

CITY OF UNALASKA, ALASKA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

CITY OF UNALASKA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

Prepared by:

Finance Department

CITY OF UNALASKA, ALASKA

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INTRODUCTION SECTION

City of Unalaska

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

December 22, 2020



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

State law requires that all cities annually publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Unalaska, Alaska (the City) for the fiscal year ended June 30, 2020.

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, 2020. 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 2018, the City's Port of Dutch Harbor led the nation with the greatest quantity of fish landed. For the past 22 years our Port has been rated either first or second in value of catch. A catch of 763 million pounds was landed in 2018, with a value of \$182 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. The Fisheries in the Bering Sea and Aleutian Islands,

which the City depends on for its economic livelihood, are expected to remain sustainable, well managed, and healthy for the foreseeable future.

Long-Term Financial Planning and Major Initiatives

In continuing efforts to improve budgeting and long-term capital planning, the council, once again, set formal goals before the fiscal year 2020 budget process and prior to preparing the five-year Capital and Major Maintenance Plan (CMMP). Development of long-term maintenance and replacement schedules for capital assets continue to be developed.

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

The City initiated construction of two new landfill cells. The first cell was put in service in October 2015. The City is exploring a gasification project at the landfill for the coming years. At this time, the City is removing monofilament items, predominantly fishnets, and metal from the island to increase the life of the landfill.

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

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

In 2019, the City began the data collection phase of the Wind Power Development project. This phase will provide data to further define the scope of the project and determine the viability of wind energy in Unalaska. The current project budget of \$420,000 includes four measurement towers which carry wind measuring instruments.

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 Ounalaska Corporation/Chena Power in support of their geothermal power project. Additional studies, which might identify additional related projects, are currently underway.

The planned Library Improvement Project is currently on hold given the COVID-19 pandemic.

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 comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues 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.

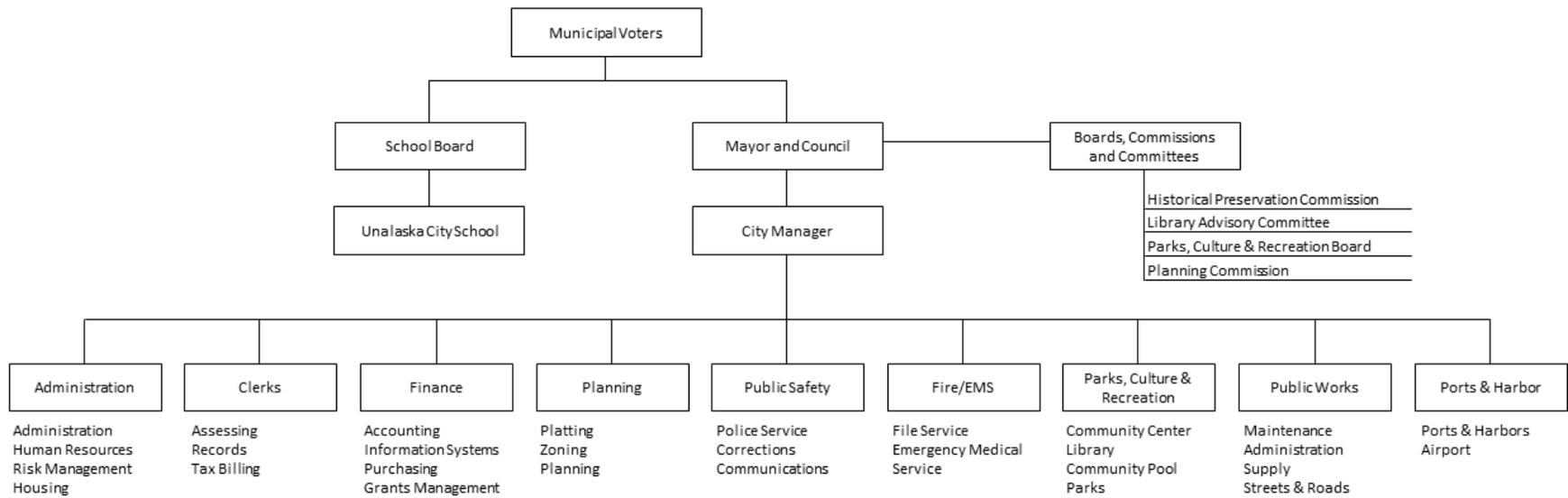
Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'ERIN REINDERS', with a long horizontal flourish extending to the right.

Erin Reinders
City Manager



City of Unalaska Organizational Chart



PRINCIPAL EXECUTIVE OFFICERS

Unalaska City Council

Mayor

Vincent M. Tutiakoff, Sr.

