

# CITY OF UNALASKA, ALASKA



Photograph courtesy of Ali Bolock

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

**CITY OF UNALASKA**

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

Prepared by:

Finance Department

# CITY OF UNALASKA, ALASKA

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**INTRODUCTION SECTION (UNAUDITED)**

**City of Unalaska**

P.O BOX 610

Unalaska, Alaska 99685-0610

(907) 581-1251 FAX (907) 581-1417

December 21, 2021



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

State law requires that all cities annually publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Unalaska, Alaska (the City) for the fiscal year ended June 30, 2021.

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

KPMG LLP, Certified Public Accountants, has issued an unmodified (clean) opinion on the City's financial statements for the year ended June 30, 2021. The independent auditors' report is located at the front of the financial section of this report. The independent audit of the financial statements of the City was part of a broader, federal and state-mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports will be available in the City's separately issued Single Audit Report.

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

**Profile of the Government**

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



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

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

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

### **Local Economy**

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

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

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

The City is the anchor for commercial fishing activity in the Bering Sea and the Aleutian Islands (BSAI). According to National Oceanic and Atmospheric Administration's latest published report, Fisheries of the United States 2019, the City's Port of Dutch Harbor led the nation with the greatest quantity of fish landed. For the past 23 years our Port has been rated either first or second in value of catch. A catch of 763 million pounds was landed in 2019, with a value of \$190 million, positioning the City as the number three port in value in the United States for income derived from fishing.

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

The National Marine Fisheries Service and the State of Alaska are using the successful management practices of the North Pacific Fisheries Management Council and the State of Alaska Board of Fisheries as a model to improve management in other fishery regions nationwide.

### **Long-Term Financial Planning and Major Initiatives**

As part of their fiscal sustainability plan, the City is in the process of establishing a Permanent Fund with the intention it will provide annual distributions to the City's General Fund for use. While not formally approved, it is expected that the Permanent Fund will have an initial amount of \$40,000,000. In continuing efforts to improve budgeting and long-term capital planning, the council, once again, set formal goals before the fiscal year 2021 budget process and prior to preparing the ten-year Capital and Major Maintenance Plan (CMMP). Development of long-term maintenance and replacement schedules for capital assets continue to be developed.

The City initiated construction of two new landfill cells. The first cell was put in service in October 2015. A gasification project at the landfill is included in the CMMP. A solid waste gasifier would work for approximately 86% of Unalaska's total waste stream, and could be used to dispose of bales already buried in the landfill cells, vastly increasing the current location's projected lifespan.

To comply with new federal regulations, a new water treatment plant in Pyramid Valley was completed in 2016. This new plant, with a cost of \$17 million, provides treatment for Cryptosporidium, a microorganism that is resistant to chlorine and other disinfectants, and has caused waterborne disease outbreaks in the lower 48. In 2021, the City began the Pyramid Water Treatment Plant Chlorine Upgrade project, totaling just under \$700,000. This project includes the removal of the existing chlorine gas system and the installation of an on-site system which generates liquid chlorine (sodium hypochlorite) using salt and electricity. EPA standards call for phasing out shipping and handling cylinders of chlorine gas.

In 2018, the City began construction for the Unalaska Marine Center (UMC) Expansion and Replacement Project for dock positions 3 and 4. This \$39 million project is considered to be a vital project for business growth at the port. This project removes two aging dock positions and creates 440 feet of working dock face with minimum water depth of 45', and 1.8 acres of uplands, with load capacity to handle major cargos, fueling and larger vessels. Work finished on this project in 2020.

The 2019 DPS Building Assessment identified the need for a new Public Safety building and to remodel, the existing structure to better serve the stand alone Fire and EMS Department. Site assessments and preliminary design have been performed for the new building, with engineering and construction for both projects are included in the CMMP.

In 2020, the City entered in to a Power Purchase Agreement with Ounalashka Corporation/Chena Power in support of their geothermal power project. Related projects are identified in the CMMP for FY22 and FY23 totaling \$5.7 million, and may expand as more is learned about the power project itself. This project is the City of Unalaska's estimated portion of reliability upgrades for the City's electrical distribution system required to accept energy from the Makushin geothermal plant. It requires connecting multiple self-generating industrial customers to the current distribution system, installs more robust intermediate level protections, replaces the aging submarine cable at Iliuliuk Bay, upgrades numerous feeder connections and substations, and improves the current SCADA system and automated controls. This project includes a set aside for legal and consulting fees associated with implementation. A more accurate budget will be determined upon the completion of the interconnection study and after the implications are fully understood. Based on study findings, there may be a Phase II project to accomplish the required upgrades.

The City is the non-Federal sponsor of the design phase of the Entrance Channel Dredging Project led by the Army Corps of Engineers. In 2021, the City signed Design Agreement with the Corps. The Corps is authorized and federally funded for the 75/25 Cost Shared effort that will produce plans and specifications ready to advertise for the -58+2 dredging of the outside bar. The removal of this navigational restriction helps us

accommodate deep draft vessels, will benefit commerce, and considers best practices for navigation and safety margins. This project is identified in the CMMP.

The planned Library Improvement Project was put on hold given the COVID-19 pandemic. The City is now considering moving forward with this funded capital project.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Unalaska in past years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

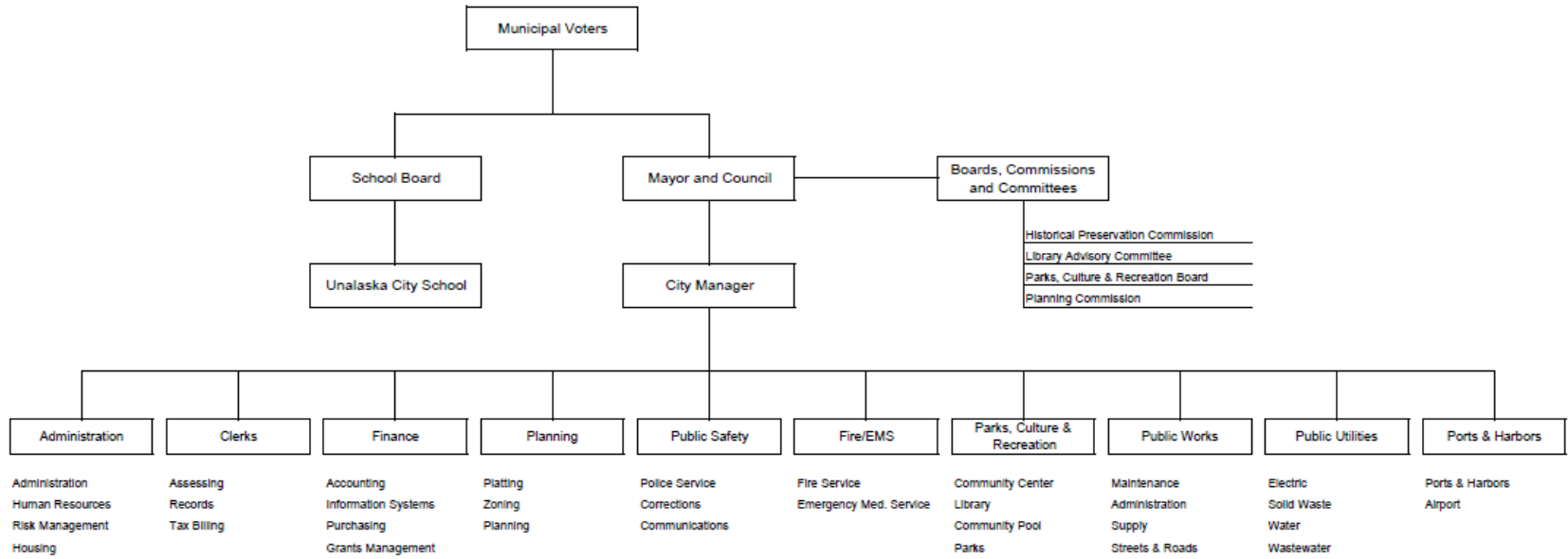
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Erin Reinders  
City Manager



## PRINCIPAL EXECUTIVE OFFICERS

### **Unalaska City Council**

Mayor

Vincent M. Tutiakoff, Sr.

Vice Mayor

Dennis Robinson

Council Member

Daneen Looby

Council Member

Darin Nicholson

Council Member

Alejandro Tungul

Council Member

Shari Coleman

Council Member

Thomas Bell

### **City Management**

City Manager

Erin Reinders

Assistant City Manager

J.R. Pearson

City Clerk

Marjie Veeder

Interim Finance Director

James Sharpe

Parks, Culture, and Recreation Director

Roger Blakeley

Planning Director

William Homka

Ports and Harbors Director

Peggy McLaughlin

Police Chief

Jay King

Fire Chief

Patrick Shipp

Public Works Director

Tom Cohenour

Public Utilities Director

Dan Winters

### **Special Services**

Attorney

Boyd, Chandler & Falconer, LLP

Auditors

KPMG LLP

### **School Board**

President

Jolene Longo

Member

Kerry Mahoney

Member

Danielle Williams

Member

Robert Cummings

Member

Nicole Bice

Student Representative

Gerwin Mateo

### **School Officials**

Superintendent

Dr. Robert L. Swint Jr.

Secondary Principal

Jim Wilson

Elementary Principal

Marti Rookala

Business Manager

Danielle Whittern

## **FINANCIAL SECTION**



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

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Coronavirus Relief Special Revenue Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

### *Other Matters*

#### **Required Supplementary Information**

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of the City's proportionate share of the net pension and OPEB liability or asset and contributions on pages 4–13 and 58–61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary and Other Information**

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

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

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





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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 21, 2021

**CITY OF UNALASKA, ALASKA**  
Management Discussion and Analysis (MD&A)  
June 30, 2021

Management of the City of Unalaska offers readers of the City of Unalaska's financial statements this narrative overview and analysis of the financial activities of the City of Unalaska for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–iv of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the City of Unalaska exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$419,180,334 (net position).
- The city's total net position decreased by \$180,549.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$115,900,084, which is an increase of \$4,202,637 from the prior year. Of this total amount, \$55,277,621, is either nonspendable, committed or assigned for emergency operations and general fund projects identified in the City's Capital and Major Maintenance Plan (CMMP).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$60,934,278, or 239% of total General Fund expenditures.
- The City recorded expenditures of \$9,354,099 related to CARES Act monies provided by the Federal government during fiscal year 2021.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## CITY OF UNALASKA, ALASKA

### Management Discussion and Analysis (MD&A)

June 30, 2021

Both of the government-wide financial statements distinguish functions of the City of Unalaska that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Unalaska include general government; public safety; public works; parks, culture, and recreation; community support; and education. The business-type activities of the City of Unalaska include electric, water, wastewater, solid waste, ports and harbors, airport terminal, and housing operations.

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

The government-wide financial statements can be found on pages 14–15 of this report.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Unalaska, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Unalaska can be divided into two categories: governmental funds and proprietary funds.

#### *Governmental Funds*

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

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

The City of Unalaska maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Cares Special Revenue Fund, both of which are considered major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of *combining statements and schedules*, which can be found on pages 62–63.

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

**CITY OF UNALASKA, ALASKA**  
Management Discussion and Analysis (MD&A)  
June 30, 2021

The basic governmental fund financial statements can be found on pages 16–20 of this report.

*Proprietary Funds*

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

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

The basic proprietary fund financial statements can be found on pages 21–24 of this report.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25–57 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Unalaska, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$419,180,334 at the close of the most recent fiscal year.

**CITY OF UNALASKA, ALASKA**  
Management Discussion and Analysis (MD&A)  
June 30, 2021

Approximately 63% of the City of Unalaska's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Unalaska uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Unalaska's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total*</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 178,374,889	198,952,238	60,350,543	56,980,916	238,725,432	255,933,154
Capital assets	<u>95,053,684</u>	<u>95,335,555</u>	<u>238,813,047</u>	<u>248,577,256</u>	<u>333,866,731</u>	<u>343,912,811</u>
Total assets	<u>\$ 273,428,573</u>	<u>294,287,793</u>	<u>299,163,590</u>	<u>305,558,172</u>	<u>572,592,163</u>	<u>599,845,965</u>
Deferred outflows of resources	\$ 2,607,006	2,352,703	3,339,010	3,343,556	5,946,016	5,696,259
Long-term liabilities	\$ 15,543,372	13,929,071	86,724,555	89,036,208	102,267,927	102,965,279
Other liabilities	<u>52,968,640</u>	<u>79,488,335</u>	<u>2,545,368</u>	<u>2,375,016</u>	<u>55,514,008</u>	<u>81,863,351</u>
Total liabilities	<u>\$ 68,512,012</u>	<u>93,417,406</u>	<u>89,269,923</u>	<u>91,411,224</u>	<u>157,781,935</u>	<u>184,828,630</u>
Deferred inflows of resources	\$ 961,315	827,567	614,595	557,364	1,575,910	1,384,931
Net position:						
Net investment in capital assets	\$ 95,053,684	95,011,289	167,582,699	179,189,551	262,636,383	274,200,840
Unrestricted	<u>111,508,568</u>	<u>107,384,234</u>	<u>45,035,383</u>	<u>37,743,589</u>	<u>156,543,951</u>	<u>145,127,823</u>
Net position	<u>\$ 206,562,252</u>	<u>202,395,523</u>	<u>212,618,082</u>	<u>216,933,140</u>	<u>419,180,334</u>	<u>419,328,663</u>

\* To facilitate ease of presentation, the total columns include the internal balances of \$53,144,510.

The balance of unrestricted net position, \$156,543,951, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal year, the City of Unalaska is able to report positive balances in both categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

Deferred outflows of resources increased \$249,757 during 2021 and has three components, deferred outflows of pension related resources, deferred outflows of OPEB related resources, and deferred charge on refunding. The balance for pension related resources decreased primarily due to the change in actuarial assumptions of \$(605,639), recognition of deferred outflows of resources for changes in proportion and difference between City contributions and proportionate share of contributions of \$237,358, difference between expected and actual earnings of \$644,061. The balance for OPEB related resources decreased due to the recognition of deferred outflows of resources for changes in assumptions of \$(722,537), proportion and differences between contributions and proportionate share of contributions of \$(4,290), and net difference between projected and actual earnings of \$730,655.

Deferred inflows of resources increased \$190,979 during 2021 and has two components, deferred inflows of pension related resources, and deferred inflows of OPEB related resources. Deferred inflows of resources

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related to pensions decreased to zero, which was a reduction of \$662,844. The balance for OPEB related resources increased primarily due to the changes in assumptions of \$1,346,002.

Table 2

	City of Unalaska's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 161,718	229,268	27,940,889	31,652,458	28,102,607	31,881,726
Operating grants and contributions	10,949,949	4,957,803	1,326,354	559,105	12,276,303	5,516,908
Capital grants and contributions	—	139,000	—	—	—	139,000
General revenues:						
Property taxes	7,236,948	7,077,956	—	—	7,236,948	7,077,956
General sales tax	10,689,627	10,798,464	—	—	10,689,627	10,798,464
Raw seafood tax	5,276,466	5,328,128	—	—	5,276,466	5,328,128
Fisheries tax	8,620,564	7,864,023	—	—	8,620,564	7,864,023
Investment earnings	473,850	5,273,118	1,889	66,893	475,739	5,340,011
Other	1,437,600	1,747,558	—	1,925	1,437,600	1,749,483
Total revenues	<u>44,846,722</u>	<u>43,415,318</u>	<u>29,269,132</u>	<u>32,280,381</u>	<u>74,115,854</u>	<u>75,695,699</u>
Expenses:						
General government	5,441,013	4,778,446	—	—	5,441,013	4,778,446
Public safety	8,931,368	8,157,937	—	—	8,931,368	8,157,937
Public works	8,239,458	8,148,465	—	—	8,239,458	8,148,465
Parks, culture, and recreation	3,783,470	3,210,275	—	—	3,783,470	3,210,275
Community support	8,311,556	1,469,236	—	—	8,311,556	1,469,236
Education	5,072,372	5,055,090	—	—	5,072,372	5,055,090
Interest on long-term debt	—	2,147	—	—	—	2,147
Electric	—	—	13,953,782	15,365,764	13,953,782	15,365,764
Water	—	—	3,197,066	3,005,689	3,197,066	3,005,689
Wastewater	—	—	3,685,166	3,593,128	3,685,166	3,593,128
Solid waste	—	—	3,136,327	3,367,810	3,136,327	3,367,810
Ports and harbors	—	—	9,257,494	9,002,159	9,257,494	9,002,159
Airport	—	—	708,589	633,214	708,589	633,214
Housing	—	—	546,522	439,378	546,522	439,378
Total expenses	<u>39,779,237</u>	<u>30,821,596</u>	<u>34,484,946</u>	<u>35,407,142</u>	<u>74,264,183</u>	<u>66,228,738</u>
Increase in net position before transfers	5,067,485	12,593,722	(5,215,814)	(3,126,761)	(148,329)	9,466,961
Transfers	(900,756)	(2,514,112)	900,756	2,514,112	—	—
Change in net position	4,166,729	10,079,610	(4,315,058)	(612,649)	(148,329)	9,466,961
Net position, beginning of year	<u>202,395,523</u>	<u>192,315,913</u>	<u>216,933,140</u>	<u>217,545,789</u>	<u>419,328,663</u>	<u>409,861,702</u>
Net position, end of year	<u>\$ 206,562,252</u>	<u>202,395,523</u>	<u>212,618,082</u>	<u>216,933,140</u>	<u>419,180,334</u>	<u>419,328,663</u>

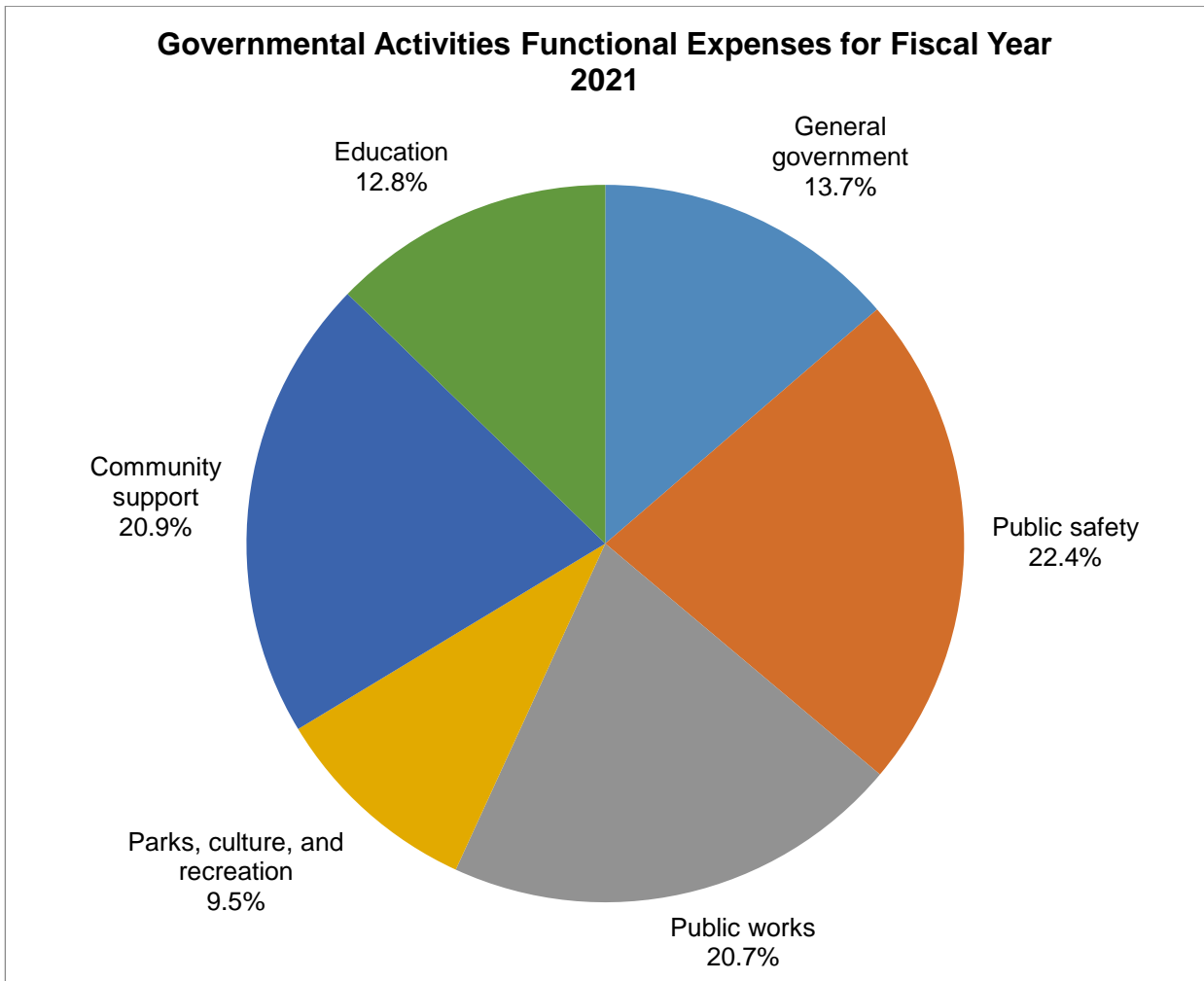
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The government's net position decreased \$108,549 during the current fiscal year. Revenues overall decreased 2% or \$1,579,845. The net decrease includes an increase in operating grants of \$6,759,395, which is offset by decreases in investment earnings and charges for services of \$4,864,272 and \$3,779,119, respectively.

