplementary Information

1. Public Employees' Retirement System Pension Plan - Schedule of the Port's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For December 31, 2018, the Plan measurement date is June 30, 2018.

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

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

There were no changes in allocation methodology.

2. Public Employees' Retirement System Pension Plan - Schedule of the Port's Contributions

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

3. Public Employees' Retirement System OPEB Plan - Schedule of the Port's Proportionate Share of the Net OPEB Liability - ARHCT, RMP and ODD Plans

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

4. Public Employees' Retirement System OPEB Plan - Schedule of Port's Contributions - ARHCT, RMP and ODD Plans

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

Statistical Section

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Municipality of Anchorage, Alaska
Port of Alaska Fund

Comparative Detail Schedule of Actual Revenues by Source

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Dockage	\$ 1,242,374	\$ 1,174,735	\$ 1,089,224	\$ 1,142,837	\$ 1,061,272	\$ 956,080	\$ 1,055,158	\$ 991,289	\$ 845,214	\$ 705,081
Wharfage, dry bulk	169,575	150,695	148,896	181,234	179,256	153,813	156,981	167,018	73,172	71,343
Wharfage, liquid bulk	1,805,784	1,521,105	1,463,035	1,682,558	900,922	570,819	821,064	908,131	866,712	490,956
Wharfage, general cargo	3,544,751	3,529,245	3,670,375	3,608,772	3,414,255	3,440,514	3,349,776	3,428,694	3,296,428	3,613,275
Storage revenue	219,392	237,335	265,309	327,061	230,883	49,168	139,190	1,210	7,245	-
Office rental	96,994	108,670	121,887	114,462	135,041	73,884	60,014	40,864	37,394	31,167
Utilities	46,767	29,687	30,040	45,232	28,675	15,462	15,810	17,704	19,485	7,510
Crane rentals	120,960	74,250	72,488	105,858	43,375	59,025	56,300	52,500	61,908	48,435
Industrial park lease rentals	4,472,735	4,344,217	4,326,069	4,363,254	4,182,255	4,172,846	3,939,395	4,110,620	4,333,539	4,301,791
Investment income - long term	-	-	-	-	-	-	-	-	-	11,186
Investment income - short term	312,700	627,633	344,945	344,603	211,006	78,006	361,027	433,059	974,656	2,031,824
Right-of-way fees	202,056	173,391	167,849	164,678	174,968	160,682	146,599	141,378	161,522	140,074
POL value yard fees	302,861	246,957	176,713	191,560	231,774	330,359	367,674	473,869	300,212	358,443
Security fees	1,478,313	1,469,614	1,421,294	1,426,724	1,361,865	1,325,901	1,340,280	1,306,697	1,305,539	1,312,465
Gain on sale of assets held for resale	781,831	1,069,995	-	-	-	-	-	-	-	-
Reimbursed cost	-	-	-	-	-	-	-	-	-	2,760
Intergovernmental revenue	51,096	63,059	43,575	18,075	2,882,353	-	-	-	-	-
Legal settlements	-	6,750,000	12,600,000	-	-	-	-	-	-	-
Miscellaneous revenues	303,519	280,983	1,022,677	507,769	154,542	247,059	253,505	179,101	144,596	57,522
Subtotal	15,151,708	21,851,571	26,964,376	14,224,677	15,192,442	11,633,618	12,062,773	12,252,134	12,427,622	13,183,832
Capital contributions	18,650,418	11,619,685	13,323,471	7,834,571	2,882,353	1,811,983	2,216,290	9,337,718	40,170,090	10,087,667
Transfers from other funds	-	81,500	-	-	-	-	-	-	-	-
Total	\$ 33,802,126	\$ 33,552,756	\$ 40,287,847	\$ 22,059,248	\$ 18,074,795	\$ 13,445,601	\$ 14,279,063	\$ 21,589,852	\$ 52,597,712	\$ 23,271,499

Municipality of Anchorage, Alaska
Port of Alaska Fund

Current Port Tariff Rates

Type of Service	Wharfage Rate
Aggregates, per ton	\$ 1.17
Freight NOS	7.02
Bulk commodities, dry, NOS	2.92
Cement	5.26
Cement, bulk through pipeline	1.60
Coal, bulk	1.17
Iron or steel articles	5.26
Logs	2.92
Lumber	5.26
Chips NOS	2.51
Petroleum or petroleum products:	
Inbound/outbound	0.16
Transfers	0.00
Fuel	0.01
Powder (explosive)	17.55
Vans or containers	3.51
Vehicles	11.70

Port of Anchorage Terminal Tariff No. 8.
 Tariff issued 1/1/2015 and effective 1/1/2019.