Vice Mayor

Dennis Robinson

Council Member

Dave Gregory

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

Fernando Barrera

Member

Carlos Tyag

Member

Cherry Tan

Member

Robert Cummings

Member

Josh Good

Student Representative

Vacant

School Officials

Superintendent

John Conwell

Secondary Principal

Jim Wilson

Elementary Principal

Chad Eichenlaub

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, 2020, 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, 2020, 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 60–63 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 22, 2020 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 22, 2020

CITY OF UNALASKA, ALASKA

Management Discussion and Analysis (MD&A)

June 30, 2020

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, 2020. 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 \$419,328,663 (net position).
- The city's total net position increased by \$9,466,961.
- As of the close of the current fiscal year, the City of Unalaska's governmental funds reported combined ending fund balances of \$111,697,447, which is an increase of \$11,162,698 from the prior year. Of this total amount, \$43,320,386, 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 \$68,381,807, or 280% of total General Fund expenditures.
- The Federal government approved the Coronavirus Aid, Relief and Economic Security (CARES Act) on March 27, 2020, which provided funding to the City in the amount of \$13,453,952, of which \$5,477,777 was received prior the end of fiscal year 2020.
- The City recorded expenditures of \$3,673,487 related to CARES Act monies provided by the Federal government during fiscal year 2020.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Unalaska that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions

CITY OF UNALASKA, ALASKA
Management Discussion and Analysis (MD&A)
June 30, 2020

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 14–16 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City of Unalaska maintains 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, all 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 64–65.

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

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

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Management Discussion and Analysis (MD&A)
June 30, 2020

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 23–26 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27–59 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 \$419,328,663 at the close of the most recent fiscal year.

Approximately 68% 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.

CITY OF UNALASKA, ALASKA
Management Discussion and Analysis (MD&A)
June 30, 2020

	Governmental activities		Business-type activities		Total*	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 198,952,238	159,943,231	56,980,916	57,062,742	255,933,154	217,005,973
Capital assets	<u>95,335,555</u>	<u>97,687,815</u>	<u>248,577,256</u>	<u>253,362,135</u>	<u>343,912,811</u>	<u>351,049,950</u>
Total assets	<u>\$ 294,287,793</u>	<u>257,631,046</u>	<u>305,558,172</u>	<u>310,424,877</u>	<u>599,845,965</u>	<u>568,055,923</u>
Deferred outflow s of resources	\$ 2,352,703	2,313,114	3,343,556	3,468,968	5,696,259	5,782,082
Long-term liabilities	\$ 13,929,071	13,871,359	89,036,208	85,912,899	102,965,279	99,784,258
Other liabilities	<u>79,488,335</u>	<u>52,533,022</u>	<u>2,375,016</u>	<u>9,638,857</u>	<u>81,863,351</u>	<u>62,171,879</u>
Total liabilities	<u>\$ 93,417,406</u>	<u>66,404,381</u>	<u>91,411,224</u>	<u>95,551,756</u>	<u>184,828,630</u>	<u>161,956,137</u>
Deferred inflow s of resources	\$ 827,567	1,223,866	557,364	796,300	1,384,931	2,020,166
Net position:						
Net investment in capital assets	\$ 95,011,289	97,115,547	179,189,551	180,387,741	274,200,840	277,503,288
Unrestricted	<u>107,384,234</u>	<u>95,200,366</u>	<u>37,743,589</u>	<u>37,158,048</u>	<u>145,127,823</u>	<u>132,358,414</u>
Net position	<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>

* To facilitate ease of presentation, the total columns include the internal balances of \$78,330,033.

The balance of unrestricted net position, \$145,127,823, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal year, the City of Unalaska is able to report positive balances in both categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

Deferred outflows of resources decreased \$85,823 during 2020 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 \$(481,957), difference between expected and actual earnings of (\$135,961), and additional contributions subsequent to the measurement date of \$(29,044). The balance for OPEB related resources decreased due to the recognition of deferred outflows of resources for changes in assumptions of \$157,674, proportion and differences between contributions and proportionate share of contributions of \$(139,255), and additional contributions subsequent to the measurement date of \$86,799. This was offset by the amortization of deferred charges of the advance refunding of 2009-1 general obligation bonds which resulted in a reacquisition price that exceeded the net carrying amount.

Deferred inflows of resources decreased \$635,235 during 2020 and has two components, deferred inflows of pension related resources, and deferred inflows of OPEB related resources. Deferred inflows of resources related to pensions increased for changes in proportion and difference between City contributions and proportionate share of contributions of \$369,992. The balance for OPEB related resources decreased primarily due to the recognition of deferred inflows for the difference between expected and actual earnings of (\$610,220) and the difference between City contributions and proportionate share of contributions of \$183,473.