Total expenses increased \$7,995,665 from the prior year due to primarily to COVID-19 related spending, funded by the CARES Act grant.

**Governmental Activities**

Governmental activities increased the City of Unalaska's net position by \$4,166,729, which is spread throughout the City's governmental revenues and expenditures with no significant increases in revenue or decreases in expenditures.



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**Business-Type Activities**

Net position decreased \$4,275,278 for Business-type activities (table 2); this is attributable to losses in each of the Enterprise Funds; however, the most significant losses occurred in the Wastewater Utility Fund (\$1,001,800) and the Ports and Harbors Enterprise Fund (\$2,411,546).

**Financial Analysis of the Government's Funds**

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

*Governmental Funds*

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

As of the end of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$115,900,084, which is an increase of \$4,202,637 from the prior year. Approximately 97% of this total amount, \$112,847,070 constitutes spendable fund balance much of which has been committed for projects identified by the government.

The General Fund is the chief operating fund of the City of Unalaska. At the end of the current fiscal year, spendable fund balance of the General Fund was \$87,240,165, and the total fund balance was \$90,293,179. As a measure of the General Fund's liquidity, both spendable fund balance and total fund balance may be compared to total fund expenditures. Spendable fund balance represents 342% of total General Fund expenditures, while total fund balance represents 354% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$4,291,470 during this fiscal year.

As a result of the City's CARES Act and other coronavirus related grant funding during fiscal year 2021, the fund used to report that activity was a major fund and is reported as such in the governmental funds. Furthermore, as a result of transfers to the Capital Projects Fund, and the related amount due from other funds, the fund used to report that activity was a major fund in fiscal year 2021.

*Proprietary Funds*

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

Unrestricted net position of business-type activities at the end of the year amounted to \$45,035,383. The business-type activities net position decreased by \$4,315,058.



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**General Fund Budgetary Highlights**

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

General Sales and Seafood Sales taxes outperformed budgeted amounts by \$1,762,997 and \$1,065,301, respectively.

Each functional area within the General Fund stayed within their budgets, with Public Safety showing the greatest amount of savings in the amount of \$1,458,478, which is primarily attributable to personnel costs.

**Capital Asset and Debt Administration**

*Capital Assets*

The City of Unalaska’s net investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$262,636,383 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The City of Unalaska’s net investment in capital assets decreased \$11,564,457 in the current year.

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

- The City procured an aerial ladder truck with \$1,382,131 in current year general fund expenditures.
- The Sitka Spruce Park Improvements project was completed in fiscal year 2021 with \$562,395 in current year general fund expenditures.
- The Unalaska City School District Playground renovation project was completed in fiscal year 2021 with \$952,777 in current year general fund expenditures.
- The Electric Utility Fund Generator Sets Rebuild project was completed in fiscal year 2021 with \$820,216 in expenditures.
- The Pyramid Water Treatment Plant Micro Turbines project continued with current year expenditures of \$476,810.

**Table 3**

<b>City of Unalaska Capital Assets</b> (Net of Accumulated Depreciation)						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Land	\$ 31,147,603	31,147,603	3,309,476	3,309,476	34,457,079	34,457,079
Buildings	26,748,205	28,266,131	72,869,337	75,547,483	99,617,542	103,813,614
Infrastructure	25,759,809	26,514,357	138,755,940	145,380,304	164,515,749	171,894,661
Machinery and equipment	2,665,856	2,853,204	20,100,127	21,184,627	22,765,983	24,037,831
Construction in progress	8,732,211	6,554,260	3,778,167	3,155,366	12,510,378	9,709,626
Total capital assets	<u>\$ 95,053,684</u>	<u>95,335,555</u>	<u>238,813,047</u>	<u>248,577,256</u>	<u>333,866,731</u>	<u>343,912,811</u>

Additional information on the City of Unalaska’s capital assets can be found in note 3(b) on pages 37–39 of this report.

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*Long-Term Debt*

At the end of the current fiscal year, the City of Unalaska had total debt outstanding of \$64,519,826 (table 4). Of this amount, \$2,345,000 comprises debt backed by the full faith and credit of the government.

**Table 4**

	<b>City of Unalaska Debt</b>					
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General obligation bonds	\$ —	—	2,345,000	2,730,000	2,345,000	2,730,000
Revenue bonds	—	—	49,065,000	51,940,000	49,065,000	51,940,000
Other contracts and loans	—	—	13,109,826	13,971,851	13,109,826	13,971,851
<b>Total long-term debt</b>	<b>\$ —</b>	<b>—</b>	<b>64,519,826</b>	<b>68,641,851</b>	<b>64,519,826</b>	<b>68,641,851</b>

The City of Unalaska’s total debt decreased by \$4,122,025 (6%) during the current fiscal year. State statutes do not limit the amount of debt a governmental entity may issue. Additional information on the City of Unalaska’s long-term debt can be found in note 3(e) on pages 42–46 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

It is unclear at the moment as to what the long-term economic impacts of the coronavirus pandemic will be to the City of Unalaska. The fiscal year 2021 budget included a reduction in general sales taxes of \$2,500,000. Additionally, budget reductions were implemented throughout all departments in an effort to reduce spending.

While a portion of the Coronavirus Relief funding was received in June 2020, the remaining portion was received during fiscal year 2021. The City has implemented a plan to utilize the full amount received to provide community support as well as continue to address prevention and response needs throughout City offices.

The average unemployment rate for the Aleutians West Region, which includes Unalaska, was 3.6% for calendar year 2019, which is an increase from a rate of 3.5% in calendar year 2018. Management does not believe either figure is indicative of unemployment within the City’s limits. Since the seafood economy is robust in Unalaska while other communities that are more reliant on snow crab and salmon may be experiencing higher unemployment, neither unemployment rate for the region is indicative of unemployment in Unalaska.

Lower oil prices have negatively impacted the City’s sales tax through marine fuel. Fuel sales generate approximately 40% of the City’s sales tax. Total sales tax was 24% of governmental activities revenue in fiscal year 2021.

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**Requests for Information**

This financial report is designed to provide a general overview of the City of Unalaska's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Unalaska, P.O. Box 610, Unalaska, Alaska 99685.

CITY OF UNALASKA, ALASKA

Statement of Net Position

June 30, 2021

Assets and Deferred Outflows of Resources	Primary government				Component unit
	Governmental activities	Business-type activities	Eliminations	Total	Unalaska City School District
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,810,545	150	—	1,810,695	3,872,831
Temporary investments	47,236,771	—	—	47,236,771	—
Receivables:					
Interest	435,282	—	—	435,282	—
Taxes	3,813,641	—	—	3,813,641	—
Accounts, net of allowance for uncollectible amounts of \$50,147	22,566	2,168,014	—	2,190,580	129,577
Special assessments	—	10,355	—	10,355	—
Intergovernmental	8,450,176	70,455	—	8,520,631	—
Internal balances	2,070,000	51,074,510	(53,144,510)	—	—
Inventories	983,014	1,685,941	—	2,668,955	37,140
Prepaid items	—	—	—	—	1,057,197
Restricted assets:					
Cash held by fiscal agent	—	4,695,488	—	4,695,488	—
Cash restricted for health insurance	—	—	—	—	402,418
Long-term investments	112,299,325	—	—	112,299,325	—
Net OPEB asset	1,253,569	645,630	—	1,899,199	605,392
Capital assets:					
Not being depreciated	39,879,814	7,087,643	—	46,967,457	42,500
Being depreciated, net	55,173,870	231,725,404	—	286,899,274	299,388
Total assets	<u>273,428,573</u>	<u>299,163,590</u>	<u>(53,144,510)</u>	<u>519,447,653</u>	<u>6,446,443</u>
<b>Deferred outflows of resources:</b>					
Deferred charge on refunding	—	1,744,504	—	1,744,504	—
OPEB related	775,470	490,134	—	1,265,604	321,527
Pension related	1,831,536	1,104,372	—	2,935,908	486,204
Total deferred outflows of resources	<u>2,607,006</u>	<u>3,339,010</u>	<u>—</u>	<u>5,946,016</u>	<u>807,731</u>
<b>Liabilities and Deferred Inflows of Resources</b>					
<b>Liabilities:</b>					
Accounts payable	932,372	794,068	—	1,726,440	142,649
Accrued payroll and payroll liabilities	519,424	760,165	—	1,279,589	920,052
Accrued interest	—	550,086	—	550,086	—
Deposit payable	2,683	201,049	—	203,732	12,940
Unearned revenue	439,651	—	—	439,651	7,332
Internal balances	51,074,510	240,000	(51,314,510)	—	—
Noncurrent liabilities:					
Internal balances	—	1,830,000	(1,830,000)	—	—
Due within one year: Bonds, notes, compensated absences	1,671,029	3,334,452	—	5,005,481	—
Due in more than one year:					
Bonds, notes, compensated absences	—	72,639,044	—	72,639,044	—
Net pension liability	13,872,343	8,921,059	—	22,793,402	4,120,125
Total liabilities	<u>68,512,012</u>	<u>89,269,923</u>	<u>(53,144,510)</u>	<u>104,637,425</u>	<u>5,203,098</u>
<b>Deferred inflows of resources:</b>					
OPEB related	961,315	614,595	—	1,575,910	303,748
Pension related	—	—	—	—	222,905
Total deferred inflows of resources	<u>961,315</u>	<u>614,595</u>	<u>—</u>	<u>1,575,910</u>	<u>526,653</u>
<b>Net position:</b>					
Net investment in capital assets	95,053,684	167,582,699	—	262,636,383	341,888
Restricted for scholarships and community schools	—	—	—	—	302,019
Unrestricted	111,508,568	45,035,383	—	156,543,951	880,516
Net position	<u>\$ 206,562,252</u>	<u>212,618,082</u>	<u>—</u>	<u>419,180,334</u>	<u>1,524,423</u>

See accompanying notes to basic financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2021

Functions/programs					Net (expense) revenue and changes in net position			Component Unit Unalaska City School District
	Expenses	Program revenues			Primary government		Total	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities		
Primary government:								
Governmental activities:								
Current:								
General government	\$ 5,441,013	34,203	882,679	—	(4,524,131)	—	(4,524,131)	—
Public safety	8,931,368	29,965	9,947,710	—	1,046,307	—	1,046,307	—
Public works	8,239,458	—	—	—	(8,239,458)	—	(8,239,458)	—
Parks, culture, and recreation	3,783,470	97,550	119,560	—	(3,566,360)	—	(3,566,360)	—
Community support	8,311,556	—	—	—	(8,311,556)	—	(8,311,556)	—
Education	5,072,372	—	—	—	(5,072,372)	—	(5,072,372)	—
Total governmental activities	<u>39,779,237</u>	<u>161,718</u>	<u>10,949,949</u>	<u>—</u>	<u>(28,667,570)</u>	<u>—</u>	<u>(28,667,570)</u>	<u>—</u>
Business-type activities:								
Electric	13,953,782	12,427,316	672,320	—	—	(854,146)	(854,146)	—
Water	3,197,066	2,933,144	148,369	—	—	(115,553)	(115,553)	—
Wastewater	3,685,166	2,537,520	145,846	—	—	(1,001,800)	(1,001,800)	—
Solid waste	3,136,327	2,654,129	118,784	—	—	(363,414)	(363,414)	—
Ports and harbors	9,257,494	6,649,714	196,234	—	—	(2,411,546)	(2,411,546)	—
Airport	708,589	481,450	22,063	—	—	(205,076)	(205,076)	—
Housing	546,522	257,616	22,738	—	—	(266,168)	(266,168)	—
Total business-type activities	<u>34,484,946</u>	<u>27,940,889</u>	<u>1,326,354</u>	<u>—</u>	<u>—</u>	<u>(5,217,703)</u>	<u>(5,217,703)</u>	<u>—</u>
Total primary government	<u>\$ 74,264,183</u>	<u>28,102,607</u>	<u>12,276,303</u>	<u>—</u>	<u>(28,667,570)</u>	<u>(5,217,703)</u>	<u>(33,885,273)</u>	<u>—</u>
Component unit:								
Unalaska City School District	\$ 8,863,131	308,225	2,401,872	12,000	—	—	—	(6,141,034)
General revenues:								
Property taxes					\$ 4,799,516	—	4,799,516	—
Personal property taxes					2,437,432	—	2,437,432	—
General sales tax					10,689,627	—	10,689,627	—
Raw seafood sales tax					5,276,466	—	5,276,466	—
Fisheries tax					8,620,564	—	8,620,564	—
Other taxes					131,414	—	131,414	—
Payment in lieu of taxes					916,649	—	916,649	—
Grants not restricted to specific programs					—	—	—	3,744,304
Investment earnings					473,850	1,889	475,739	542
Support from City of Unalaska					—	—	—	3,237,476
Other					389,537	—	389,537	273,414
Capital contributions					(20,983)	20,983	—	—
Transfers					(879,773)	879,773	—	—
Total general revenues and transfers					<u>32,834,299</u>	<u>902,645</u>	<u>33,736,944</u>	<u>7,255,736</u>
Change in net position					<u>4,166,729</u>	<u>(4,315,058)</u>	<u>(148,329)</u>	<u>1,114,702</u>
Net position, beginning of year, as previously stated					202,395,523	216,933,140	419,328,663	281,500
Cumulative effect of a change in accounting principle					—	—	—	128,221
Net position, beginning of year, as restated					<u>202,395,523</u>	<u>216,933,140</u>	<u>419,328,663</u>	<u>409,721</u>
Net position, end of year					<u>\$ 206,562,252</u>	<u>212,618,082</u>	<u>419,180,334</u>	<u>1,524,423</u>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

Governmental Funds

Balance Sheet

June 30, 2021

<b>Assets</b>	<b>General Fund</b>	<b>Coronavirus Relief Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total nonmajor funds</b>	<b>Total governmental funds</b>
Cash and cash equivalents	\$ 1,810,545	—	—	—	1,810,545
Temporary investments	47,236,771	—	—	—	47,236,771
Receivables, net:					
General	22,566	—	—	—	22,566
Interest	435,282	—	—	—	435,282
Taxes	2,842,866	—	—	970,775	3,813,641
Intergovernmental	8,450,176	—	—	—	8,450,176
Due from other funds	—	647,087	11,453,635	13,337,435	25,438,157
Inventories	983,014	—	—	—	983,014
Advances to other funds	2,070,000	—	—	—	2,070,000
Long-term investments	112,299,325	—	—	—	112,299,325
<b>Total assets</b>	<b>\$ 176,150,545</b>	<b>647,087</b>	<b>11,453,635</b>	<b>14,308,210</b>	<b>202,559,477</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 560,681	219,251	151,855	585	932,372
Accrued payroll liabilities	518,839	585	—	—	519,424
Customer deposits	2,683	—	—	—	2,683
Due to other funds	76,512,667	—	—	—	76,512,667
Unearned revenues	9,900	427,251	—	2,500	439,651
<b>Total liabilities</b>	<b>77,604,770</b>	<b>647,087</b>	<b>151,855</b>	<b>3,085</b>	<b>78,406,797</b>
Deferred inflows of resources:					
Unavailable revenue – taxes	8,252,596	—	—	—	8,252,596
Fund balances:					
Nonspendable:					
Inventories and prepaid items	983,014	—	—	—	983,014
Advances to other funds	2,070,000	—	—	—	2,070,000
Committed:					
Emergency operations	25,000,000	—	—	—	25,000,000
Compensated absences	1,000,000	—	—	—	1,000,000
Community support	—	—	—	157,500	157,500
Capital projects	—	—	10,745,169	14,280,119	25,025,288
Assigned	305,887	179,321	556,611	—	1,041,819
Unassigned	60,934,278	(179,321)	—	(132,494)	60,622,463
<b>Total fund balances</b>	<b>90,293,179</b>	<b>—</b>	<b>11,301,780</b>	<b>14,305,125</b>	<b>115,900,084</b>
<b>Total liabilities, deferred inflows     of resources, and fund balances</b>	<b>\$ 176,150,545</b>	<b>647,087</b>	<b>11,453,635</b>	<b>14,308,210</b>	<b>202,559,477</b>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

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

June 30, 2021

Amounts reported as fund balances on the governmental funds balance sheet	\$ 115,900,084
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	95,053,684
Pension and OPEB related deferred outflows of resources that are not financial resources and, therefore, are not reported in the funds:	
Pension	1,831,536
OPEB	<u>775,470</u>
	<u>2,607,006</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	3,672,482
Shared fisheries resource landing tax	4,549,661
Real property	23,112
Personal property	7,341
Net OPEB asset	<u>1,253,569</u>
	<u>9,506,165</u>
Long-term liabilities, including pension and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(13,872,343)
Compensated absences	<u>(1,671,029)</u>
	<u>(15,543,372)</u>
Pension and OPEB related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
OPEB	<u>(961,315)</u>
	<u>(961,315)</u>
Net position of governmental activities	\$ <u><u>206,562,252</u></u>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2021