Notes to tariff rates:
 NOS - Not otherwise specified

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Ten-Year Annual Dock Tonnage Report

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Freight NOS	2,199	5,876	4,451	-	5,463	6,385	15,333	2	-	124
Dry bulk goods	105,326	97,223	122,006	126,737	140,684	119,271	119,939	118,280	109,228	81,494
Petroleum, NOS (vessel fueling)	129,828	1,467	893	5,013	2,031	2,615	1,454	2,052	1,660	2,032
Vans/flats/containers	1,631,303	1,592,473	1,582,951	1,681,223	1,811,136	1,738,601	1,740,969	1,705,176	1,736,943	1,713,086
Vehicles	-	-	-	-	-	2,615	-	864	-	1,473
Petroleum, shoreside	505,980	471,717	368,708	368,294	916,050	952,631	1,046,636	1,376,909	1,192,705	1,426,711
Petroleum bulk - dockside	1,574,029	1,329,089	1,419,162	1,592,317	580,343	586,041	829,900	931,931	922,426	573,352
Total Tons	3,948,665	3,497,845	3,498,171	3,773,584	3,455,707	3,408,159	3,754,231	4,135,214	3,962,962	3,798,272

NOS - Not otherwise specified

**Municipality of Anchorage, Alaska
Port of Alaska Fund**

Financial Ratios

<i>Description</i>	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Current ratio (current assets / current liabilities)	13.49	12.51	12.31	16.63	15.24	35.41	0.49	0.43	0.96	1.07
Quick ratio (quick assets / current liabilities)	9.30	10.01	13.23	14.46	13.77	13.25	0.28	0.31	0.54	0.89
Return on investment (change in net position / total assets)	4%	6%	8%	-4%	-1%	-31%	1%	4%	17%	5%
Return on equity (change in net position / net position)	6%	8%	11%	-5%	-1%	-40%	1%	5%	20%	7%
Debt to equity as a percent of capital structure (outstanding debt / capital structure over net position)	23%	24%	26%	29%	27%	20%	16%	16%	16%	20%
Capital structure	77%	76%	74%	71%	73%	80%	84%	84%	84%	80%
Operating margin	-47%	-36%	-59%	-99%	-41%	-3%	4%	10%	2%	-3%

Notes to financial ratios:

Quick or Acid-test ratio computed by removing from current assets inventory and restricted current assets.

Municipality of Anchorage, Alaska
Port of Alaska Fund

Capital Improvement Program Summary
(in thousands)

<i>Project Category</i>	2018	2019	2020	2021	2022	2023	Total
Anchorage Port GIS Mapping	250	-	-	-	-	-	250
Wharf Pile Enhancements	1,500	1,500					3,000
Total	1,750	1,500	-	-	-	-	3,250

<i>Source of Funding</i>	2018	2019	2020	2021	2022	2023	Total
Equity/Operations	1,750	1,500					3,250

Municipality of Anchorage, Alaska
Port of Alaska Fund

Top Ten Customer Rankings on 2018 Billings

Customer Name	Rank
Tote Maritime Alaska, Inc.	1
Matson Navigation Co of AK LLC.	2
Tesoro Alaska Companies Inc.	3
Petro Star Inc.	4
Alaska Maritime Agencies	5
Anchorage Fueling & Service Co./ASIG	6
Anchorage Sand and Gravel/ABI	7
Crowley Petroleum Distribution (CPD Alaska)	8
Delta Western	9
Holland America Line	10

Other Reporting Required by *Government Auditing Standards*

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

Honorable Mayor and Members of the Assembly
Municipality of Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Port of Alaska, an enterprise fund of the Municipality of Anchorage, Alaska, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Port of Alaska's basic financial statements, and have issued our report thereon dated July 10, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
July 10, 2019

Municipality of Anchorage, Alaska
Port of Alaska Fund

Schedule of Findings and Responses
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> (none reported)

Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

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



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Municipality of Anchorage, Alaska Port of Alaska Fund

Summary Schedule of Prior Audit Findings Year Ended December 31, 2018

Financial Statement Findings

Finding 2017-001 **SAP Software Conversion - Internal Control over Financial Reporting - Material Weakness**

Finding The Port did not have in place a properly functioning ERP system. A significant number of account balances and financial statement areas were not fully adjusted, reconciled and closed until months after year end.

Status Finding resolved in 2018.

Finding 2017-002 **Port Inventory - Internal Control over Financial Reporting - Significant Deficiency**

Finding Management did not accurately record contributed steel sheet pile inventory in the fiscal year of receipt. In subsequent years, management did not conduct an adequate count and measurement of inventory on hand. Proper communication between operational personnel and finance staff did not occur in a timely manner.

Status Finding resolved in 2018.