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Table 2

	City of Unalaska's Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 229,268	275,333	31,652,458	32,104,178	31,881,726	32,379,511
Operating grants and contributions	4,957,803	1,424,718	559,105	954,099	5,516,908	2,378,817
Capital grants and contributions	139,000	—	—	282,400	139,000	282,400
General revenues:						
Property taxes	7,077,956	6,523,971	—	—	7,077,956	6,523,971
General sales tax	10,798,464	11,084,189	—	—	10,798,464	11,084,189
Raw seafood tax	5,328,128	4,761,506	—	—	5,328,128	4,761,506
Fisheries tax	7,864,023	8,964,862	—	—	7,864,023	8,964,862
Investment earnings	5,273,118	5,213,466	66,893	110,595	5,340,011	5,324,061
Other	1,747,558	1,656,321	1,925	—	1,749,483	1,656,321
Total revenues	<u>43,415,318</u>	<u>39,904,366</u>	<u>32,280,381</u>	<u>33,451,272</u>	<u>75,695,699</u>	<u>73,355,638</u>
Expenses:						
General government	4,778,446	5,117,904	—	—	4,778,446	5,117,904
Public safety	8,157,937	5,395,695	—	—	8,157,937	5,395,695
Public works	8,148,465	8,809,532	—	—	8,148,465	8,809,532
Parks, culture, and recreation	3,210,275	3,378,955	—	—	3,210,275	3,378,955
Community support	1,469,236	1,768,230	—	—	1,469,236	1,768,230
Education	5,055,090	4,848,402	—	—	5,055,090	4,848,402
Interest on long-term debt	2,147	1,044	—	—	2,147	1,044
Electric	—	—	15,365,764	17,400,278	15,365,764	17,400,278
Water	—	—	3,005,689	2,829,261	3,005,689	2,829,261
Wastewater	—	—	3,593,128	3,527,643	3,593,128	3,527,643
Solid waste	—	—	3,367,810	3,156,811	3,367,810	3,156,811
Ports and harbors	—	—	9,002,159	8,609,757	9,002,159	8,609,757
Airport	—	—	633,214	677,861	633,214	677,861
Housing	—	—	439,378	462,790	439,378	462,790
Total expenses	<u>30,821,596</u>	<u>29,319,762</u>	<u>35,407,142</u>	<u>36,664,401</u>	<u>66,228,738</u>	<u>65,984,163</u>
Increase in net position before transfers	12,593,722	10,584,604	(3,126,761)	(3,213,129)	9,466,961	7,371,475
Transfers	<u>(2,514,112)</u>	<u>(1,643,639)</u>	<u>2,514,112</u>	<u>1,643,639</u>	<u>—</u>	<u>—</u>
Change in net position	10,079,610	8,940,965	(612,649)	(1,569,490)	9,466,961	7,371,475
Net position, beginning of year	<u>192,315,913</u>	<u>183,374,948</u>	<u>217,545,789</u>	<u>219,115,279</u>	<u>409,861,702</u>	<u>402,490,227</u>
Net position, end 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>

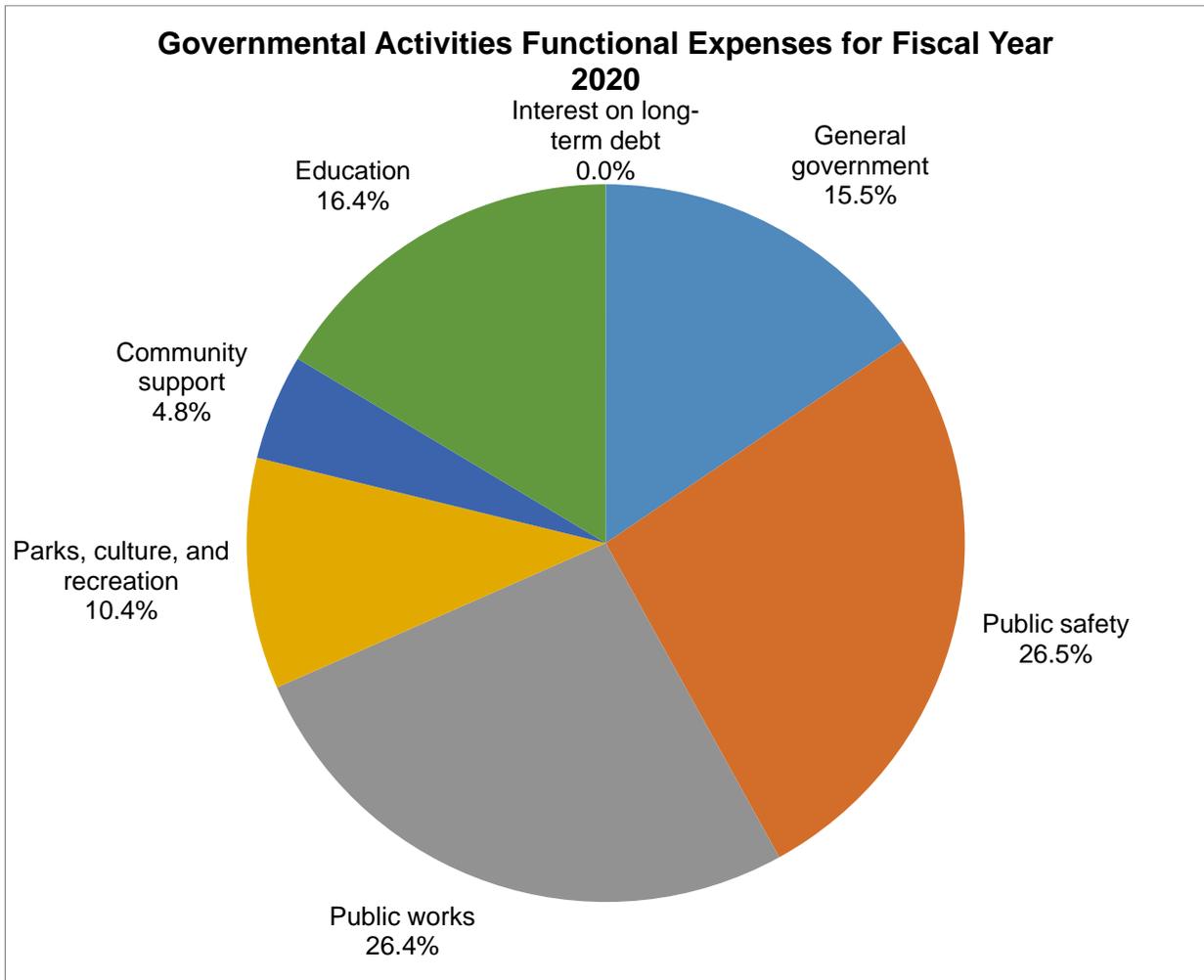
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The government's net position increased \$9,466,961 during the current fiscal year. Revenues overall increased 3% or \$2,340,061. The increase is due almost exclusively to operating grants, which increased \$3,138,091 from the prior fiscal year.