	<u>General Fund</u>	<u>Coronavirus Relief Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
Revenues:					
Taxes:					
General sales	\$ 7,096,330	—	—	3,593,297	10,689,627
Seafood sales	5,276,466	—	—	—	5,276,466
Real property	4,799,516	—	—	—	4,799,516
Personal property	2,437,432	—	—	—	2,437,432
Other	131,414	—	—	—	131,414
Intergovernmental:					
Fisheries business tax	3,747,582	—	—	—	3,747,582
Fisheries resource landing tax	4,386,842	—	—	—	4,386,842
PERS nonemployer contributions	704,082	—	—	—	704,082
Payments in lieu of taxes	916,649	—	—	—	916,649
Corrections contract	431,207	—	—	—	431,207
Grant revenue	—	9,516,503	—	—	9,516,503
Other	233,462	—	—	—	233,462
Charges for services	161,719	—	—	—	161,719
Investment income	473,253	597	—	—	473,850
Other revenues	389,537	—	—	—	389,537
Total revenues	<u>31,185,491</u>	<u>9,517,100</u>	<u>—</u>	<u>3,593,297</u>	<u>44,295,888</u>
Expenditures:					
Current:					
General government	5,201,807	—	—	—	5,201,807
Public safety	6,035,798	2,517,269	—	—	8,553,067
Public works	5,731,642	—	—	—	5,731,642
Parks, culture, and recreation	3,058,503	—	—	—	3,058,503
Community support	1,101,725	6,999,831	—	210,000	8,311,556
Education	4,344,274	—	—	—	4,344,274
Capital projects	—	—	4,010,224	2,405	4,012,629
Total expenditures	<u>25,473,749</u>	<u>9,517,100</u>	<u>4,010,224</u>	<u>212,405</u>	<u>39,213,478</u>
Excess revenues over expenditures	<u>5,711,742</u>	<u>—</u>	<u>(4,010,224)</u>	<u>3,380,892</u>	<u>5,082,410</u>
Other financing sources (uses):					
Transfers in	184,386	—	2,100,000	366,793	2,651,179
Transfers out	<u>(1,604,658)</u>	<u>—</u>	<u>(54,894)</u>	<u>(1,871,400)</u>	<u>(3,530,952)</u>
Net other financing sources (uses)	<u>(1,420,272)</u>	<u>—</u>	<u>2,045,106</u>	<u>(1,504,607)</u>	<u>(879,773)</u>
Net change in fund balances	4,291,470	—	(1,965,118)	1,876,285	4,202,637
Fund balances, beginning of year	86,001,709	—	13,266,898	12,428,840	111,697,447
Fund balances, end of year	\$ <u>90,293,179</u>	<u>—</u>	<u>11,301,780</u>	<u>14,305,125</u>	<u>115,900,084</u>

See accompanying notes to basic financial statements.



**CITY OF UNALASKA, ALASKA**

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

Year ended June 30, 2021

Net change in fund balance – total governmental funds	\$ 4,202,637
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	4,932,423
Depreciation expense	(5,193,314)
Capital contributions	<u>(20,983)</u>
	<u>(281,874)</u>
Governmental funds report pension and OPEB payments as expenditures. However, in the statement of activities, the pension and OPEB costs are actuarially determined – change in:	
Pension	850,008
OPEB	<u>(729,449)</u>
	<u>120,559</u>
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds – change in:	
Shared fisheries business tax	454,707
Shared fisheries resource landing tax	<u>31,433</u>
	<u>486,140</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in OPEB asset	1,525,919
Change in net pension liability	(1,898,502)
Change in compensated absences	<u>11,850</u>
	<u>(360,733)</u>
Change in net position of governmental activities	\$ <u>4,166,729</u>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

General Fund

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

Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 5,333,333	5,333,333	7,096,330	1,762,997
Seafood sales	4,211,165	4,211,165	5,276,466	1,065,301
Real property	5,000,000	5,000,000	4,799,516	(200,484)
Personal property	2,100,000	2,100,000	2,437,432	337,432
Other	75,000	75,000	131,414	56,414
Intergovernmental:				
Fisheries business tax	3,480,663	3,480,663	3,747,582	266,919
Fisheries resource landing tax	5,000,000	5,000,000	4,386,842	(613,158)
PERS nonemployer contributions	457,294	457,294	704,082	246,788
Payments in lieu of taxes	503,416	503,416	916,649	413,233
Corrections contract	481,355	481,355	431,207	(50,148)
Debt reimbursement	137,445	137,445	—	(137,445)
Other	427,250	427,250	233,462	(193,788)
Charges for services	266,350	266,350	161,719	(104,631)
Investment income	1,400,000	1,400,000	473,253	(926,747)
Other revenues	216,300	266,300	389,537	123,237
Total revenues	<u>29,089,571</u>	<u>29,139,571</u>	<u>31,185,491</u>	<u>2,045,920</u>
Expenditures:				
Current:				
General government	5,747,541	5,748,662	5,201,807	546,855
Public safety	7,376,498	7,494,276	6,035,798	1,458,478
Public works	5,981,347	6,062,465	5,731,642	330,823
Parks, culture, and recreation	3,436,145	3,551,705	3,058,503	493,202
Community support	1,101,608	1,151,608	1,101,725	49,883
Education	4,344,274	4,344,274	4,344,274	—
Total expenditures	<u>27,987,413</u>	<u>28,352,990</u>	<u>25,473,749</u>	<u>2,879,241</u>
Excess of revenues over expenditures	<u>1,102,158</u>	<u>786,581</u>	<u>5,711,742</u>	<u>4,925,161</u>
Other financing sources (uses):				
Proceeds from the sale of assets	2,500	2,500	—	(2,500)
Transfers in	—	—	184,386	184,386
Transfers out	<u>(1,104,658)</u>	<u>(1,604,658)</u>	<u>(1,604,658)</u>	<u>—</u>
Net other financing uses	<u>(1,102,158)</u>	<u>(1,602,158)</u>	<u>(1,420,272)</u>	<u>181,886</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>(815,577)</u>	4,291,470	<u>5,107,047</u>
Fund balances, beginning of year			<u>86,001,709</u>	
Fund balances, end of year			<u>\$ 90,293,179</u>	

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

Proprietary Funds

Statement of Net Position

June 30, 2021

<b>Assets and Deferred Outflows of Resources</b>	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Solid waste</b>	<b>Ports and harbors</b>	<b>Other proprietary funds</b>	<b>Total</b>
<b>Current assets:</b>							
Cash	\$ —	—	—	—	150	—	150
Accounts receivables (net of allowance for uncollectibles)	847,024	223,507	185,936	206,192	699,045	6,310	2,168,014
Assessments receivable	—	730	9,625	—	—	—	10,355
Accounts receivable – Intergovernmental	41,835	—	—	—	28,620	—	70,455
Due from General Fund	15,238,435	10,261,708	5,630,362	8,424,288	9,353,708	2,166,009	51,074,510
Inventories	1,288,998	332,893	26,685	37,365	—	—	1,685,941
<b>Total current assets</b>	<b>17,416,292</b>	<b>10,818,838</b>	<b>5,852,608</b>	<b>8,667,845</b>	<b>10,081,523</b>	<b>2,172,319</b>	<b>55,009,425</b>
<b>Noncurrent assets:</b>							
<b>Restricted assets:</b>							
Cash held by fiscal agent	2,232,865	—	—	—	2,462,623	—	4,695,488
Net OPEB asset	249,014	135,550	92,815	76,113	59,110	33,028	645,630
Capital assets, net	52,974,117	19,222,541	33,679,753	15,795,260	111,163,146	5,978,230	238,813,047
<b>Total noncurrent assets</b>	<b>55,455,996</b>	<b>19,358,091</b>	<b>33,772,568</b>	<b>15,871,373</b>	<b>113,684,879</b>	<b>6,011,258</b>	<b>244,154,165</b>
<b>Total assets</b>	<b>72,872,288</b>	<b>30,176,929</b>	<b>39,625,176</b>	<b>24,539,218</b>	<b>123,766,402</b>	<b>8,183,577</b>	<b>299,163,590</b>
<b>Deferred outflows of resources:</b>							
Deferred charge on refunding	1,721,758	—	—	—	22,746	—	1,744,504
OPEB related	163,978	67,132	62,352	64,145	114,127	18,400	490,134
Pension related	415,709	152,227	145,606	139,743	206,009	45,078	1,104,372
<b>Total deferred outflows of resources</b>	<b>2,301,445</b>	<b>219,359</b>	<b>207,958</b>	<b>203,888</b>	<b>342,882</b>	<b>63,478</b>	<b>3,339,010</b>
<b>Liabilities and Deferred Inflows of Resources</b>							
<b>Current liabilities:</b>							
Accounts payable	645,669	39,689	74,987	19,481	5,788	8,454	794,068
Accrued payroll and payroll liabilities	213,360	121,903	111,407	89,768	208,386	15,341	760,165
Accrued interest	199,802	39,482	72,281	19,067	219,454	—	550,086
Bonds, loans, and other liabilities	1,439,676	179,463	428,330	254,232	1,032,751	—	3,334,452
Advances from General Fund	240,000	—	—	—	—	—	240,000
Customer deposits	119,920	20,992	19,451	9,408	—	31,278	201,049
<b>Total current liabilities</b>	<b>2,858,427</b>	<b>401,529</b>	<b>706,456</b>	<b>391,956</b>	<b>1,466,379</b>	<b>55,073</b>	<b>5,879,820</b>
<b>Noncurrent liabilities:</b>							
Bonds and loans payable	21,375,317	2,691,940	5,996,620	3,559,241	33,397,196	—	67,020,314
Advances from General Fund	1,830,000	—	—	—	—	—	1,830,000
Net pension liability	3,176,281	1,253,118	1,203,009	1,116,909	1,826,949	344,793	8,921,059
Accrued landfill closure and post closure costs	—	—	—	5,618,730	—	—	5,618,730
<b>Total noncurrent liabilities</b>	<b>26,381,598</b>	<b>3,945,058</b>	<b>7,199,629</b>	<b>10,294,880</b>	<b>35,224,145</b>	<b>344,793</b>	<b>83,390,103</b>
<b>Total liabilities</b>	<b>29,240,025</b>	<b>4,346,587</b>	<b>7,906,085</b>	<b>10,686,836</b>	<b>36,690,524</b>	<b>399,866</b>	<b>89,269,923</b>
<b>Deferred inflows of resources:</b>							
OPEB related	183,887	86,102	104,609	84,303	124,873	30,821	614,595
<b>Total deferred inflows of resources</b>	<b>183,887</b>	<b>86,102</b>	<b>104,609</b>	<b>84,303</b>	<b>124,873</b>	<b>30,821</b>	<b>614,595</b>
<b>Net Position</b>							
Net investment in capital assets	29,611,080	16,311,656	27,182,522	11,962,720	76,536,491	5,978,230	167,582,699
Unrestricted	16,138,741	9,651,943	4,639,918	2,009,247	10,757,396	1,838,138	45,035,383
<b>Total net position</b>	<b>\$ 45,749,821</b>	<b>25,963,599</b>	<b>31,822,440</b>	<b>13,971,967</b>	<b>87,293,887</b>	<b>7,816,368</b>	<b>212,618,082</b>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

Proprietary Funds

Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2021

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Operating revenues:							
Charges for services	\$ 12,427,316	2,933,144	2,537,520	2,654,129	6,649,714	739,066	27,940,889
Total operating revenues	<u>12,427,316</u>	<u>2,933,144</u>	<u>2,537,520</u>	<u>2,654,129</u>	<u>6,649,714</u>	<u>739,066</u>	<u>27,940,889</u>
Operating expenses:							
Operations	8,278,915	1,393,831	1,811,595	1,342,829	2,523,235	621,715	15,972,120
General and administrative	1,277,762	645,097	539,911	400,489	1,158,530	163,658	4,185,447
Landfill closure and post closure care costs	—	—	—	375,331	—	—	375,331
Depreciation and amortization	3,426,465	1,116,494	1,239,304	908,323	4,316,580	459,230	11,466,396
Total operating expenses	<u>12,983,142</u>	<u>3,155,422</u>	<u>3,590,810</u>	<u>3,026,972</u>	<u>7,998,345</u>	<u>1,244,603</u>	<u>31,999,294</u>
Operating income (loss)	<u>(555,826)</u>	<u>(222,278)</u>	<u>(1,053,290)</u>	<u>(372,843)</u>	<u>(1,348,631)</u>	<u>(505,537)</u>	<u>(4,058,405)</u>
Nonoperating revenues (expenses):							
Gain (loss) on sale/disposal of assets	—	—	—	(29,272)	—	(10,508)	(39,780)
Intergovernmental revenue	672,320	148,369	145,846	118,784	196,234	44,801	1,326,354
Interest income	913	—	—	—	976	—	1,889
Interest expense	(970,640)	(41,644)	(94,356)	(80,083)	(1,259,149)	—	(2,445,872)
Net nonoperating revenues (expenses)	<u>(297,407)</u>	<u>106,725</u>	<u>51,490</u>	<u>9,429</u>	<u>(1,061,939)</u>	<u>34,293</u>	<u>(1,157,409)</u>
Income (loss) before capital contributions and transfers	<u>(853,233)</u>	<u>(115,553)</u>	<u>(1,001,800)</u>	<u>(363,414)</u>	<u>(2,410,570)</u>	<u>(471,244)</u>	<u>(5,215,814)</u>
Capital contributions	7,650	—	6,721	—	—	6,612	20,983
Transfers in	—	—	1,009,265	—	—	—	1,009,265
Transfers out	—	—	—	—	—	(129,492)	(129,492)
Change in net position	<u>(845,583)</u>	<u>(115,553)</u>	<u>14,186</u>	<u>(363,414)</u>	<u>(2,410,570)</u>	<u>(594,124)</u>	<u>(4,315,058)</u>
Net position, beginning of year	46,595,404	26,079,152	31,808,254	14,335,381	89,704,457	8,410,492	216,933,140
Net position, end of year	\$ <u>45,749,821</u>	<u>25,963,599</u>	<u>31,822,440</u>	<u>13,971,967</u>	<u>87,293,887</u>	<u>7,816,368</u>	<u>212,618,082</u>

See accompanying notes to basic financial statements.

**CITY OF UNALASKA, ALASKA**

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2021

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Cash flows from operating activities:							
Receipts from customers and users	\$ 12,093,734	2,875,273	2,551,765	2,603,955	6,357,995	797,298	27,280,020
Payments to employees for salaries and benefits	(2,378,381)	(1,212,524)	(1,174,670)	(971,651)	(1,618,233)	(331,506)	(7,686,965)
Payments to vendors	(6,410,794)	(674,790)	(940,239)	(656,006)	(1,894,812)	(441,793)	(11,018,434)
Net cash provided by operating activities	<u>3,304,559</u>	<u>987,959</u>	<u>436,856</u>	<u>976,298</u>	<u>2,844,950</u>	<u>23,999</u>	<u>8,574,621</u>
Cash flows from noncapital and related financing activities:							
Cash received from other governments, including operating subsidies	352,520	—	—	—	—	—	352,520
Transfers in	—	—	1,009,265	—	—	—	1,009,265
Transfers out	—	—	—	—	—	(129,492)	(129,492)
Net cash provided by (used for) noncapital and related financing activities	<u>352,520</u>	<u>—</u>	<u>1,009,265</u>	<u>—</u>	<u>—</u>	<u>(129,492)</u>	<u>1,232,293</u>
Cash flows from capital and related financing activities:							
Interest payments on long-term obligations	(1,009,117)	(46,103)	(103,469)	(61,016)	(1,345,059)	—	(2,564,764)
Increase in cash held by fiscal agent	186,729	—	—	—	—	—	186,729
Proceeds from sale of assets	—	—	—	—	61,827	—	61,827
Proceeds from issuance of long-term obligations	2,745,000	—	—	—	2,595,000	—	5,340,000
Principal and refunding payments on long-term debt obligations	(4,066,821)	(179,463)	(428,330)	(254,232)	(3,594,516)	—	(8,523,362)
Repayment of capital projects advances from General Fund	(240,000)	—	—	—	—	—	(240,000)
Acquisition and construction of capital assets	(1,109,523)	(626,102)	(6,721)	—	(52,064)	(9,387)	(1,803,797)
Capital contributions	7,650	—	6,721	—	—	6,612	20,983
Net cash used for capital and related financing activities	<u>(3,486,082)</u>	<u>(851,668)</u>	<u>(531,799)</u>	<u>(315,248)</u>	<u>(2,334,812)</u>	<u>(2,775)</u>	<u>(7,522,384)</u>
Cash flows from investing activities:							
Interest income received	913	—	—	—	—	—	913
Change in cash and due from General Fund	171,910	136,291	914,322	661,050	510,138	(108,268)	2,285,443
Cash and due from other funds, beginning of year	<u>15,066,525</u>	<u>10,125,417</u>	<u>4,716,040</u>	<u>7,763,238</u>	<u>8,843,720</u>	<u>2,274,277</u>	<u>48,789,217</u>
Cash and due from other funds, end of year	\$ <u>15,238,435</u>	<u>10,261,708</u>	<u>5,630,362</u>	<u>8,424,288</u>	<u>9,353,858</u>	<u>2,166,009</u>	<u>51,074,660</u>
Reconciliation to the statement of net position:							
Cash and cash equivalents	\$ —	—	—	—	150	—	150
Due from other funds	15,238,435	10,261,708	5,630,362	8,424,288	9,353,708	2,166,009	51,074,510
Cash and due from General Fund, June 30, 2021	\$ <u>15,238,435</u>	<u>10,261,708</u>	<u>5,630,362</u>	<u>8,424,288</u>	<u>9,353,858</u>	<u>2,166,009</u>	<u>51,074,660</u>

**CITY OF UNALASKA, ALASKA**

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2021

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Solid waste</u>	<u>Ports and harbors</u>	<u>Other proprietary funds</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ (555,826)	(222,278)	(1,053,290)	(372,843)	(1,348,631)	(505,537)	(4,058,405)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	3,426,465	1,116,494	1,239,304	908,323	4,316,580	459,230	11,466,396
Pension and OPEB related	342,053	177,617	172,399	134,640	195,407	47,863	1,069,979
Amortization of landfill costs	—	—	—	375,331	—	—	375,331
Changes in assets and liabilities that provided cash:							
Accounts receivable	(330,787)	(31,143)	16,780	(50,774)	(291,719)	54,759	(632,884)
Inventories	5,876	21,727	1,283	36,070	—	—	64,956
Accounts payable	456,276	(55,547)	34,208	(36,763)	(41,438)	(38,046)	318,690
Accrued payroll and payroll liabilities	(36,703)	7,817	28,707	(18,286)	14,751	2,257	(1,457)
Customer deposits	(2,795)	(26,728)	(2,535)	600	—	3,473	(27,985)
Net cash provided by operating activities	\$ <u>3,304,559</u>	<u>987,959</u>	<u>436,856</u>	<u>976,298</u>	<u>2,844,950</u>	<u>23,999</u>	<u>8,574,621</u>
Schedule of noncash capital and noncapital and related financing activities:							
Intergovernmental nonemployer pension and OPEB contributions	\$ 292,039	148,369	145,846	118,784	167,614	44,801	917,453

See accompanying notes to basic financial statements.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

#### **(1) Summary of Significant Accounting Policies**

##### **(a) Reporting Entity**

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

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

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

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

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

##### **(b) Government-Wide and Fund Financial Statements**

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

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

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

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Coronavirus Relief Special Revenue Fund* accounts for the financial impact of federal and non-federal funding related to the Coronavirus
- The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds

The City reports the following major proprietary funds:

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



## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

Additionally, the City reports the following fund types:

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

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

*Proprietary Funds* – account for business-type activities.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Other operating income consists primarily of late fees on unpaid balances and connection fees intended to recover the cost of connecting new customers to the applicable system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### **(d) Assets, Liabilities, and Net Position**

##### *(i) Deposits and Investments*

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

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

Investments are reported at fair value. Changes in fair value are included as a component of investment income

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

*(ii) Receivables and Payables*

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

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

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

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

*(iii) Inventories and Prepaid Items*

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

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

(iv) *Capital Assets*

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

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

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

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

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

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

(v) *Deposits Payable*

The General Fund holds a refundable customer deposit of \$2,683 to cover damage or additional costs incurred by the City in leasing its recreational facilities.

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

The Housing Fund holds refundable customer deposits of \$20,278 to cover damage to its rental properties.

The Electric Utility Fund, Water Utility Fund, Wastewater Utility Fund, and the Solid Waste Fund hold refundable customer deposits of \$119,920, \$20,992, \$19,451, and \$9,408, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

(vi) *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. During 2021 and in prior years, the General Fund has liquidated the liability for compensated absences.

(vii) *Long-Term Obligations*

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

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

(viii) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alaska Public Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. During 2021 and in prior years, the General Fund has liquidated the pension liability related to Governmental Activities.

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

For purposes of measuring the City's OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Alaska Public Employees Retirement System's (PERS) OPEB Plans and additions to/deductions from the PERS's OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the PERS Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. During 2021 and in prior years, the General Fund has liquidated the OPEB liability related to Governmental Activities.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

(x) *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

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

(xi) *Fund Equity*

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

(xii) *Net Position*

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

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

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

In June, 2017, GASB Statement No. 87, *Leases*, was issued. This statement supersedes the lease accounting guidance contained in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement requires a lessee to recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. This statement is effective for the City for its fiscal year beginning July 1, 2021, permits early adoption, and mandates a retrospective transition method. The City is currently evaluating the effects that the new standard will have on the financial statements.

## (2) Stewardship, Compliance, and Accountability

### (a) Budgetary Information

(i) *City*

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

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

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

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

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

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

(ii) *School District*

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

**(b) Equity**

(i) *Net Position Flow Assumptions*

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

(ii) *Fund Balance Flow Assumptions*

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

(iii) *Fund Balance Policies*

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

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

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

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

### **(3) Detailed Notes on All Funds**

#### **(a) Cash and Investments**

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

##### *(i) Deposits*

At June 30, 2021, the City's carrying amount of bank deposits was \$1,810,545 and the bank balance was \$2,615,388. The \$804,843 difference represents outstanding checks and other reconciling items.

##### *(ii) Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. As of June 30, 2021, the City's deposits were covered by federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus had no deposits that were exposed to custodial credit risk.

##### *(iii) Interest Rate Risk*

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

##### *(iv) Credit Risk*

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

- (1) obligations of the United States and of an agency or instrumentality of the United States;
- (2) certificates of deposit; those over the FDIC insurance – must be secured by eligible collateral as defined in Section 10.0 of the City's investment policy;
- (3) repurchase and agreements secured by obligations of the Treasury of the United States and obligations of an agency or instrumentality of the United States, including MBS. A Master Repurchase Agreement must be signed with the bank or dealer, before repurchase agreements are entered into;



**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

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

At June 30, 2021, the City's investments in bonds were rated as follows:

<u>Investment</u>	<u>Standard &amp; Poor's</u>	<u>Moody's Investor Service</u>
Domestic corporate bonds	AA- to BBB-	AA- to BAA3
Foreign corporate bonds	BBB	BBA3
Asset-backed securities	AAA	AAA

(v) *Investments*

As of June 30, 2021, the City has the following investments and maturities:

	<u>Investment maturities (in years)</u>					
	<u>Fair value</u>	<u>Less than 1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-5</u>	<u>More than 5</u>
AML Investment Pool	\$ 47,236,771	47,236,771	—	—	—	—
Wells Fargo money market	457,833	457,833	—	—	—	—
Private debt obligations	1,385,357	—	1,385,357	—	—	—
U.S. government obligations	64,693,833	—	38,625,807	23,338,274	2,729,752	—
Corporate bonds	40,153,858	4,617,847	13,184,471	17,207,790	5,143,750	—
Mortgage/asset-backed securities	5,608,444	—	264,259	—	5,344,185	—
	<u>\$ 159,536,096</u>	<u>52,312,451</u>	<u>53,459,894</u>	<u>40,546,064</u>	<u>13,217,687</u>	<u>—</u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

Cash and cash equivalents:	
Petty cash	\$ 150
Demand deposits	<u>1,810,545</u>
Total cash	<u>\$ 1,810,695</u>
Investments:	
Temporary investments	\$ 47,236,771
Long-term investments	<u>112,299,325</u>
	<u>\$ 159,536,096</u>

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

The manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of June 30, 2021, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

(vi) *Fair Value Measurements*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2021:

- Money Market Funds are valued at market value based on quoted prices in active markets (Level 1 inputs)
- U.S. Treasury securities are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)
- Corporate bonds are valued using quoted prices for identical securities in inactive markets (Level 2 inputs)

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

- Mortgage/asset-backed securities and private debt obligations are valued using a matrix pricing model (Level 2 inputs)

**(b) Capital Assets**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,147,603	—	—	31,147,603
Construction in progress	<u>6,554,260</u>	<u>4,431,388</u>	<u>(2,253,437)</u>	<u>8,732,211</u>
Total	<u>37,701,863</u>	<u>4,431,388</u>	<u>(2,253,437)</u>	<u>39,879,814</u>
Capital assets, being depreciated:				
Buildings	63,138,618	—	—	63,138,618
Infrastructure	52,405,362	2,415,527	—	54,820,889
Machinery and equipment	<u>11,330,058</u>	<u>317,965</u>	<u>—</u>	<u>11,648,023</u>
Total	<u>126,874,038</u>	<u>2,733,492</u>	<u>—</u>	<u>129,607,530</u>
Less accumulated depreciation for:				
Buildings	(34,872,487)	(1,517,926)	—	(36,390,413)
Infrastructure	(25,891,005)	(3,170,075)	—	(29,061,080)
Machinery and equipment	<u>(8,476,854)</u>	<u>(505,313)</u>	<u>—</u>	<u>(8,982,167)</u>
Total	<u>(69,240,346)</u>	<u>(5,193,314)</u>	<u>—</u>	<u>(74,433,660)</u>
Total capital assets, being depreciated, net	<u>57,633,692</u>	<u>(2,459,822)</u>	<u>—</u>	<u>55,173,870</u>
Governmental-type activities, net	<u>\$ 95,335,555</u>	<u>1,971,566</u>	<u>(2,253,437)</u>	<u>95,053,684</u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

	<u>Balance June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction in progress	<u>3,155,366</u>	<u>1,601,345</u>	<u>(978,544)</u>	<u>3,778,167</u>
Total	<u>6,464,842</u>	<u>1,601,345</u>	<u>(978,544)</u>	<u>7,087,643</u>
Capital assets, being depreciated:				
Buildings	103,522,721	—	—	103,522,721
Infrastructure	229,047,137	14,259	(109,769)	228,951,627
Machinery and equipment	<u>36,199,569</u>	<u>1,094,399</u>	<u>(12,383)</u>	<u>37,281,585</u>
Total	<u>368,769,427</u>	<u>1,108,658</u>	<u>(122,152)</u>	<u>369,755,933</u>
Less accumulated depreciation for:				
Buildings	(27,975,238)	(2,678,146)	—	(30,653,384)
Infrastructure	(83,666,833)	(6,609,351)	80,497	(90,195,687)
Machinery and equipment	<u>(15,014,942)</u>	<u>(2,178,899)</u>	<u>12,383</u>	<u>(17,181,458)</u>
Total	<u>(126,657,013)</u>	<u>(11,466,396)</u>	<u>92,880</u>	<u>(138,030,529)</u>
Total capital assets, being depreciated, net	<u>242,112,414</u>	<u>(10,357,738)</u>	<u>(29,272)</u>	<u>231,725,404</u>
Business-type activities, net	\$ <u>248,577,256</u>	<u>(8,756,393)</u>	<u>(1,007,816)</u>	<u>238,813,047</u>

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

General government	\$ 172,636
Public safety	305,600
Public works	3,295,893
Parks, culture, and recreation	691,087
Education	<u>728,098</u>
Total – governmental activities	\$ <u>5,193,314</u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

Business-type activities:	
Electric	\$ 3,426,465
Water	1,116,494
Wastewater	1,239,304
Solid waste	908,323
Ports and harbors	4,316,580
Airport	277,065
Housing	<u>182,165</u>
Total – business-type activities	\$ <u><u>11,466,396</u></u>

**(c) Interfund Receivables, Payables, and Transfers**

Current interfund receivables and payables are shown as “Due from other funds” or “Due to other funds” in the Governmental Funds Balance Sheet and the Proprietary Funds Statement of Net Position and as internal balances in the statement of net position. These balances at June 30, 2021 were as follows:

Receivable	Payable General fund
General fund	\$ —
Coronavirus Relief Special Revenue Fund	647,087
Capital Projects Fund	11,453,635
Nonmajor governmental funds	13,337,435
Electric	15,238,435
Water	10,261,708
Wastewater	5,630,362
Solid waste	8,424,288
Ports and harbors	9,353,708
Nonmajor proprietary funds	<u>2,166,009</u>
	\$ <u><u>76,512,667</u></u>

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

Interfund receivables and payables that are not current are shown and are also included in internal balances on the statement of net position. These balances at June 30, 2021 were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	2,070,000
Current portion	240,000	—
Long-term portion	<u>1,830,000</u>	<u>—</u>
	<u>\$ 2,070,000</u>	<u>2,070,000</u>

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

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

On February 11, 2020, the City Council approved a long-term advance from the General Fund to the Electric Utility Fund in the amount of \$1,884,250 to be paid back in fourteen annual installments, interest free. Payments are due on May 1 of each year.

A summary of transfers between funds of the City for the year ended June 30, 2021 is as follows:

<u>Transfers in</u>	<u>Transfers out</u>				<u>Total transfers in</u>
	<u>General fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Govt. Funds</u>	<u>Nonmajor Prop. Funds</u>	
General fund	\$ —	54,894	—	129,492	184,386
Capital Projects Fund	1,237,865	—	862,135	—	2,100,000
Nonmajor Gov. Funds	366,793	—	—	—	366,793
Major Enterprise Funds:					
Wastewater	<u>—</u>	<u>—</u>	<u>1,009,265</u>	<u>—</u>	<u>1,009,265</u>
	<u>\$ 1,604,658</u>	<u>54,894</u>	<u>1,871,400</u>	<u>129,492</u>	<u>3,660,444</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$1,237,865 to the Capital Equipment Project Fund for capital projects approved for the FY21 Capital and Major Maintenance Plan.
- The 1% Sales Tax Special Revenue Fund transferred \$862,135 to the Capital Equipment Project Fund for capital projects approved for the FY21 Capital and Major Maintenance Plan.
- Additionally, the 1% Sales Tax Special Revenue Fund transferred \$1,009,265 to the Wastewater Fund to subsidize Wastewater Fund operations.

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

**(d) Operating Leases**

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

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

On October 2, 1992, the City and North Pacific Fuel entered into a lease agreement for office space for the Port and Harbor Offices. The lease was renewed on January 1, 2020 at a rate of \$3,688 per month.

On January 3, 1996, the City and the State of Alaska Department of Transportation entered into a 40 year lease (ADA 07158) for the Amaknak Fire Station land. Annual payments of \$4,844 are due January 1 each year, ending January 2, 2036.

On May 1, 2000, the City and Ounalashka Corporation entered into a 25 year lease with five 5 year renewal options for land at the Light Cargo Dock. Lease payments are \$5,710 per month with the amount to be reevaluated every 5 years. The next evaluation is in 2025.

On January 1, 2009, the City and the State of Alaska Department of Transportation and Public Facilities entered into a 10-year land use permit (ADA-08620) for the airport long-term parking land. Annual payments of \$3,053 are due January 1 each year, ending December 31, 2024.

On July 1, 2016, the City and the United Methodist Ministries entered into a 5 year lease for land for a community ballpark with incremental increases each fiscal year ended June 30, 2021. The final payment under this agreement, in the amount of \$20,500 was paid in June 2020. This agreement was renewed, effective July 1, 2021 with annual payments of \$21,600 ending June 30, 2026. The amounts of future commitments below includes the renewed lease agreement.

Rent expense for the year ended June 30, 2021 was \$291,757.

The future commitment for operating lease payments is as follows:

Year(s) ending:		
2022	\$	107,574
2023		108,112
2024		99,047
2025		87,627
2026		27,475
2027–2031		29,375
2032–2036		29,375
		<hr/>
	\$	<u>488,585</u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

**(e) Long-Term Debt**

*General Obligation Bonds:* The City issues general obligation bonds to provide monies for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. There were no general obligation bonds outstanding as of June 30, 2021.

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

	<u>Principle balance</u>
Business-type activities:	
Bonds:	
2015 Series One bonds issued in 2015 for \$20,415,000, interest rates of 3.5% to 4.0%, due in annual installments of \$1,055,000 to \$1,785,000, beginning in 2020 through 2035, payable to the Bond Bank	\$ 18,275,000
2017 Series One bonds issued in 2018 for \$29,655,000, interest rates of 3.75% to 5.0%, due in annual installments of \$685,000 to \$1,935,000, beginning in 2020 through 2043, payable to the Bond Bank	28,250,000
2020 Series One bonds issued in 2020 for \$2,745,000, interest rate of 5.0%, due in annual installments of \$205,000 to \$310,000, beginning in 2020 through 2030, payable to the Bond Bank	2,540,000
2020 Series One bonds issued in 2020 for \$2,345,000, interest rate of 5.0%, due in annual installments of \$210,000 to \$315,000, beginning in 2021 through 2029, payable to the Bond Bank	2,345,000
State of Alaska loans:	
2013 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	6,424,950
2013 1.50% Alaska Drinking Water Fund loan payable in annual installments over 20 years	2,871,403
2014 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	<u>3,813,473</u>
Total	\$ <u><u>64,519,826</u></u>



**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

(i) *Changes in Long-Term Liabilities*

Changes in long-term liabilities for the year ended June 30, 2021 was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due within one year</u>
Governmental activities:					
Net OPEB liability (asset)	\$ 272,354	—	(1,525,923)	(1,253,569)	—
Net pension liability	11,973,841	1,898,502	—	13,872,343	—
Compensated absences	<u>1,682,876</u>	<u>1,362,707</u>	<u>(1,374,554)</u>	<u>1,671,029</u>	<u>1,671,029</u>
Governmental activity long-term liabilities	\$ <u>13,929,071</u>	<u>3,261,209</u>	<u>(2,900,477)</u>	<u>14,289,803</u>	<u>1,671,029</u>
Business-type activities:					
Bonds payable:					
Electric Bonds	\$ 22,725,000	2,745,000	(4,655,000)	20,815,000	1,310,000
Ports Bonds	31,945,000	2,595,000	(3,945,000)	30,595,000	965,000
Premium on bonds	<u>2,926,239</u>	<u>1,046,940</u>	<u>(235,251)</u>	<u>3,737,928</u>	<u>197,427</u>
Total bonds payable	57,596,239	6,386,940	(8,835,251)	55,147,928	2,472,427
Other contracts and loans:					
Water Loans	3,050,866	—	(179,463)	2,871,403	179,463
Wastewater Loans	6,853,280	—	(428,330)	6,424,950	428,330
Solid Waste Loans	4,067,705	—	(254,232)	3,813,473	254,232
Army Corps of Engineers	2,097,013	—	—	2,097,013	—
Accrued landfill closure and postclosure care costs	5,243,399	375,331	—	5,618,730	—
Net OPEB liability (asset)	249,491	—	(895,121)	(645,630)	—
Net pension liability	7,808,216	1,112,843	—	8,921,059	—
Compensated absences	<u>439,040</u>	<u>508,185</u>	<u>(485,856)</u>	<u>461,369</u>	<u>—</u>
Business-type activity— long-term liabilities	\$ <u>87,405,249</u>	<u>8,383,299</u>	<u>(11,078,253)</u>	<u>84,710,295</u>	<u>3,334,452</u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

	<b>Electric</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2022	\$ 1,310,000	866,719	2,176,719
2023	1,345,000	830,369	2,175,369
2024	1,380,000	791,513	2,171,513
2025	1,430,000	735,700	2,165,700
2026	1,495,000	662,575	2,157,575
2027–2031	8,695,000	2,087,850	10,782,850
2032–2036	5,160,000	314,800	5,474,800
	<u>\$ 20,815,000</u>	<u>6,289,526</u>	<u>27,104,526</u>

	<b>Ports and harbors</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2022	\$ 965,000	1,370,100	2,335,100
2023	1,020,000	1,321,475	2,341,475
2024	1,065,000	1,270,225	2,335,225
2025	1,120,000	1,216,725	2,336,725
2026	1,170,000	1,160,475	2,330,475
2027–2031	6,495,000	4,862,625	11,357,625
2032–2036	6,680,000	3,379,025	10,059,025
2037–2041	8,285,000	1,779,200	10,064,200
2042–2046	3,795,000	229,200	4,024,200
	<u>\$ 30,595,000</u>	<u>16,589,050</u>	<u>47,184,050</u>

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

	<b>Other proprietary funds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year(s) ending June 30:			
2022	\$ 864,524	197,247	1,061,771
2023	864,524	184,280	1,048,804
2024	864,524	171,312	1,035,836
2025	864,524	158,344	1,022,868
2026	864,524	145,376	1,009,900
2027–2031	4,322,622	532,362	4,854,984
2032–2036	4,322,622	208,165	4,530,787
2037	141,960	2,729	144,689
	<u>\$ 13,109,824</u>	<u>1,599,815</u>	<u>14,709,639</u>

(i) *Alaska Department of Environmental Conservation Loans*

On October 4, 2013, the City was approved for an \$8,788,200 loan from the Alaska Department of Environmental Conservation for a landfill phase II expansion. As of June 30, 2021, the City has received \$5,084,630 and has closed the loan. Payments began March 1, 2017.

On June 28, 2013, the City was approved for an \$8,566,600 loan from the Alaska Department of Environmental Conservation for a wastewater treatment plant upgrade. As of June 30, 2021, the City has received the entire loan balance and closed the loan. Payments began October 1, 2016.