Total expenses increased \$244,575 from the prior year due to greater operating costs throughout City departments, none of which were substantial.

Governmental Activities

Governmental activities increased the City of Unalaska's net position by \$10,079,610, due to increases in operating grant revenues and investment income. Sales and Fisheries taxes declined. Expenses increased for personnel and utility costs.



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Business-Type Activities

Net position decreased \$612,649 for Business-type activities (table 2); this is primarily due to a positive change in net position in the Electric and Wastewater Utility Funds offset by losses in four out of the next five Enterprise Funds. A reduction in revenue of \$1,170,891, primarily attributable to the Electric Utility Fund and increases in operating expenses for the Water, Wastewater, Solid Waste and Ports and Harbors Enterprise Funds contributed to this overall decrease.

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 \$111,697,447, which is an increase of \$11,162,698 from the prior year. Approximately 97% of this total amount, \$108,432,248 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 \$82,741,256, and the total fund balance was \$86,001,709. 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 338% of total General Fund expenditures, while total fund balance represents 352% of that same amount.

The fund balance of the City of Unalaska's General Fund increased by \$581,346 during this fiscal year, as a result of the increases in the City's investment portfolio.

As a result of the City's CARES Act related expenditures during fiscal year 2020, the fund used to report that activity was a major fund and is reported as such in the governmental funds. Furthermore, the 1% Sales Tax Fund no longer met the criteria to be presented as a major fund and is included in the governmental nonmajor fund grouping in the financial statements.

Proprietary Funds

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

Unrestricted net position of business-type activities at the end of the year amounted to \$42,020,986. The business-type activities net position decreased by \$612,649.

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General Fund Budgetary Highlights

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

As a result of the coronavirus, the City appropriated additional funds to cover costs related to its prevention and response to the virus. This included a \$500,000 contribution to the Iliuliuk Family Clinic.

Capital Asset and Debt Administration

Capital Assets

The City of Unalaska’s net investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$274,200,840 (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 \$1,779,992 in the current year.

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

- The Haystack Security Fence project was completed with \$280,766 in current year general fund expenditures.
- The Public Library Improvements project continued with \$404,620 in current year general fund expenditures even though the project was put on hold during the year due to the coronavirus.
- The Captain’s Bay Road and Utility Improvement project continued with \$362,476 in current year general fund expenditures.
- The Electric Utility Fund Generator Sets Rebuild project was completed in fiscal year 2020 with \$1,920,750 in expenditures.
- The Wastewater Treatment Plant Improvements project was completed at a cost of \$2,181,395.
- The Unalaska Marine Center project continued with current year expenditures of \$1,365,638.

Table 3

	City of Unalaska Capital Assets (Net of Accumulated Depreciation)					
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 31,147,603	31,147,603	3,309,476	3,309,476	34,457,079	34,457,079
Buildings	28,266,131	29,666,694	75,547,483	75,988,818	103,813,614	105,655,512
Infrastructure	26,514,357	28,437,401	145,380,304	147,440,750	171,894,661	175,878,151
Machinery and equipment	2,853,204	2,459,806	21,184,627	20,240,766	24,037,831	22,700,572
Construction in progress	6,554,260	5,976,311	3,155,366	6,382,325	9,709,626	12,358,636
Total capital assets	\$ 95,335,555	97,687,815	248,577,256	253,362,135	343,912,811	351,049,950

Additional information on the City of Unalaska’s capital assets can be found in note 3(b) on pages 39–41 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 \$72,117,954 (table 4). Of this amount, \$3,115,000 comprises debt backed by the full faith and credit of the government.