On July 23, 2012, the City was approved for a \$5,000,000 loan from the Alaska Department of Environmental Conservation for a new water treatment plant. As of June 30, 2021, the City has received \$3,639,257 and closed the loan.

(ii) *Advance Refunding of Debt*

In July 2020, the City issued \$250,000 of 2020 Series One A general obligation bonds with an average interest rate of 5.000% to advance refund \$245,000 of outstanding 2010A tax exempt General Obligation Harbor Improvement bonds with interest rates ranging from 2.000% to 5.000% per annum. The net proceeds of \$251,855 (after payment of \$2,592 in issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2010A tax exempt bonds. As a result, the Series 2010A tax exempt bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2021, the amount of defeased debt has been fully refunded.

The City advance refunded the 2010A tax exempt General Obligation Harbor Improvement bonds and obtained an economic gain (difference of the present value of the debt service payments on the new and old debts) of \$1,592.

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

In July 2020, the City issued \$2,345,000 of 2020 Series One B general obligation bonds with an average interest rate of 5.000% to advance refund \$2,730,000 of outstanding 2010 Series B-1 taxable Build America Bond General Obligation Harbor Improvement Bonds with interest rates ranging from 5.995% to 6.341% per annum. The net proceeds of \$2,800,914 (after payment of \$27,291 in issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2010 Series B-1 taxable bonds. As a result, the Series 2010 Series B-1 taxable bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2021, the amount of defeased debt has been fully refunded.

The City advance refunded the 2010 Series B-1 taxable Build America Bond General Obligation Harbor Improvement Bonds to reduce its total debt service payments over the next 9 years by \$450,943, and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$416,476.

In July 2020, the City issued \$2,745,000 of 2020 Series One C general obligation bonds with an average interest rate of 5.000% to advance refund \$3,365,000 of outstanding 2010 Series B taxable Recovery Zone Economic Development Bond Electric Utility Revenue Bond with interest rates ranging from 4.925% to 5.432% per annum. The net proceeds of \$3,730,391 (after payment of \$35,957 in issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2010 Series B taxable bonds. As a result, the Series 2010 Series B taxable bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2021, the amount of defeased debt has been fully refunded.

The City advance refunded the 2010 Series B taxable Recovery Zone Economic Development Bond Electric Utility Revenue Bond to reduce its total debt service payments over the next 10 years by \$431,545, and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$411,331.

#### *(iii) Defeasance of Debt*

In 2017, the City defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2021, \$19,265,000 of defeased bonds remain outstanding.

#### **(4) Other Information**

##### **(a) Risk Management**

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

## CITY OF UNALASKA, ALASKA

### Notes to Financial Statements

June 30, 2021

The City currently participates in the Alaska Public Entity Insurance (APEI) pool, which covers property and contents, general, auto liability, law enforcement legal liability, errors and omissions, earthquake and flood, marine, and workers compensation. APEI is a public entity risk pool that reinsurers risk above certain levels, thereby relieving the members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2021.

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

#### **(b) Landfill Closure and Postclosure Care**

State and federal laws and regulations require the City to place a final cover on its current landfill when it stops accepting solid waste and to perform certain maintenance and monitoring functions at the landfill for thirty years after closure. To properly account for these estimated closure and postclosure care costs, the City is recording as an operating expense in each period an amount based on landfill capacity used each year of operation. During 2021, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2021. As of June 30, 2021, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$5,618,730, based on the use of 60% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$4,891,305 of expense and liability between July 2021, and the year 2051, the date the landfill is expected to reach full capacity. These amounts are based on what it would cost to perform all the closure and postclosure care functions in 2021. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

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

#### **(c) Contingencies**

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

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

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

**(d) Commitments**

Encumbrances outstanding at year-end, including purchase orders, contracts, and other commitments for the expenditure of monies, are reported as committed or assigned fund balances in the governmental funds. Outstanding encumbrances at June 30, 2021 were as follows:

Governmental funds:	
General fund	\$ 305,887
Coronavirus Relief fund	179,321
Capital Projects fund	556,611
Total governmental funds	1,041,819
Proprietary funds:	
Electric fund	396,745
Water fund	1,462,501
Wastewater fund	508,643
Solid Waste fund	97,572
Ports and Harbor fund	28,899
Other nonmajor proprietary funds	21,875
Total proprietary funds	2,516,235
Total	\$ 3,558,054

During the year, the City entered into a 30-year Power Purchase Agreement (PPA) with Ounalashka/Chena Power, LLC (OCCP) whereby the City committed to purchase a minimum of 100 million kWh of power annually. The agreement between the City and OCCP is contingent on OCCP obtaining financing to construct their Geothermal site locally. As of the date of these financial statements, financing has not yet been obtained by OCCP and it is unknown when the Geothermal site will become operational.

**(e) Alaska Public Employees Retirement System (PERS)**

*(i) PERS – Plan Description and Contributions*

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

PERS benefits are earned based on the following tiers:

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

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

	<u>Others</u>	<u>Police/fire</u>
Defined benefit plans:		
Pension	18.21 %	18.21 %
Alaska Healthcare Retirement Trust	4.96	4.96
Occupational Death and Disability	0.26	0.72
Retiree Medical Plan	1.32	1.32
Defined contribution – Pension	4.96	4.96

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

(A) Amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less:

(B) Total of the employer contributions for:

- (1) Defined contribution employer matching amount
- (2) Major medical
- (3) Occupational death & disability, and

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

(4) Health reimbursement arrangement

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

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

(ii) *PERS – Defined Benefit Pension Plan*

**Pension Benefits**

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

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

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

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	22,793,402
State's proportionate share of the net pension liability associated with the City		<u>9,432,889</u>
Total	\$	<u><u>32,226,291</u></u>



**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the net pension liability was based on a projection of the present value of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. At June 30, 2020, the City's proportion was 0.386%, which was an increase of 0.025% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$3,366,787 and revenue of \$1,219,011 for support provided by the State. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 927,693	—
Difference between actual and expected experience	72,306	—
Changes in proportion and differences between City contributions and proportionate share of contributions	237,358	—
City contributions subsequent to the measurement date	<u>1,698,551</u>	<u>—</u>
Total	\$ <u>2,935,908</u>	<u>—</u>

The City reported \$1,698,551 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2022	\$ 326,059
2023	326,243
2024	344,828
2025	<u>240,227</u>
	\$ <u>1,237,357</u>

**Pension Plan Fiduciary Net Position**

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

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

(iii) *PERS – Defined Benefit OPEB Plans*

PERS includes three cost sharing OPEB plans. Amounts for the three OPEB plans have been combined as all the amounts related to the ODD and RMP plans are not significant. The combined amounts for OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources are as follows:

**Alaska Retiree Healthcare Trust (ARHCT)**

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

**Occupational Death and Disability Plan (ODD)**

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

**Retiree Medical Plan (RMP)**

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

**OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the City reported a liability (asset) for its proportionate share of the net OPEB liability (asset) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City as its proportionate share of net OPEB liabilities (assets), the related State support, and the total portion of the net OPEB liabilities (assets) that was associated with the City were as follows:

City's proportionate share of the net OPEB (asset)	\$	(1,899,199)
State's proportionate share of the net OPEB liability (asset) associated with the City (ARHCT)		<u>(725,394)</u>
Total	\$	<u><u>(2,624,593)</u></u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

The net OPEB liabilities (assets) were measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the ARHCT net OPEB liability (asset) was based on a projection of the present value of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. The City's proportion of the ODD and RMP plans' net OPEB liability (asset) was based on the City's contribution relative to the total actual contributions from all participating political subdivisions and the State for the respective plan. At June 30, 2020, the City's proportion was 0.39% (ARHCT), 0.69% (RMP), and 0.74% (ODD) which were consistent with its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized an OPEB benefit of \$869,961 and revenue of \$1,263,690 for support provided by the State. At June 30, 2021, the City reported collective deferred outflows of resources and collective deferred inflows of resources related to OPEB plans from the following sources:

	<b><u>Deferred outflows of resources</u></b>	<b><u>Deferred inflows of resources</u></b>
Net difference between projected and actual earnings on OPEB plan investments	\$ 730,655	—
Difference between actual and expected experience	256	218,243
Change in assumptions	69,227	1,349,077
Changes in proportion and differences between City contributions and proportionate share of contributions	71,060	8,590
City contributions subsequent to the measurement date	<u>394,406</u>	<u>—</u>
Total	\$ <u><u>1,265,604</u></u>	<u><u>1,575,910</u></u>

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

The City reported \$394,406 as deferred outflows of resources related to OPEB plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liabilities in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending June 30:		
2022	\$	(1,315,501)
2023		239,342
2024		257,712
2025		176,697
2026		(19,751)
Thereafter		<u>(43,211)</u>
	\$	<u><u>(704,712)</u></u>

**OPEB Plans' Fiduciary Net Position**

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

(iv) *PERS – Actuarial Assumptions*

The total pension and OPEB liability for each plan was determined by actuarial valuations as of June 30, 2019, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2020:

	<u>Pension</u>	<u>OPEB</u>
Inflation rate	2.50%	2.50%
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	2.75 to 7.75%	2.75 to 7.75%
Others	2.75 to 6.75%	2.75 to 6.75%
Investment rate of return	7.38%	7.38%
Healthcare cost trend rates:		
Pre-65 medical	N/A	7.0% grading down to 4.5%
Post 65 medical	N/A	5.4% grading down to 4.5%
Prescription drugs	N/A	8.0% grading down to 4.5%
Participation rates	N/A	100% of system paid members and spouses and 20% of non-system paid members and spouses

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2104 employee table, rolled back to 2006, and projected with MP-2017 generational improvement.

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

	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Asset class:		
Broad domestic equity	26.0 %	6.24 %
Global equity	18.0	6.67
Real estate	13.0	3.82
Fixed income	24.0	(0.16)
Opportunistic	8.0	3.01
Private equity	11.0	10.00
Cash equivalents	—	(1.09)
	<u>100.0 %</u>	
Total	<u>100.0 %</u>	

**Discount Rate**

The discount rate used to measure the total pension and total OPEB liabilities was 7.38%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the plans' fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities in accordance with GASB Statement No. 67 and No. 74.

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

The following presents the City's proportionate share of the net pension and OPEB liabilities (assets) calculated using the discount rate of 7.38%, as well as what the City's proportionate share of the net pension and OPEB liabilities (assets) would be if it were calculated using a discount rate

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

that is 1-percentage-point lower (6.38%) or 1-percentage-point higher (8.38%) than the current rate:

<u>Plan</u>	<u>1% decrease (6.38%)</u>	<u>Discount rate (7.38%)</u>	<u>1% increase (8.38%)</u>
Pension	\$ 29,636,229	22,793,402	17,054,160
ARHCT	1,824,933	(1,747,760)	(4,709,077)
ODD	(188,626)	(200,732)	(210,408)
RMP	305,375	49,293	(144,550)

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

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

<u>Plan</u>	<u>1% decrease</u>	<u>Current trend rate</u>	<u>1% increase</u>
ARHCT	\$ (5,056,154)	(1,747,760)	2,256,010
ODD	N/A	N/A	N/A
RMP	(172,959)	49,293	351,604

(v) *PERS – Defined Contribution Plan*

The State of Alaska Legislature approved SB 141 to create the PERS Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II, or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARMB may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan, and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan.

**CITY OF UNALASKA, ALASKA**

Notes to Financial Statements

June 30, 2021

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

	<b>Others Tier IV</b>	<b>Police/fire Tier IV</b>
Individual account	4.26 %	4.26 %
Health reimbursement arrangement (HRA)*	3.00	3.00
	<u>7.26 %</u>	<u>7.26 %</u>

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

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City’s contribution to PERS, including the HRA contribution, for the year ended June 30, 2021 was \$423,194.

**CITY OF UNALASKA, ALASKA**

Schedule of the City's Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years

Alaska Public Employees Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
City's proportion of the net pension liability	0.39 %	0.36 %	0.38 %	0.36 %	0.44 %	0.33 %	0.25 %	0.24 %	*	*
City's proportionate share of the net pension liability	\$ 22,793,402	19,782,057	18,998,634	18,502,053	24,593,846	15,959,767	11,730,783	12,364,036	*	*
State's proportionate share of the net pension liability	9,432,889	7,856,932	5,500,348	6,892,621	3,099,287	4,272,502	10,547,310	12,049,865	*	*
Total	<u>\$ 32,226,291</u>	<u>27,638,989</u>	<u>24,498,982</u>	<u>25,394,674</u>	<u>27,693,133</u>	<u>20,232,269</u>	<u>22,278,093</u>	<u>24,413,901</u>	<u>*</u>	<u>*</u>
City's covered payroll	\$ 3,218,949	3,438,941	5,220,800	4,052,595	4,682,104	5,228,987	5,600,920	5,773,350	6,151,465	6,545,274
City's proportionate share of the net pension liability as a percentage of its covered payroll	901.14 %	703.71 %	363.90 %	456.55 %	525.27 %	305.22 %	209.44 %	214.16 %	*	*
Plan fiduciary net position as a percentage of the total pension liability	61.61 %	63.42 %	65.19 %	63.37 %	59.55 %	63.96 %	62.37 %	56.00 %	*	*

\* Information for these years is not available.

*Changes in assumptions.* Amounts reported in 2019 and 2018 reflect a change in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

See accompanying independent auditors' report.



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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 1,698,551	1,366,374	1,395,418	1,394,691	1,200,784	1,167,149	1,034,346	963,284	811,763	816,945
Contributions in relation to the contractually required contributions	<u>(1,698,551)</u>	<u>(1,366,374)</u>	<u>(1,395,418)</u>	<u>(1,394,691)</u>	<u>(1,200,784)</u>	<u>(1,167,149)</u>	<u>(1,034,346)</u>	<u>(963,284)</u>	<u>(811,763)</u>	<u>(816,945)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
City's covered payroll	\$ 2,904,585	3,218,949	3,438,941	5,220,800	4,052,595	4,682,104	5,228,987	5,600,920	5,773,350	6,151,465
Contributions as a percentage of covered payroll	58.48 %	42.45 %	40.58 %	26.71 %	29.63 %	24.93 %	19.78 %	17.20 %	14.06 %	13.28 %

See accompanying independent auditors' report.

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

	AHCRT					ODD					RMP				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
City's proportion of the net OPEB liability (asset)	0.39 %	0.38 %	0.38 %	0.36 %	0.44 %	—	—	—	—	—	0.69 %	0.69 %	0.66 %	0.67 %	0.65 %
City's proportionate share of the net OPEB liability (asset)	\$ (1,747,760)	521,845	3,922,688	3,024,628	5,047,603	(200,732)	(180,171)	(128,417)	(94,464)	(85,058)	49,293	165,739	84,137	34,719	60,311
State's proportionate share of the net OPEB liability (asset)	(725,394)	213,274	1,139,084	1,127,892	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>\$ (2,473,154)</b>	<b>735,119</b>	<b>5,061,772</b>	<b>4,152,520</b>	<b>5,047,603</b>	<b>(200,732)</b>	<b>(180,171)</b>	<b>(128,417)</b>	<b>(94,464)</b>	<b>(85,058)</b>	<b>49,293</b>	<b>165,739</b>	<b>84,137</b>	<b>34,719</b>	<b>60,311</b>
City's covered payroll	\$ 3,218,949	3,438,941	5,220,800	4,052,595	4,682,104	9,391,299	8,648,862	7,483,344	6,928,337	6,303,523	9,391,299	8,648,862	7,483,344	6,928,337	6,303,523
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(54)%	15 %	75 %	75 %	108 %	(2)%	(2)%	(2)%	(1)%	(1)%	1 %	2 %	1 %	1 %	1 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	(106.15)%	98.13 %	88.12 %	89.68 %	85.45 %	(283.80)%	297.43 %	270.62 %	212.97 %	245.29 %	(95.23)%	83.17 %	88.71 %	93.98 %	86.82 %

Information for 10 years is not available.

See accompanying independent auditors' report.

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

	AHCRT					ODD					RMP				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Contractually required contributions	\$ 215,898	545,772	503,583	397,538	565,081	38,626	32,291	30,342	15,685	15,979	125,807	123,966	81,299	77,079	81,755
Contributions in relation to the contractually required contributions	(215,898)	(545,772)	(503,583)	(397,538)	(565,081)	(38,626)	(32,291)	(30,342)	(15,685)	(15,979)	(125,807)	(123,966)	(81,299)	(77,079)	(81,755)
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—	—	—	—	—	—	—	—	—
City's covered payroll	\$ 2,904,585	3,218,949	3,438,941	3,714,963	4,001,150	9,906,098	9,391,299	8,648,862	7,483,344	6,928,337	9,906,098	9,391,299	8,648,862	7,483,344	6,928,337
Contributions as a percentage of covered payroll	7.43 %	16.95 %	14.64 %	10.70 %	14.12 %	0.39 %	0.34 %	0.35 %	0.21 %	0.23 %	1.27 %	1.32 %	0.94 %	1.03 %	1.18 %

Information for 10 years is not available.