Table 4

	City of Unalaska Debt					
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ —	385,000	2,730,000	2,730,000	2,730,000	3,115,000
Revenue bonds	—	—	51,940,000	54,170,000	51,940,000	54,170,000
Other contracts and loans	—	—	13,971,851	14,832,954	13,971,851	14,832,954
Total long-term debt	\$ —	385,000	68,641,851	71,732,954	68,641,851	72,117,954

The City of Unalaska’s total debt decreased by \$3,476,103 (5%) 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 44–48 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 over half of the City’s sales tax. Total sales tax was 25% of governmental activities revenue in fiscal year 2020.

CITY OF UNALASKA, ALASKA
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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, 2020

Assets and Deferred Outflows of Resources	Primary government			Total	Component unit
	Governmental activities	Business-type activities	Eliminations		Unalaska City School District
Assets:					
Cash and cash equivalents	\$ 2,261,985	150	—	2,262,135	3,548,223
Temporary investments	43,968,536	—	—	43,968,536	—
Receivables:					
Interest	631,188	—	—	631,188	—
Taxes	2,382,787	—	—	2,382,787	—
Accounts, net of allowance for uncollectible amounts of \$50,147	15,305	1,535,130	—	1,550,435	116,119
Special assessments	—	10,355	—	10,355	—
Intergovernmental	7,775,240	14,074	—	7,789,314	—
Internal balances	29,540,966	48,789,067	(78,330,033)	—	—
Inventories	955,199	1,750,898	—	2,706,097	26,273
Prepaid items	—	—	—	—	1,204,123
Restricted assets:					
Cash held by fiscal agent	—	4,881,242	—	4,881,242	—
Cash restricted for health insurance	—	—	—	—	380,465
Long-term investments	111,421,032	—	—	111,421,032	—
Net OPEB asset	—	—	—	—	245,019
Capital assets:					
Not being depreciated	37,701,863	6,464,842	—	44,166,705	42,500
Being depreciated, net	57,633,692	242,112,414	—	299,746,106	186,647
Total assets	294,287,793	305,558,172	(78,330,033)	521,515,932	5,749,369
Deferred outflows of resources:					
Deferred charge on refunding	—	1,871,477	—	1,871,477	—
OPEB related	966,781	602,356	—	1,569,137	293,898
Pension related	1,385,922	869,723	—	2,255,645	382,525
Total deferred outflows of resources	2,352,703	3,343,556	—	5,696,259	676,423
Liabilities and Deferred Inflows of Resources					
Liabilities:					
Accounts payable	1,092,653	475,382	—	1,568,035	69,277
Accrued payroll and payroll liabilities	521,514	761,622	—	1,283,136	891,717
Accrued interest	—	668,978	—	668,978	—
Deposit payable	2,433	229,034	—	231,467	10,274
Unearned revenue	1,851,702	—	—	1,851,702	10,820
Internal balances	76,020,033	240,000	(76,260,033)	—	—
Due to student groups	—	—	—	—	128,222
Noncurrent liabilities:					
Internal balances	—	2,070,000	(2,070,000)	—	—
Net OPEB liability	272,354	249,491	—	521,845	69,536
Net pension liability	11,973,841	7,808,216	—	19,782,057	4,551,330
Due within one year	1,682,876	5,451,673	—	7,134,549	—
Due in more than one year	—	73,456,828	—	73,456,828	—
Total liabilities	93,417,406	91,411,224	(78,330,033)	106,498,597	5,731,176
Deferred inflows of resources:					
OPEB related	423,173	298,914	—	722,087	222,265
Pension related	404,394	258,450	—	662,844	190,851
Total deferred inflows of resources	827,567	557,364	—	1,384,931	413,116
Net position:					
Net investment in capital assets	95,011,289	179,189,551	—	274,200,840	229,147
Restricted for scholarships and community schools	—	—	—	—	254,659
Unrestricted	107,384,234	37,743,589	—	145,127,823	(202,306)
Net position	\$ 202,395,523	216,933,140	—	419,328,663	281,500