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2021

<b>Assets</b>	<b>1% Sales Tax Special Revenue Fund</b>	<b>Bed Tax Special Revenue Fund</b>	<b>Street Paving Fund</b>	<b>Total nonmajor funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Receivables, net:				
Taxes	\$ 962,719	8,056	—	970,775
Due from other funds	<u>12,792,350</u>	<u>16,950</u>	<u>528,135</u>	<u>13,337,435</u>
Total assets	<u>\$ 13,755,069</u>	<u>25,006</u>	<u>528,135</u>	<u>14,308,210</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ —	—	585	585
Unearned revenues	<u>2,500</u>	<u>—</u>	<u>—</u>	<u>2,500</u>
Total liabilities	<u>2,500</u>	<u>—</u>	<u>585</u>	<u>3,085</u>
Fund balances committed:				
Community support	—	157,500	—	157,500
Capital projects	13,752,569	—	527,550	14,280,119
Unassigned	<u>—</u>	<u>(132,494)</u>	<u>—</u>	<u>(132,494)</u>
Total fund balances	<u>13,752,569</u>	<u>25,006</u>	<u>527,550</u>	<u>14,305,125</u>
Total liabilities and fund balances	<u>\$ 13,755,069</u>	<u>25,006</u>	<u>528,135</u>	<u>14,308,210</u>

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**

Nonmajor Governmental Funds

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

Year ended June 30, 2021

	<b>1% Sales Tax Special Revenue Fund</b>	<b>Bed Tax Special Revenue Fund</b>	<b>Street Paving Capital Projects Fund</b>	<b>Total nonmajor funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:				
Taxes	\$ 3,548,165	45,132	—	3,593,297
Total revenues	<u>3,548,165</u>	<u>45,132</u>	<u>—</u>	<u>3,593,297</u>
Expenditures:				
Current:				
Community support	—	210,000	—	210,000
Capital projects	<u>—</u>	<u>—</u>	<u>2,405</u>	<u>2,405</u>
Total expenditures	<u>—</u>	<u>210,000</u>	<u>2,405</u>	<u>212,405</u>
Excess (deficiency) revenues over expenditures	<u>3,548,165</u>	<u>(164,868)</u>	<u>(2,405)</u>	<u>3,380,892</u>
Other financing sources (uses):				
Transfers in	—	—	366,793	366,793
Transfers out	<u>(1,871,400)</u>	<u>—</u>	<u>—</u>	<u>(1,871,400)</u>
Net other financing sources (uses)	<u>(1,871,400)</u>	<u>—</u>	<u>366,793</u>	<u>(1,504,607)</u>
Net change in fund balances	1,676,765	(164,868)	364,388	1,876,285
Fund balances, beginning of year	<u>12,075,804</u>	<u>189,874</u>	<u>163,162</u>	<u>12,428,840</u>
Fund balances, end of year	\$ <u><u>13,752,569</u></u>	<u><u>25,006</u></u>	<u><u>527,550</u></u>	<u><u>14,305,125</u></u>

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**

1% Sales Tax Special Revenue Fund

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

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 2,666,667	3,548,165	881,498
Expenditures	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	2,666,667	3,548,165	881,498
Other financing sources (uses):			
Transfers out	<u>(1,871,400)</u>	<u>(1,871,400)</u>	<u>—</u>
Net change in fund balance	\$ <u>795,267</u>	1,676,765	<u>881,498</u>
Fund balance at beginning of year		<u>12,075,804</u>	
Fund balance at end of year		\$ <u>13,752,569</u>	

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**

Bed Tax Special Revenue Fund

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

Year ended June 30, 2021

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 125,000	45,132	(79,868)
Expenditures:			
Community support	<u>210,000</u>	<u>210,000</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	(85,000)	(164,868)	(79,868)
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	<u><u>\$ (85,000)</u></u>	<u><u>(164,868)</u></u>	<u><u>(79,868)</u></u>
Fund balance at beginning of year		<u>189,874</u>	
Fund balance at end of year		\$ <u><u>25,006</u></u>	

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**  
Nonmajor Proprietary Funds  
Combining Statement of Net Position  
June 30, 2021

	<b>Airport</b>	<b>Housing</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets:			
Accounts receivables (net of allowance for uncollectibles)	\$ 2,660	3,650	6,310
Due from General Fund	1,792,361	373,648	2,166,009
Total current assets	1,795,021	377,298	2,172,319
Noncurrent assets:			
Net OPEB asset	19,035	13,993	33,028
Capital assets, net	2,063,710	3,914,520	5,978,230
Total noncurrent assets	2,082,745	3,928,513	6,011,258
Total assets	3,877,766	4,305,811	8,183,577
Deferred outflows of resources:			
OPEB related	9,239	9,161	18,400
Pension related	25,990	19,088	45,078
Total assets and deferred outflows of resources	3,912,995	4,334,060	8,247,055
<b>Liabilities and Deferred Inflows of Resources</b>			
Current liabilities:			
Accounts payable	5,729	2,725	8,454
Accrued payroll and payroll liabilities	6,094	9,247	15,341
Customer deposits	11,000	20,278	31,278
Total current liabilities	22,823	32,250	55,073
Noncurrent liabilities:			
Net pension liability	202,961	141,832	344,793
Total liabilities	225,784	174,082	399,866
Deferred inflows of resources:			
OPEB related	15,145	15,676	30,821
Total liabilities and deferred inflows of resources	240,929	189,758	430,687
<b>Net Position</b>			
Net investment in capital assets	2,063,710	3,914,520	5,978,230
Unrestricted	1,608,356	229,782	1,838,138
Total net position	\$ 3,672,066	4,144,302	7,816,368

See accompanying independent auditors' report.



**CITY OF UNALASKA, ALASKA**

Nonmajor Proprietary Funds

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

Year ended June 30, 2021

	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 481,450	257,616	739,066
Total operating revenues	<u>481,450</u>	<u>257,616</u>	<u>739,066</u>
Operating expenses:			
Operations	421,016	200,699	621,715
General and administrative	—	163,658	163,658
Depreciation and amortization	277,065	182,165	459,230
Total operating expenses	<u>698,081</u>	<u>546,522</u>	<u>1,244,603</u>
Operating income (loss)	<u>(216,631)</u>	<u>(288,906)</u>	<u>(505,537)</u>
Nonoperating revenues (expenses):			
Loss on disposal of assets	(10,508)	—	(10,508)
Intergovernmental revenue	22,063	22,738	44,801
Net nonoperating revenues	<u>11,555</u>	<u>22,738</u>	<u>34,293</u>
Loss before capital contributions and transfers	(205,076)	(266,168)	(471,244)
Capital contributions	6,612	—	6,612
Transfers out	(129,492)	—	(129,492)
Change in net position	<u>(327,956)</u>	<u>(266,168)</u>	<u>(594,124)</u>
Net position, beginning of year	<u>4,000,022</u>	<u>4,410,470</u>	<u>8,410,492</u>
Net position, end of year	\$ <u><u>3,672,066</u></u>	<u><u>4,144,302</u></u>	<u><u>7,816,368</u></u>

See accompanying independent auditors' report.

**CITY OF UNALASKA, ALASKA**  
Nonmajor Proprietary Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2021

	<b>Airport</b>	<b>Housing</b>	<b>Total</b>
Cash flows from operating activities:			
Receipts from customers and users	\$ 536,209	261,089	797,298
Payments to employees	(158,769)	(172,737)	(331,506)
Payments to vendors	(260,545)	(181,248)	(441,793)
Net cash provided by (used for) operating activities	116,895	(92,896)	23,999
Cash flows from noncapital and related financing activities:			
Net transfers	(129,492)	—	(129,492)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(6,612)	(2,775)	(9,387)
Capital contributions	6,612	—	6,612
Net cash used by financing activities	—	(2,775)	(2,775)
Change in due from General Fund	(12,597)	(95,671)	(108,268)
Due from other funds, beginning of year	1,804,958	469,319	2,274,277
Due from other funds, end of year	\$ 1,792,361	373,648	2,166,009
Reconciliation to balance sheet:			
Due from General Fund	\$ 1,792,361	373,648	2,166,009
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (216,631)	(288,906)	(505,537)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	277,065	182,165	459,230
Pension and OPEB related	22,985	24,878	47,863
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	54,759	—	54,759
Accounts payable	(20,805)	(17,241)	(38,046)
Accrued payroll and payroll liabilities	(478)	2,735	2,257
Customer deposits	—	3,473	3,473
Net cash provided by (used for) operating activities	\$ 116,895	(92,896)	23,999
Schedule of noncash capital and noncapital and related financing activities:			
Intergovernmental nonemployer pension and OPEB contributions	\$ 22,063	22,738	44,801

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**STATISTICAL SECTION (UNAUDITED)**

# CITY OF UNALASKA, ALASKA

Statistical Section

June 30, 2021

## Statistical Section

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

### Table of Contents

	<b>Page(s)</b>
Financial Trends	69–75
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	76–81
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	82–86
<i>These schedules presents information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	87–89
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	90–91
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

Table 1

## CITY OF UNALASKA, ALASKA

## Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental activities:										
Net investment in capital assets	\$ 84,763	87,329	92,389	99,476	102,588	101,301	98,779	97,300	95,011	95,054
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	65,008	69,518	75,878	67,336	77,138	80,027	84,596	95,016	107,384	111,509
Total governmental activities	<u>\$ 149,771</u>	<u>156,847</u>	<u>168,267</u>	<u>166,812</u>	<u>179,726</u>	<u>181,328</u>	<u>183,375</u>	<u>192,316</u>	<u>202,395</u>	<u>206,563</u>
Business-type activities:										
Net investment in capital assets	\$ 125,055	154,863	164,240	185,023	178,831	152,758	178,783	180,537	179,190	167,583
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	45,100	45,102	43,173	31,810	42,058	67,940	40,332	37,008	37,744	45,035
Total business-type activities	<u>\$ 170,155</u>	<u>199,965</u>	<u>207,413</u>	<u>216,833</u>	<u>220,889</u>	<u>220,698</u>	<u>219,115</u>	<u>217,545</u>	<u>216,934</u>	<u>212,618</u>
Primary government:										
Net investment in capital assets	\$ 209,818	242,192	259,411	286,499	281,419	254,059	277,562	277,837	274,201	262,637
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	110,108	114,620	116,269	99,146	119,197	147,967	124,928	132,024	145,128	156,544
Total primary government activities	<u>\$ 319,926</u>	<u>356,812</u>	<u>375,680</u>	<u>385,645</u>	<u>400,616</u>	<u>402,026</u>	<u>402,490</u>	<u>409,861</u>	<u>419,329</u>	<u>419,181</u>

See accompanying independent auditors' report

Table 2

**CITY OF UNALASKA, ALASKA**  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (Accrual basis of accounting)  
 (Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Expenses:</b>										
Governmental activities:										
General government	\$ 4,123	4,439	4,773	4,206	4,610	5,061	4,994	5,118	4,778	5,441
Public safety	4,269	5,003	5,229	4,728	5,322	6,104	4,881	5,396	8,158	8,931
Public works	6,746	6,595	6,782	9,504	8,362	9,627	8,697	8,810	8,148	8,239
Parks, culture, and recreation	3,208	3,494	3,670	3,482	3,725	4,079	3,422	3,379	3,210	3,784
Community support	932	1,258	1,047	1,106	1,139	1,082	1,169	1,768	1,469	8,312
Education support	4,736	4,483	4,683	4,456	4,615	4,622	4,685	4,848	5,055	5,072
Interest on long-term debt	431	149	185	148	104	99	56	1	2	—
Total governmental activities expenses	<u>24,445</u>	<u>25,421</u>	<u>26,369</u>	<u>27,630</u>	<u>27,877</u>	<u>30,674</u>	<u>27,904</u>	<u>29,320</u>	<u>30,820</u>	<u>39,779</u>
Business-type activities:										
Electric	16,757	16,973	18,004	15,363	13,967	15,656	16,900	17,400	15,366	13,954
Water	2,248	2,372	2,600	2,332	2,705	2,973	2,880	2,829	3,006	3,197
Wastewater	4,408	5,504	2,054	1,740	2,518	3,810	3,383	3,528	3,593	3,685
Solid waste	2,093	2,220	2,238	2,670	2,640	3,429	3,033	3,157	3,368	3,136
Ports and harbors	2,299	1,815	6,404	5,928	6,623	7,371	8,487	8,610	9,002	9,257
Airport	787	840	799	809	843	862	806	678	633	709
Housing	736	528	463	436	415	431	453	463	439	547
Total business-type activities expenses	<u>29,328</u>	<u>30,252</u>	<u>32,562</u>	<u>29,278</u>	<u>29,711</u>	<u>34,532</u>	<u>35,942</u>	<u>36,665</u>	<u>35,407</u>	<u>34,485</u>
Total primary government expenses	<u>\$ 53,773</u>	<u>55,673</u>	<u>58,931</u>	<u>56,908</u>	<u>57,588</u>	<u>65,206</u>	<u>63,846</u>	<u>65,985</u>	<u>66,227</u>	<u>74,264</u>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government	\$ 9	66	12	21	5	19	54	42	40	34
Public safety	8	3	2	83	69	52	82	49	32	30
Public works	—	—	—	—	—	—	—	—	—	—
Culture and recreation	201	222	215	218	205	195	175	184	157	98
Operating grants and contributions	1,620	1,635	1,540	1,623	1,283	1,136	—	1,425	4,958	10,950
Capital grants and contributions	21	59	750	919	686	—	—	—	139	—
Total primary government activities program revenues	<u>1,859</u>	<u>1,985</u>	<u>2,519</u>	<u>2,864</u>	<u>2,248</u>	<u>1,402</u>	<u>311</u>	<u>1,700</u>	<u>5,326</u>	<u>11,112</u>

See accompanying independent auditors' report



Table 2

## CITY OF UNALASKA, ALASKA

## Changes in Net Position

## Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

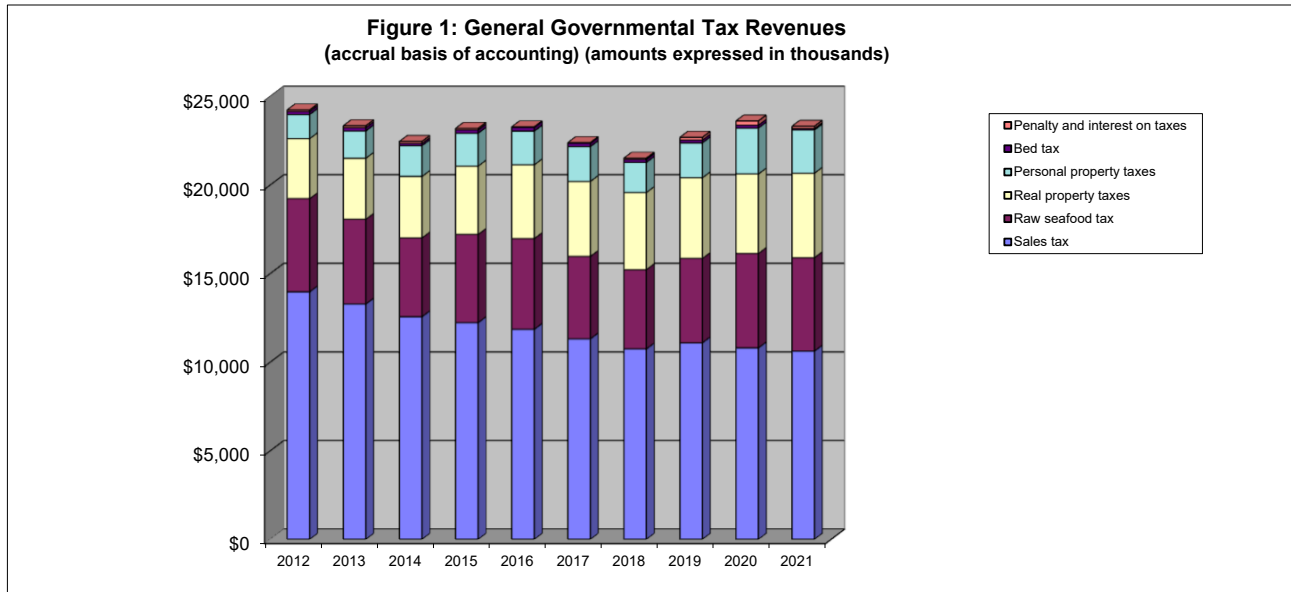
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities:										
Charges for services:										
Electric	\$ 18,295	17,390	18,825	16,571	13,527	17,198	18,493	17,304	15,884	12,427
Water	2,215	2,323	2,208	2,560	2,878	2,810	2,601	2,704	2,624	2,933
Wastewater	1,815	1,898	2,082	2,262	2,373	2,361	2,302	2,442	2,466	2,538
Solid waste	1,555	1,630	1,817	2,197	2,654	2,275	2,292	2,358	2,470	2,654
Ports and harbors	5,459	5,785	6,427	6,538	6,634	6,640	7,265	6,557	6,921	6,650
Airport	457	472	481	512	573	518	486	489	485	481
Housing	184	238	245	259	276	236	242	250	235	258
Capital grants and contributions	4,545	22,721	1,072	9,131	4,048	—	85	282	—	—
Operating grants and contributions	995	1,065	7,834	755	804	697	731	954	1,127	1,326
Total business-type activities program revenues	35,520	53,522	40,991	40,785	33,767	32,735	34,497	33,340	32,212	29,267
Total primary government program revenues	\$ 37,379	55,507	43,510	43,649	36,015	34,137	34,808	35,040	37,538	40,379
Net (expense) revenue:										
Governmental activities	\$ (22,586)	(23,436)	(23,850)	(24,766)	(25,629)	(29,272)	(26,312)	(27,620)	(25,494)	(28,667)
Business-type activities	6,192	23,270	8,429	11,507	4,056	(1,797)	(1,445)	(3,325)	(3,195)	(5,218)
Total primary government net expense	\$ (16,394)	(166)	(15,421)	(13,259)	(21,573)	(31,069)	(27,757)	(30,945)	(28,689)	(33,885)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,750	4,987	5,210	5,709	6,063	6,195	6,052	6,524	7,078	7,237
General sales tax	13,960	13,272	12,554	12,220	11,846	11,307	10,738	11,084	10,798	10,690
Raw seafood sales tax	5,261	4,784	4,450	4,982	5,124	4,657	4,475	4,762	5,328	5,276
Other taxes	87	102	118	89	32	38	72	235	237	131
Fisheries tax	9,324	11,422	8,956	7,198	12,188	8,694	8,768	8,965	7,864	8,620
Grants not restricted to specific programs	1,232	1,436	1,364	808	974	571	476	158	910	917
Gain (loss) on disposal of capital assets	—	—	4	11	9	7	1	—	136	—
Investment earnings	1,067	436	742	636	1,307	495	700	5,213	5,273	474
Other	611	878	891	971	823	1,216	1,249	1,262	464	389
Transfers	(19,580)	(6,805)	980	(2,229)	178	(2,307)	(1,575)	(1,643)	(2,514)	(901)
Total governmental activities	16,712	30,512	35,269	30,395	38,544	30,873	30,956	36,560	35,574	32,833
Business-type activities:										
Gain (loss) on disposal of capital assets	—	16	—	—	—	(701)	—	—	—	—
Investment earnings	—	—	—	—	—	—	—	111	67	2
Other	—	—	—	—	—	—	—	—	2	—
Transfers	19,580	6,805	(980)	2,229	—	2,307	1,575	1,643	2,514	901
Total business-type activities	19,580	6,821	(980)	2,229	—	1,606	1,575	1,754	2,583	903
Total primary government	\$ 36,292	37,333	34,289	32,624	38,544	32,479	32,531	38,314	38,157	33,736
Change in net position:										
Governmental activities	\$ (5,874)	7,076	11,419	5,629	12,915	(191)	4,644	8,940	10,080	4,166
Business-type activities	25,772	30,091	7,449	13,736	4,056	1,602	130	(1,571)	(613)	(4,315)
Total primary government	\$ 19,898	37,167	18,868	19,365	16,971	1,411	4,774	7,369	9,467	(149)

See accompanying independent auditors' report

Table 3

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

Fiscal year	Sales tax	Raw seafood tax	Real property taxes	Personal property taxes	Bed tax	Penalty and interest on taxes	Total
2012	\$ 13,960	5,261	3,389	1,361	170	87	24,228
2013	13,272	4,784	3,446	1,541	189	102	23,334
2014	12,554	4,450	3,469	1,741	118	118	22,450
2015	12,220	4,982	3,857	1,852	189	88	23,188
2016	11,846	5,123	4,163	1,900	210	32	23,274
2017	11,306	4,657	4,230	1,965	189	38	22,385
2018	10,738	4,475	4,355	1,697	169	72	21,506
2019	11,084	4,761	4,554	1,970	155	158	22,682
2020	10,798	5,328	4,487	2,591	166	237	23,607
2021	10,613	5,276	4,769	2,440	77	131	23,306