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Statement of Activities

Year ended June 30, 2020

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
Current:				
General government	\$ 4,778,446	40,232	166,987	—
Public safety	8,157,937	31,644	4,362,776	—
Public works	8,148,465	—	139,693	139,000
Parks, culture, and recreation	3,210,275	157,392	155,088	—
Community support	1,469,236	—	—	—
Education	5,055,090	—	—	—
Interest on long-term debt	2,147	—	133,259	—
Total governmental activities	<u>30,821,596</u>	<u>229,268</u>	<u>4,957,803</u>	<u>139,000</u>
Business-type activities:				
Electric	15,365,764	15,883,635	782,458	—
Water	3,005,689	2,623,908	63,753	—
Wastewater	3,593,128	2,465,586	53,818	—
Solid waste	3,367,810	2,470,460	48,708	—
Ports and harbors	9,002,159	6,921,195	162,936	—
Airport	633,214	485,446	8,481	—
Housing	439,378	234,735	6,444	—
Total business-type activities	<u>35,407,142</u>	<u>31,084,965</u>	<u>1,126,598</u>	<u>—</u>
Total primary government	<u>\$ 66,228,738</u>	<u>31,314,233</u>	<u>6,084,401</u>	<u>139,000</u>
Component unit:				
Unalaska City School District	\$ 7,787,075	347,822	1,337,206	12,000
General revenues:				
Property taxes				
Personal property taxes				
General sales tax				
Raw seafood sales tax				
Fisheries tax				
Other taxes				
Payment in lieu of taxes				
Grants not restricted to specific programs				
Investment earnings				
Support from City of Unalaska				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See accompanying notes to financial statements.

Net (expense) revenue and changes in net position			
Primary government			Component
Governmental activities	Business-type activities	Total	Unit Unalaska City School District
\$ (4,571,227)	—	(4,571,227)	—
(3,763,517)	—	(3,763,517)	—
(7,869,772)	—	(7,869,772)	—
(2,897,795)	—	(2,897,795)	—
(1,469,236)	—	(1,469,236)	—
(5,055,090)	—	(5,055,090)	—
131,112	—	131,112	—
<u>(25,495,525)</u>	<u>—</u>	<u>(25,495,525)</u>	<u>—</u>
—	1,300,329	1,300,329	—
—	(318,028)	(318,028)	—
—	(1,073,724)	(1,073,724)	—
—	(848,642)	(848,642)	—
—	(1,918,028)	(1,918,028)	—
—	(139,287)	(139,287)	—
—	(198,199)	(198,199)	—
<u>—</u>	<u>(3,195,579)</u>	<u>(3,195,579)</u>	<u>—</u>
(25,495,525)	(3,195,579)	(28,691,104)	—
			(6,090,047)
4,487,264	—	4,487,264	—
2,590,692	—	2,590,692	—
10,798,464	—	10,798,464	—
5,328,128	—	5,328,128	—
7,864,023	—	7,864,023	—
237,024	—	237,024	—
909,977	—	909,977	—
136,361	—	136,361	4,338,119
5,273,118	66,893	5,340,011	4,835
—	—	—	3,223,265
464,196	1,925	466,121	186,571
(2,514,112)	2,514,112	—	—
<u>35,575,135</u>	<u>2,582,930</u>	<u>38,158,065</u>	<u>7,752,790</u>
10,079,610	(612,649)	9,466,961	1,662,743
<u>192,315,913</u>	<u>217,545,789</u>	<u>409,861,702</u>	<u>(1,381,243)</u>
<u>\$ 202,395,523</u>	<u>216,933,140</u>	<u>419,328,663</u>	<u>281,500</u>

CITY OF UNALASKA, ALASKA

Governmental Funds

Balance Sheet

June 30, 2020

Assets	General Fund	Coronavirus Relief Special Revenue Fund	Total nonmajor funds	Total governmental funds
Cash and cash equivalents	\$ 2,261,985	—	—	2,261,985
Temporary investments	43,968,536	—	—	43,968,536
Receivables, net:				
General	15,305	—	—	15,305
Interest	631,188	—	—	631,188
Taxes	1,737,780	—	614,554	2,352,334
Intergovernmental	39,237	—	—	39,237
Due from other funds	—	1,823,016	25,407,950	27,230,966
Inventories	950,453	4,746	—	955,199
Advances to other funds	2,310,000	—	—	2,310,000
Long-term investments	111,421,032	—	—	111,421,032
Total assets	\$ 163,335,516	1,827,762	26,022,504	191,185,782
 Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 745,206	23,181	324,266	1,092,653
Accrued payroll liabilities	521,514	—	—	521,514
Customer deposits	2,433	—	—	2,433
Due to other funds	76,020,033	—	—	76,020,033
Unearned revenues	9,168	1,804,581	2,500	1,816,249
Total liabilities	77,298,354	1,827,762	326,766	79,452,882
Deferred inflows of resources:				
Unavailable revenue – taxes	35,453	—	—	35,453
Fund balances:				
Nonspendable:				
Inventories	950,453	4,746	—	955,199
Advances to other funds	2,310,000	—	—	2,310,000
Committed:				
Emergency operations	13,000,000	—	—	13,000,000
Compensated absences	1,000,000	—	—	1,000,000
Community support	—	—	189,874	189,874
Capital projects	—	—	25,505,864	25,505,864
Assigned	359,449	—	—	359,449
Unassigned	68,381,807	(4,746)	—	68,377,061
Total fund balances	86,001,709	—	25,695,738	111,697,447
Total liabilities, deferred inflows of resources, and fund balances	\$ 163,335,516	1,827,762	26,022,504	191,185,782