See accompanying independent auditors' report

Table 4

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
General fund:										
Nonspendable	\$ 2,282	2,091	2,061	2,337	2,156	2,012	1,849	1,709	3,260	3,053
Committed	20,300	14,300	14,300	14,300	14,000	14,000	14,000	14,000	14,000	26,000
Assigned	190	333	239	234	292	308	119	802	359	306
Unassigned	12,509	14,760	29,094	37,888	43,981	53,972	60,990	68,910	68,382	60,934
Total general fund	<u>\$ 35,281</u>	<u>31,484</u>	<u>45,694</u>	<u>54,759</u>	<u>60,429</u>	<u>70,292</u>	<u>76,958</u>	<u>85,421</u>	<u>86,001</u>	<u>90,293</u>
All other governmental funds:										
Nonspendable	\$ —	—	—	—	—	—	—	—	5	—
Committed	3,000	—	3,953	5,188	7,902	10,701	14,211	15,114	25,696	25,183
Assigned	19,491	28,339	18,601	9,719	6,043	3,142	—	—	2,905	736
Unassigned	—	—	—	(804)	—	—	—	—	(5)	(312)
Total all other governmental funds	<u>\$ 22,491</u>	<u>28,339</u>	<u>22,554</u>	<u>14,103</u>	<u>13,945</u>	<u>13,843</u>	<u>14,211</u>	<u>15,114</u>	<u>28,601</u>	<u>25,607</u>

See accompanying independent auditors' report

Table 5

## CITY OF UNALASKA, ALASKA

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Taxes	\$ 24,018	23,191	22,286	23,060	22,923	22,033	21,429	22,833	23,461	23,334
Intergovernmental	11,127	13,197	16,047	15,330	10,811	15,091	11,153	11,486	14,649	19,936
Changes for services	210	290	229	322	279	266	311	275	229	162
Investment income	1,067	436	742	636	1,307	495	700	5,213	5,273	474
Other	—	104	121	296	178	382	400	396	392	390
Total revenues	36,422	37,218	39,425	39,644	35,498	38,267	33,993	40,203	44,004	44,296
Expenditures:										
General government	3,917	4,291	4,457	4,578	4,137	4,082	4,553	5,104	5,153	5,202
Public safety	4,030	4,707	4,944	5,417	5,051	4,966	4,929	5,616	8,446	8,553
Public works	5,132	5,275	5,545	5,861	5,341	5,409	6,049	5,866	5,869	5,732
Parks, culture, and recreation	2,233	2,440	2,615	2,722	2,532	2,585	2,636	2,852	2,670	3,059
Community support	932	1,258	1,046	1,106	1,139	1,082	1,169	1,768	1,469	8,312
Education support	4,024	3,822	4,023	3,869	3,879	3,886	3,946	4,115	4,332	4,344
Debt service:										
Principal	834	720	755	780	805	835	875	910	385	—
Interest	397	165	212	184	150	119	86	51	8	—
Capital projects	1,664	5,695	8,017	10,894	6,961	3,241	1,142	2,910	2,008	4,013
Total expenditures	23,163	28,373	31,614	35,411	29,995	26,205	25,385	29,192	30,340	39,215
Excess of revenues over expenditures	13,259	8,845	7,811	4,233	5,503	12,062	8,608	11,011	13,664	5,081
Other financing sources (uses):										
Proceeds from long-term debt	—	—	—	11	—	—	—	—	—	—
Proceeds from sale of assets	—	—	—	—	—	—	—	—	14	—
Refunding bonds issued	—	—	—	1,930	—	—	—	—	—	—
Payments to refunded bond escrow agent	—	—	—	(1,930)	—	—	—	—	—	—
Transfers in	15,681	15,358	6,353	11,822	4,604	5,709	3,192	3,778	13,620	2,651
Transfers out	(35,261)	(22,163)	(5,748)	(15,452)	(4,604)	(8,016)	(4,767)	(5,422)	(16,134)	(3,531)
Other	—	9	9	—	9	7	1	—	—	—
Total other financing sources (uses)	(19,580)	(6,796)	614	(3,619)	9	(2,300)	(1,574)	(1,644)	(2,500)	(880)
Net change in fund balance	\$ (6,321)	2,049	8,425	614	5,512	9,762	7,034	9,367	11,164	4,201
Debt service as a percentage of noncapital expenditures	5.7 %	3.9 %	4.1 %	3.9 %	4.1 %	4.2 %	4.0 %	3.7 %	1.4 %	— %

See accompanying independent auditors' report

CITY OF UNALASKA, ALASKA

Governmental Expenditures

Last Ten Fiscal Years

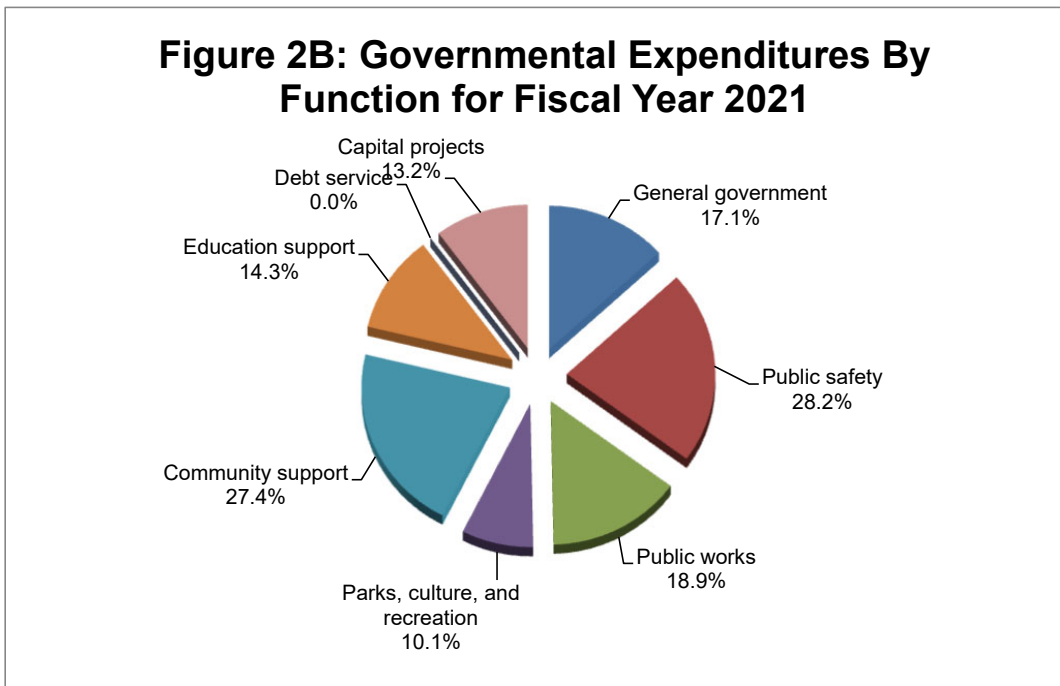
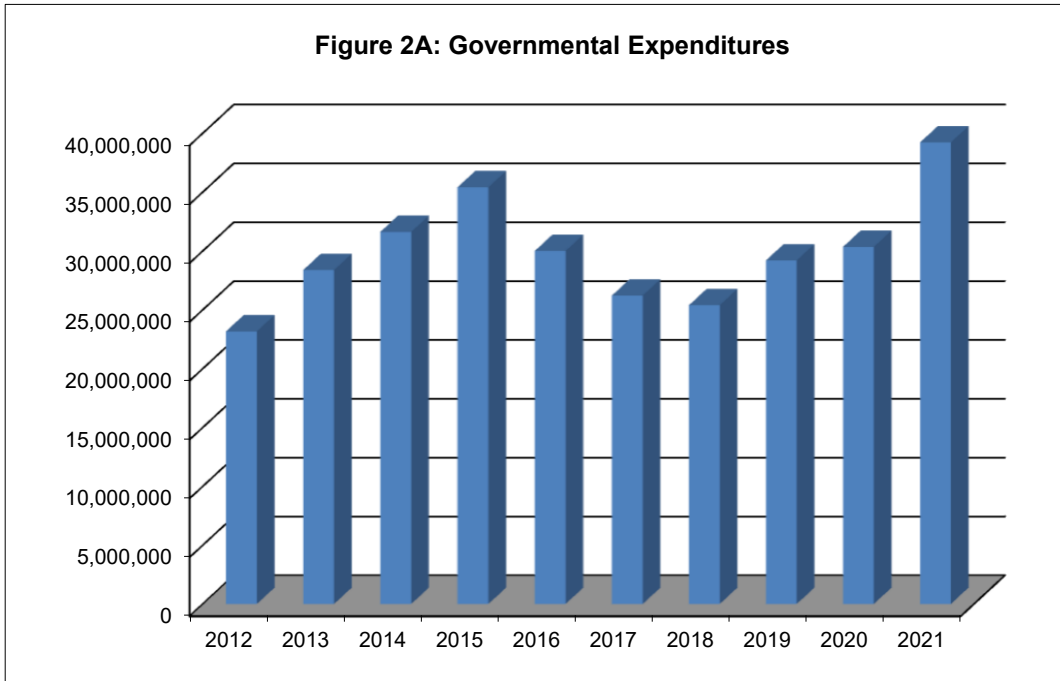
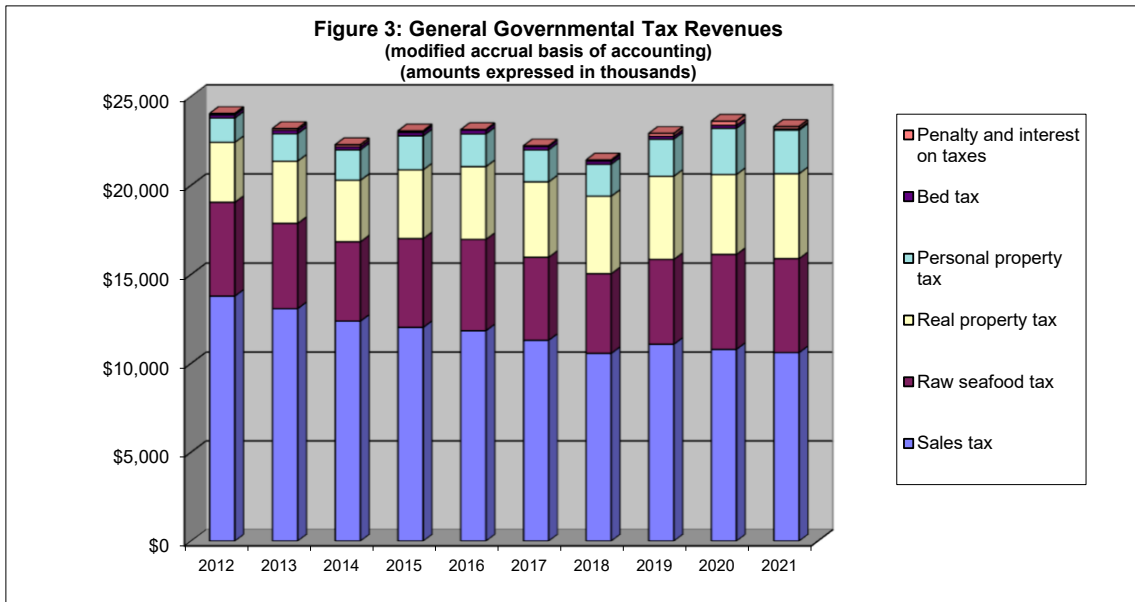


Table 7

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

Fiscal year	Sales tax	Raw seafood tax	Real property taxes	Personal property taxes	Bed tax	Penalty and interest on taxes	Total
2012	\$ 13,790	5,261	3,364	1,367	170	87	24,039
2013	13,084	4,784	3,494	1,539	189	102	23,192
2014	12,385	4,450	3,451	1,713	169	118	22,286
2015	12,031	4,982	3,862	1,907	189	89	23,060
2016	11,846	5,123	4,085	1,836	210	32	23,132
2017	11,307	4,657	4,234	1,798	189	38	22,223
2018	10,568	4,475	4,348	1,796	170	72	21,429
2019	11,084	4,762	4,667	2,086	155	162	22,916
2020	10,798	5,328	4,487	2,591	166	237	23,607
2021	10,613	5,276	4,769	2,440	77	131	23,306



See accompanying independent auditors' report

Table 8

**CITY OF UNALASKA, ALASKA**  
 Assessed and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Amount expressed in thousands)

Fiscal year	Real property		Personal property		Total		Ratio of assessed value to estimated	Total direct tax rate
	Assessed value	Estimated value	Assessed value	Estimated value	Assessed value	Estimated value		
2012	\$ 330,239	393,142	134,744	160,410	464,983	553,552	84	10.50
2013	330,908	376,032	161,341	183,342	492,249	559,374	88	10.50
2014	367,166	410,517	177,979	198,993	545,145	609,510	89	10.50
2015	396,455	435,665	182,178	200,196	578,633	635,861	91	10.50
2016	397,350	428,733	171,733	185,297	569,083	614,030	93	10.50
2017	416,223	447,552	174,302	187,422	590,525	634,974	93	10.50
2018	427,990	433,082	166,579	168,679	594,569	601,761	99	10.50
2019	432,932	433,921	243,687	247,535	676,619	681,456	99	10.50
2020	446,417	451,955	237,577	252,127	683,994	704,082	97	10.50
2021	458,306	527,504	259,865	263,544	718,171	791,048	91	10.50

See accompanying independent auditors' report

**Table 9**

**CITY OF UNALASKA, ALASKA**

City Tax Rates  
 All Governments  
 Last Ten Fiscal Years

	<u>Total city millage rate (1)</u>	<u>City Sales Tax rate (2)</u>	<u>City Raw Seafood Tax rate (3)</u>
Fiscal year ending:			
2012	10.50	3.00	2.00
2013	10.50	3.00	2.00
2014	10.50	3.00	2.00
2015	10.50	3.00	2.00
2016	10.50	3.00	2.00
2017	10.50	3.00	2.00
2018	10.50	3.00	2.00
2019	10.50	3.00	2.00
2020	10.50	3.00	2.00
2021	10.50	3.00	2.00

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

(2) Per Ordinance Section 6.40.020.

(3) Per Ordinance Section 6.44.020.

Note: There are no overlapping governmental units.

See accompanying independent auditors' report



Table 10

## CITY OF UNALASKA, ALASKA

## Principal Real Property Taxpayers

June 30, 2021 and 2012

	2021			2012		
	Total assessed value	Rank	Percentage of total taxable assessed value	Total assessed value	Rank	Percentage of total taxable assessed value
Ounalashka Corporation and subsidiaries	\$ 146,923,002	1	32.1 %	\$ 94,759,310	1	28.7 %
Unisea Inc.	59,513,300	2	13.0	40,662,617	3	12.3
Western Pioneer Inc.	50,900,055	3	11.1	45,175,464	2	13.7
Westward Seafoods Inc.	27,516,000	4	6.0	24,888,000	4	7.5
Alyeska Seafoods Inc.	21,800,690	5	4.8	19,534,094	5	5.9
Offshore Systems Inc.	14,448,400	6	3.2	11,505,305	6	3.5
Strong Holdings LLC	9,573,230	7	2.1	3,178,051	9	1.0
Kloosterboer Dutch Harbor, LLC	7,682,700	8	1.7	—	—	—
Petro Star	6,237,000	9	1.4	—	—	—
Valdez Petroleum Terminal Inc.	4,792,180	10	1.0	4,139,500	7	1.3
Puget Sound Tug and Barge	—	—	—	3,786,301	8	1.1
Telco Properties	—	—	—	2,224,804	10	0.7
All Remaining Taxpayers	108,919,443		23.8	80,385,554		24.3
	<u>\$ 458,306,000</u>		<u>100.2 %</u>	<u>\$ 330,239,000</u>		<u>100.0 %</u>

See accompanying independent auditors' report

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers

June 30, 2021 and 2012

Taxpayer	2021			2012		
	Receipts from customer	Rank	Percentage of total electric utility customers billed	Receipts from customer	Rank	Percentage of total electric utility customers billed
American President Lines	\$ 1,662,708	1	13.2 %	4,093,464	1	22.4 %
City of Unalaska	1,533,382	2	12.2	1,465,883	3	8.0
Matson Navigation Co.	1,520,990	3	12.1	—	—	—
Westward Seafoods	1,305,181	4	10.4	—	—	—
Kloosterboer	495,223	5	3.9	758,981	5	4.1
Safeway	446,524	6	3.6	709,530	6	3.9
Coastal Transportation	392,491	7	3.1	422,788	9	2.3
Alaska Ship Supply	350,506	8	2.8	584,111	8	3.2
Unalaska City School	295,399	9	2.4	421,359	10	2.3
Alyeska Seafoods	122,392	10	1.0	—	—	—
Horizon Lines	—	3	—	2,408,273	2	13.2
Dutch Harbor Acquisitions	—	—	—	927,607	4	5.1
North Pacific Fuel	—	—	—	610,121	7	3.3
All other customers	4,424,912		35.3	5,893,093		32.2
	<u>\$ 12,549,708</u>		<u>100.0 %</u>	<u>18,295,210</u>		<u>100.0 %</u>

See accompanying independent auditors' report

Table 12

**CITY OF UNALASKA, ALASKA**  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years  
 (Amounts expressed in thousands)

<u>Fiscal year</u>	<u>Total tax levy</u>	<u>Current tax collections</u>	<u>Percent of levy collected</u>	<u>Delinquent tax collections</u>	<u>Total tax collections</u>	<u>Percent of total tax collections to tax levy</u>	<u>Outstanding delinquent taxes</u>	<u>Percent of delinquent taxes to tax levy</u>
2012	\$ 4,760	4,689	98.5	59	4,748	99.7	12	0.3
2013	4,986	4,948	99.2	—	4,948	99.2	38	0.8
2014	5,141	5,090	99.0	—	5,090	99.0	51	1.0
2015	5,725	5,656	98.8	40	5,696	99.5	29	0.5
2016	6,076	5,854	96.3	24	5,878	96.7	198	3.3
2017	6,183	5,942	96.1	89	6,031	97.5	152	2.5
2018	6,243	6,129	98.2	15	6,144	98.4	99	1.6
2019	6,555	6,450	98.4	11	6,461	98.6	94	1.4
2020	7,115	7,033	98.8	8	7,041	99.0	74	1.0
2021	7,182	6,980	97.2	58	7,038	98.0	144	2.0

See accompanying independent auditors' report

Table 13

**CITY OF UNALASKA, ALASKA**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capital amount)

Fiscal year	Governmental activities	Business type Activities			Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Ports and harbors fund GO bonds	Electric fund revenue bonds	ADEC loans			
2012	\$ 6,186	4,635	29,560	265	40,646	24	8,515
2013	5,460	4,450	28,715	222	38,847	24	8,893
2014	4,698	4,260	27,845	178	36,981	15	7,800
2015	3,954	4,065	28,085	4,605	40,709	17	8,840
2016	3,114	3,942	29,175	16,006	52,237	20	11,270
2017	2,243	34,856	28,068	16,656	81,823	36	18,849
2018	1,333	34,576	26,916	15,748	78,573	33	18,134
2019	387	34,290	25,714	14,834	75,225	28	15,924
2020	—	33,310	24,287	13,972	71,569	28	16,824
2021	—	32,333	22,815	13,110	68,258	*	*

\* Data unavailable or incomplete

See accompanying independent auditors' report

**Table 14**

**CITY OF UNALASKA, ALASKA**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita amount)

<b>Fiscal year</b>		<b>General obligation bonds</b>	<b>Percentage of estimated actual taxable value of property</b>	<b>Per capita</b>
2012	\$	6,186	1.12	1,288
2013		5,460	0.98	1,242
2014		4,698	0.77	985
2015		3,954	0.62	843
2016		3,114	0.52	700
2017		2,243	0.35	496
2018		1,333	0.22	308
2019		387	0.09	82
2020		—	—	N/A
2021		—	—	N/A

See accompanying independent auditors' report

**Table 15**

**CITY OF UNALASKA, ALASKA**  
 Direct Governmental Activities Debt (1)  
 June 30, 2021

<b>Jurisdiction</b>	<b>Outstanding debt</b>	<b>Percentage applicable to City of Unalaska</b>	<b>Amount applicable to City of Unalaska</b>
Direct:			
City of Unalaska	\$ —	N/A	N/A

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

Note: There are no overlapping governmental units.

See accompanying independent auditors' report

**CITY OF UNALASKA, ALASKA**

Legal Debt Margin Information

June 30, 2021

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

See accompanying independent auditors' report

Table 17

CITY OF UNALASKA, ALASKA

Pledged-Revenue Coverage

Electric Fund

<u>Fiscal year</u>	<u>Operating revenues</u>	<u>Operating expenses (1)</u>	<u>Income from operations</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2015	\$ 16,571,260	11,780,405	4,790,855	910,000	1,420,542	2,330,542	206
2016	13,527,050	9,811,512	3,715,538	920,000	1,027,254	1,947,254	191
2017	17,198,440	11,505,578	5,692,862	990,000	1,123,667	2,113,667	269
2018	18,488,321	12,605,358	5,882,963	1,035,000	1,095,544	2,130,544	276
2019	17,303,778	12,880,067	4,423,711	1,085,000	910,675	1,995,675	222
2020	15,883,635	11,328,716	4,554,919	1,310,000	978,823	2,288,823	199
2021	13,099,636	9,556,677	3,542,959	1,290,000	970,640	2,260,640	157

(1) Operating expenses exclude depreciation.

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

See accompanying independent auditors' report



**CITY OF UNALASKA, ALASKA**

Demographic Statistics

Last Ten Fiscal Years

<b>Calendar year</b>	<b>Unalaska population (1)</b>	<b>Aleutians west region personal income (amounts expressed in thousands) (2)</b>	<b>Aleutians west region per capita personal income (2)</b>	<b>Unalaska school enrollment (3)</b>	<b>Aleutians west region unemployment (4)</b>
2012	4,516	\$ 195,082	35,525	414	9.1
2013	4,516	202,105	36,673	415	8.8
2014	4,517	304,806	53,010	407	4.8
2015	4,440	299,746	52,569	396	3.8
2016	4,448	316,823	56,105	375	3.3
2017	4,341	301,733	53,010	389	3.7
2018	4,333	311,245	54,385	400	3.5
2019	4,724	320,998	56,296	421	3.1
2020	4,254	338,947	59,674	412	4.5
2021	*	*	*	—	3.7

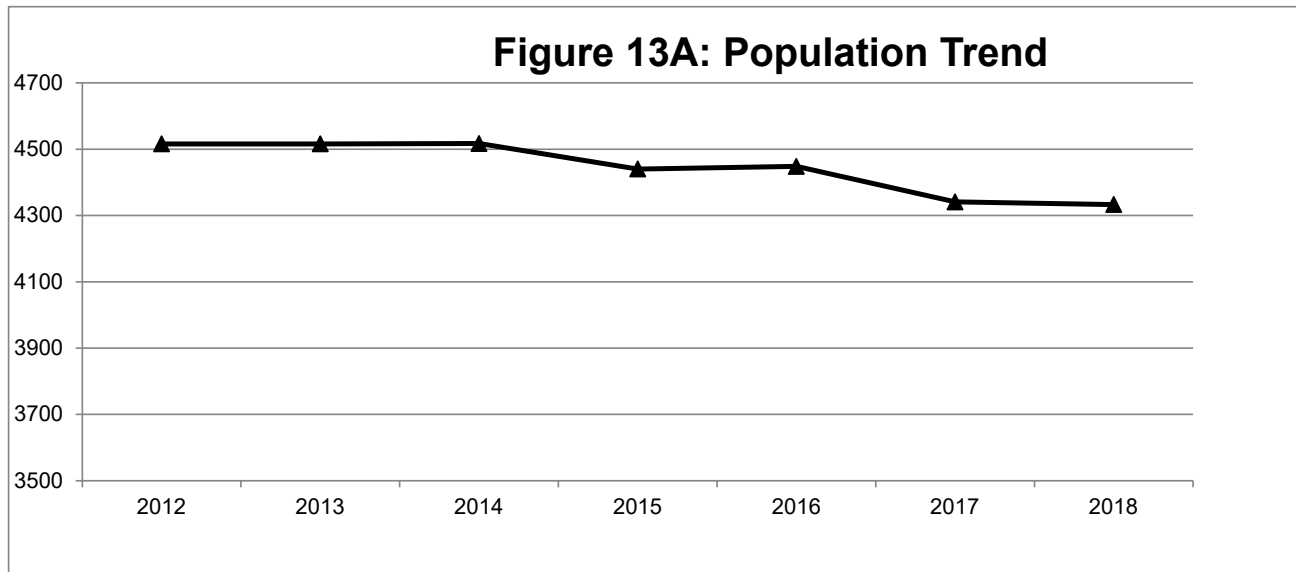
\* Data unavailable or incomplete.

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

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

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

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



**CITY OF UNALASKA, ALASKA**

Principal Employers

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

See accompanying independent auditors' report

Table 20

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
Council	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Manager	3.00	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Information Systems	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Planning	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.56	4.56	4.56
Public safety:										
Police	22.00	22.00	22.00	22.00	22.00	24.50	24.50	19.50	19.50	18.50
Communications	—	—	—	—	—	—	—	5.00	5.00	5.00
Correction	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire protection	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Public works:										
Public works administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Streets and roads	10.50	10.50	10.50	10.50	10.50	10.00	10.00	10.50	10.50	10.50
Supply	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Vehicle department	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Building maintenance	8.35	8.35	8.78	8.50	9.00	9.00	9.00	9.00	9.00	9.00
Parks, culture, and recreation:										
Community center	12.00	12.00	12.00	12.50	12.50	12.89	12.89	12.89	12.89	12.89
Libraries	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.25	5.25
Community pool	5.00	5.00	5.00	4.25	4.25	4.78	4.78	4.76	5.30	5.30
Public utilities administration	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Electric	13.00	13.00	14.00	14.00	14.33	13.00	13.00	13.00	15.00	15.00
Water	4.33	4.66	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00
Wastewater	3.34	4.00	4.50	5.17	3.50	7.00	7.00	7.00	7.00	7.00
Ports and airport	10.00	9.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00	11.00
Solid waste	4.33	4.50	4.50	4.50	4.50	4.50	5.50	5.50	6.50	6.50
<b>Total employees</b>	<b>156.31</b>	<b>156.47</b>	<b>159.74</b>	<b>159.88</b>	<b>159.04</b>	<b>166.13</b>	<b>167.13</b>	<b>168.17</b>	<b>174.96</b>	<b>173.96</b>

## Notes:

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

See accompanying independent auditors' report

Table 21

## CITY OF UNALASKA, ALASKA

## Operating Indicators by Function

Last Ten Fiscal Years

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Custodies	274	241	271	263	325	267	124	148	119	101
Fire:										
Fire response	42	29	21	49	38	30	42	42	*	39
Burn permits	99	65	65	129	114	92	73	73	*	58
Fire safety	15	17	20	35	14	28	18	18	*	33
EMS:										
EMS ambulance Calls	184	131	113	290	186	148	101	101	*	134
Public works:										
Building permits issued	18	14	27	25	21	21	18	18	13	—
Parks, culture, and recreation:										
Community Center admissions	89,178	42,747	43,161	43,158	41,194	42,407	42,407	50,445	28,514	16,008
Aquatic center attendance	18,348	11,950	13,219	16,928	13,317	16,181	16,181	18,148	13,463	6,249
CC & aquatic center volunteer hours	1,731	1,693	975	894	885	889	889	1,101	995	200
Library volunteer hours	667	766	116	98	83	49	63	110	95	21
Library circulation	239,936	267,630	196,852	198,012	75,916	67,346	80,837	87,103	63,914	43,091
Library attendance	105,931	138,955	91,252	71,537	41,060	47,802	52,792	51,679	33,897	9,968
Electric:										
Power generated MW	46,958	43,742	45,198	44,411	43,213	58,515	58,515	53,379	52,531	44,851
Water:										
Water produced (MG)	1,204	1,262	1,164	1,163	1,246	1,284	1,284	1,284	1,129	1,279
Daily pumping capacity (MGD)	4	4	4	4	4	4	4	4	4	4
Total daily capacity (MGD)	12	12	12	12	13	13	13	13	13	13
Wastewater:										
Average daily treatment (MG)	0.55	0.43	0.43	0.39	0.40	0.41	0.53	0.53	0.40	0.45
Solid waste:										
Tons of waste collected	7,128	7,484	7,238	7,508	8,419	6,440	6,440	6,440	5,919	7,108
Cubic yards of waste collected	10,625	10,678	10,910	11,022	11,760	10,934	10,934	10,934	10,653	14,965
Ports and harbors:										
UMC vessel calls	577	655	751	680	574	613	461	511	564	525
UMC wharfage tons	479,630	356,032	498,098	535,028	488,758	550,253	505,888	414,720	424,855	366,986
Airport:										
Passengers	53,698	59,792	51,424	54,200	*	57,710	*	54,596	19,203	15,652

\* Data unavailable or incomplete

Source: City of Unalaska

See accompanying independent auditors' report

Table 22

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

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	7	7	7	7	7	7	7	7	8	9
EMS:										
Ambulances	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of public roads	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	41.2	41.2
Miles of paved roads	7.0	7.0	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Street lights	179	179	245	246	251	317	317	317	321	321
Flashing/cautionary lights	9	9	15	15	15	15	15	15	13	13
Number of bridges	7	7	10	11	11	11	11	11	10	10
Parks, culture and recreation:										
Community Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Parks	8	8	8	8	8	8	8	8	8	8
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Electric:										
Number of city owned power plants	1	1	1	1	1	1	1	1	1	1
Number of sub-stations	2	2	2	2	2	2	2	2	2	2
Water:										
Wells	4	4	4	4	3	3	3	3	3	3
Surface water treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of water lines	23	23	23	23	23	23	23	23	23	23
Number of connections	599	582	582	586	590	590	590	590	590	590
Wastewater:										
Sanitary sewers MH's	353	353	367	367	367	367	367	367	367	367
Miles of sewer lines	17	17	18	21	21	21	21	21	21	21
Lift stations	9	9	10	10	10	10	10	10	10	10
Solid waste:										
Landfills	1	1	1	1	1	1	1	1	1	1
Ports and harbors:										
Dock facilities – linear feet of docking:										
Unalaska Marine Center (UMC)	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Spit Dock facility	1,975	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Light Cargo Dock	340	340	340	340	340	340	340	340	340	340
Small Boat Harbor	1,232	1,232	1,232	1,232	1,072	1,072	1,072	1,232	1,232	1,232
CEM Small Boat Harbor	5,919	5,919	5,919	5,919	5,919	5,919	5,919	5,878	5,878	5,878

Source: City of Unalaska

See accompanying independent auditors' report



**CITY OF UNALASKA, ALASKA**

Federal and State of Alaska Single Audit  
Reports and Supplementary Information

Year Ended June 30, 2021

## CITY OF UNALASKA, ALASKA

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**Independent Auditors' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska, Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Unalaska's basic financial statements, and have issued our report thereon dated December 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Unalaska City School District, as described in our report on the City of Unalaska's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Unalaska's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Unalaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska'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 the City of Unalaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Unalaska'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 City of Unalaska's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 21, 2021



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## **Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Unalaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Unalaska's major federal programs for the year ended June 30, 2021. The City of Unalaska's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City of Unalaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Unalaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Unalaska's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, the City of Unalaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the City of Unalaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Unalaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on



compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska as of and for the year ended June 30, 2021, the related notes to the financial statements, which collectively comprise the City of Unalaska's basic financial statements. We issued our report thereon dated December 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

December 21, 2021

**CITY OF UNALASKA, ALASKA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Grant title	Grant number	CFDA number	Total grant award	Federal expenditures
U.S. Department of Interior:				
Pass through the State of Alaska Department of Commerce, Community, and Economic Development:				
Payments in Lieu of Taxes	*	15.226	\$ 911,887	911,887
Total U.S. Department of Interior			<u>911,887</u>	<u>911,887</u>
U.S. Department of Health and Human Services:				
Pass through the State of Alaska Department of Health and Social Services				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	C0621-570-L	93.323	210,172	162,998
Total U.S. Department of Health and Human Services			<u>210,172</u>	<u>162,998</u>
U.S. Department of the Treasury:				
Pass through the State of Alaska Department of Commerce, Community, and Economic Development:				
COVID-19 – Coronavirus Relief Fund	20-CRF-216	21.019	13,453,952	9,353,505
Total U.S. Department of the Treasury			<u>13,453,952</u>	<u>9,353,505</u>
The Institute of Museum and Library Services:				
Passed through Ounalashka Corporation:				
The Institute of Museum and Library Services (IMLS) – Native American and Native Hawaiian Library Services	NAB-246456-OLS-20	45.311	6,000	6,000
Total The Institute of Museum and Library Services			<u>6,000</u>	<u>6,000</u>
Federal Communications Commission:				
Communications Information and Assistance and Investigation of Complaints:				
USAC – Schools and Libraries	1046256	32.001	68,256	68,256
Total Federal Communications Commission			<u>68,256</u>	<u>68,256</u>
Total federal awards			<u>\$ 14,650,267</u>	<u>10,502,646</u>

\* Not available.

See accompanying independent auditors' report and notes to schedule.

**CITY OF UNALASKA, ALASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Unalaska under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Unalaska, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Unalaska.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**(3) Reporting Entity**

The City of Unalaska, for purposes of the schedule of expenditures of federal awards, includes all the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*. It does not include the component unit of the City of Unalaska, the Unalaska City School District. This component unit also receives federal awards, but separately satisfies the audit requirements of the Uniform Guidance, if applicable.

**(4) Indirect Cost Rate**

The City of Unalaska has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**(5) Federal Loan Programs**

The balance of loans outstanding at June 30, 2021 consists of:

	<u>Beginning balance</u>	<u>Current year additions</u>	<u>Ending balance</u>
66.458 – Clean Water	\$ 1,761,627	—	1,761,627
66.468 – Drinking Water	1,380,622	—	1,380,622
	<u>\$ 3,142,249</u>	<u>—</u>	<u>3,142,249</u>

**(6) Amounts Passed through to Subrecipients**

During the year ended June 30, 2021, the City of Unalaska did not pass through any federal award amounts to subrecipients.

**CITY OF UNALASKA, ALASKA**

Schedule of Findings and Questioned Costs – Federal

Year ended June 30, 2021

**(1) Summary of Auditor's Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major program:
  - COVID-19 - Coronavirus Relief Fund – CFDA number 21.019
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
- (i) Auditee qualified as a low-risk auditee: **No**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

No matters are reportable.

**(3) Findings and Questioned Costs Relating to Federal Awards**

No matters are reportable.



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**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

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

**Report on Compliance for Each Major State Program**

We have audited the City of Unalaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City of Unalaska's major state programs for the year ended June 30, 2021. The City of Unalaska's major state programs are identified in the schedule of state financial assistance.

The City of Unalaska's financial statements include the operations of the Unalaska City School District, which expended \$4,726,459 in state awards which is not included in the City of Unalaska's schedule of state financial assistance for the year ended June 30, 2021. Our audit, described below, did not include the operations of the Unalaska City School District because the component unit engaged other auditors to perform an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

*Management's Responsibility*

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City of Unalaska's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Unalaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Unalaska's compliance.



### *Opinion on Each Major State Program*

In our opinion, the City of Unalaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of the City of Unalaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Unalaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Unalaska's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.





**Report on Schedule of State Financial Assistance by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Unalaska as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Unalaska's basic financial statements. We issued our report thereon dated December 21, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 21, 2021

**CITY OF UNALASKA, ALASKA**  
Schedule of State Financial Assistance  
Year ended June 30, 2021

Name of award	Grant number	Total grant award	Total state expenditures	Major program
Department of Education and Early Development:				
Public Library Assistance Grant	PLA-20-782-01	\$ 7,000	7,000	
Alaska State Library On-Line With Libraries (OWL) Broadband Grant	Unalaska Library	38,304	38,304	
Total Department of Education and Early Development		<u>45,304</u>	<u>45,304</u>	
Department of Revenue:				
Fisheries Business Tax	*	3,641,049	3,641,049	Yes
Fisheries Resource Landing Tax	*	4,094,954	4,094,954	Yes
Commercial Passenger Vessel Excise Tax Share	*	28,620	28,620	
Total Department of Revenue		<u>7,764,623</u>	<u>7,764,623</u>	
Department of Administration:				
PERS Contribution	*	1,116,591	1,116,591	Yes
Passed through the Aleutian Housing Authority:				
Senior Center Payments in Lieu of Taxes	*	4,762	4,762	
Total Department of Administration		<u>1,121,353</u>	<u>1,121,353</u>	
Department of Commerce, Community, and Economic Development:				
Fisheries Business Tax	*	106,533	106,533	Yes
Fisheries Resource Landing Tax	*	291,888	291,888	Yes
Community Assistance Program	*	76,545	76,545	Yes
Total Department of Commerce, Community, and Economic Development		<u>474,966</u>	<u>474,966</u>	
Total State Assistance		<u>\$ 9,406,246</u>	<u>9,406,246</u>	

\* Not available.

See accompanying independent auditors' report and notes to schedule.

## CITY OF UNALASKA, ALASKA

### Notes to Schedule of State Financial Assistance

Year ended June 30, 2021

#### **(1) Basis of Presentation**

The accompanying schedule of state financial assistance (the Schedule) includes the State of Alaska award activity of the City of Unalaska under programs of the State of Alaska for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the schedule presents only a selected portion of the operations of the City of Unalaska, it is not intended to and does not present the financial position of the City of Unalaska as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows.

#### **(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

#### **(3) Reporting Entity**

The City of Unalaska, for purposes of the schedule of state financial assistance, includes all the funds of the primary government as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*. It does not include the component unit of the City of Unalaska, the Unalaska City School District. This component unit also receives State of Alaska financial assistance, but separately satisfies the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, if applicable.

**CITY OF UNALASKA, ALASKA**  
Schedule of Findings and Questioned Costs – State  
Year ended June 30, 2021

**(1) Summary of Auditors' Results**

*Financial Statements*

Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes   x   no

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

\_\_\_\_\_ yes   x   no

Dollar threshold used to distinguish major programs:

\$75,000

**(2) Financial Statement Findings Reportable under Government Auditing Standards**

No matters are reportable.

**(3) State of Alaska Financial Assistance Findings and Questioned Costs**

No matters are reportable.