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA
 Reconciliation of Net Position between the
 Government-Wide and Fund Financial Statements
 June 30, 2020

Amounts reported as fund balances on the governmental funds balance sheet	\$ 111,697,447
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	95,335,555
Pension and OPEB related deferred outflows of resources that are not financial resources and, therefore, are not reported in the funds:	
Pension	1,385,922
OPEB	<u>966,781</u>
	<u>2,352,703</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in funds:	
Shared fisheries business tax	3,641,049
Shared fisheries resource landing tax	4,094,954
Real property	23,112
Personal property	7,341
Sales taxes	<u>—</u>
	<u>7,766,456</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net OPEB liability	(272,354)
Net pension liability	(11,973,841)
Compensated absences	<u>(1,682,876)</u>
	<u>(13,929,071)</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:	
Pension	(404,394)
OPEB	<u>(423,173)</u>
	<u>(827,567)</u>
Net position of governmental activities	<u>\$ 202,395,523</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2020

	<u>General Fund</u>	<u>Coronavirus Relief Special Revenue Fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
Revenues:				
Taxes:				
General sales	\$ 7,093,282	—	3,712,952	10,806,234
Seafood sales	5,328,128	—	—	5,328,128
Real property	4,489,648	—	—	4,489,648
Personal property	2,599,587	—	—	2,599,587
Other	237,024	—	—	237,024
Intergovernmental:				
Fisheries business tax	3,869,625	—	—	3,869,625
Fisheries resource landing tax	4,635,929	—	—	4,635,929
PERS nonemployer contributions	546,371	—	—	546,371
Payments in lieu of taxes	909,977	—	—	909,977
Corrections contract	431,207	—	—	431,207
Debt reimbursement	133,259	—	—	133,259
CARES grant revenue	—	3,673,196	—	3,673,196
Other	310,131	—	139,000	449,131
Charges for services	229,268	—	—	229,268
Investment income	5,272,827	291	—	5,273,118
Other revenues	392,380	—	—	392,380
Total revenues	<u>36,478,643</u>	<u>3,673,487</u>	<u>3,851,952</u>	<u>44,004,082</u>
Expenditures:				
Current:				
General government	5,152,734	—	—	5,152,734
Public safety	4,772,684	3,673,487	—	8,446,171
Public works	5,868,726	—	—	5,868,726
Parks, culture, and recreation	2,670,302	—	—	2,670,302
Community support	1,269,236	—	200,000	1,469,236
Education	4,331,956	—	—	4,331,956
Debt service:				
Principal	385,000	—	—	385,000
Interest	8,399	—	—	8,399
Capital projects	—	—	2,008,397	2,008,397
Total expenditures	<u>24,459,037</u>	<u>3,673,487</u>	<u>2,208,397</u>	<u>30,340,921</u>
Excess revenues over expenditures	<u>12,019,606</u>	<u>—</u>	<u>1,643,555</u>	<u>13,663,161</u>
Other financing sources (uses):				
Sale of general capital assets	13,649	—	—	13,649
Transfers in	437,298	—	13,182,329	13,619,627
Transfers out	(11,889,207)	—	(4,244,532)	(16,133,739)
Net other financing sources (uses)	<u>(11,438,260)</u>	<u>—</u>	<u>8,937,797</u>	<u>(2,500,463)</u>
Net change in fund balances	581,346	—	10,581,352	11,162,698
Fund balances, beginning of year	<u>85,420,363</u>	<u>—</u>	<u>15,114,386</u>	<u>100,534,749</u>
Fund balances, end of year	\$ <u>86,001,709</u>	<u>—</u>	<u>25,695,738</u>	<u>111,697,447</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

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

Year ended June 30, 2020

Net change in fund balance – total governmental funds	\$ 11,162,698
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	2,914,432
Depreciation expense	(5,205,369)
Proceeds from sale of assets	(13,649)
Loss on disposal of capital assets	(47,674)
	<u>(2,352,260)</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	(142,101)
OPEB	577,989
	<u>435,888</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	(134,851)
Shared fisheries resource landing tax	(506,680)
Real property tax	(2,384)
Personal property tax	(8,895)
Sales taxes	(7,770)
	<u>(660,580)</u>
The issuance of long-term debt and accrual of compensated absences provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Principal repayments	385,000
Premium on general obligation bonds	2,402
Change in OPEB liability	2,094,030
Change in net pension liability	(468,866)
Change in compensated absences	(522,552)
	<u>1,490,014</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest payable	3,850
Change in net position of governmental activities	<u>\$ 10,079,610</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

General Fund

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

Year ended June 30, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Taxes:				
General sales	\$ 7,000,000	7,000,000	7,093,282	93,282
Seafood sales	4,200,000	4,200,000	5,328,128	1,128,128
Real property	4,300,000	4,300,000	4,489,648	189,648
Personal property	1,800,000	1,800,000	2,599,587	799,587
Other	75,000	75,000	237,024	162,024
Intergovernmental:				
Fisheries business tax	3,300,000	3,300,000	3,869,625	569,625
Fisheries resource landing tax	5,000,000	5,000,000	4,635,929	(364,071)
PERS nonemployer contributions	443,975	457,294	546,371	89,077
Payments in lieu of taxes	503,416	503,416	909,977	406,561
Corrections contract	481,355	481,355	431,207	(50,148)
Debt reimbursement	206,168	137,445	133,259	(4,186)
Other	442,648	467,898	310,131	(157,767)
Charges for services	319,350	319,350	229,268	(90,082)
Investment income	1,400,000	1,400,000	5,272,827	3,872,827
Other revenues	145,300	152,500	392,380	239,880
Total revenues	<u>29,617,212</u>	<u>29,594,258</u>	<u>36,478,643</u>	<u>6,884,385</u>
Expenditures:				
Current:				
General government	5,327,812	5,723,985	5,152,734	571,251
Public safety	7,562,417	7,712,274	4,772,684	2,939,590
Public works	6,621,740	7,223,798	5,868,726	1,355,072
Parks, culture, and recreation	3,268,040	3,405,918	2,670,302	735,616
Community support	1,269,236	1,769,236	1,269,236	500,000
Education	4,352,255	4,352,255	4,331,956	20,299
Debt service:				
Principal	385,000	385,000	385,000	—
Interest	48,313	48,313	8,399	39,914
Total expenditures	<u>28,834,813</u>	<u>30,620,779</u>	<u>24,459,037</u>	<u>6,161,742</u>
Excess of revenues over expenditures	<u>782,399</u>	<u>(1,026,521)</u>	<u>12,019,606</u>	<u>13,046,127</u>
Other financing sources (uses):				
Proceeds from the sale of assets	2,500	2,500	13,649	11,149
Transfers in	1,200,000	1,200,000	437,298	(762,702)
Transfers out	(11,046,789)	(12,429,581)	(11,889,207)	540,374
Net other financing uses	<u>(9,844,289)</u>	<u>(11,227,081)</u>	<u>(11,438,260)</u>	<u>(211,179)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (9,061,890)</u>	<u>(12,253,602)</u>	581,346	<u>12,834,948</u>
Fund balances, beginning of year			<u>85,420,363</u>	
Fund balances, end of year			\$ <u>86,001,709</u>	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Coronavirus Relief Special Revenue Fund

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

Year ended June 30, 2020

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Intergovernmental:				
CARES grant revenue	\$ —	5,477,777	3,673,196	(1,804,581)
Investment income	—	—	291	291
Total revenues	—	5,477,777	3,673,487	(1,804,290)
Expenditures:				
Current:				
Public safety	—	5,477,777	3,673,487	(1,804,290)
Total expenditures	—	5,477,777	3,673,487	(1,804,290)
Excess of revenues over expenditures	—	—	—	—
Other financing sources (uses):				
Transfers out	—	—	—	—
Net change in fund balance	\$ —	—	—	—
Fund balances, beginning of year			—	
Fund balances, end of year			\$ —	

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Net Position

June 30, 2020

Assets and Deferred Outflows of Resources	Electric	Wastewater	Solid waste	Ports and harbors	Other proprietary funds	Total
Current assets:						
Cash	\$ —	—	—	150	—	150
Accounts receivables (net of allowance for uncollectibles)	516,237	202,716	155,418	407,326	253,433	1,535,130
Assessments receivable	—	9,625	—	—	730	10,355
Accounts receivable – Intergovernmental	14,074	—	—	—	—	14,074
Due from General Fund	15,066,525	4,716,040	7,763,238	8,843,570	12,399,694	48,789,067
Inventories	1,294,874	27,968	73,435	—	354,621	1,750,898
Total current assets	16,891,710	4,956,349	7,992,091	9,251,046	13,008,478	52,099,674
Noncurrent assets:						
Restricted assets:						
Cash held by fiscal agent	2,419,595	—	—	2,461,647	—	4,881,242
Capital assets, net	55,291,059	34,912,336	16,732,855	115,489,489	26,151,517	248,577,256
Total noncurrent assets	57,710,654	34,912,336	16,732,855	117,951,136	26,151,517	253,458,498
Total assets	74,602,364	39,868,685	24,724,946	127,202,182	39,159,995	305,558,172
Deferred outflows of resources:						
Deferred charge on refunding OPEB related	1,871,477	—	—	—	—	1,871,477
Pension related	200,287	80,572	79,327	132,346	109,824	602,356
	353,657	90,805	106,589	181,839	136,833	869,723
Total deferred outflows of resources	2,425,421	171,377	185,916	314,185	246,657	3,343,556
Liabilities and Deferred Inflows of Resources						
Current liabilities:						
Accounts payable	189,393	40,779	56,244	47,226	141,740	475,382
Accrued payroll and payroll liabilities	250,063	82,700	108,054	193,635	127,170	761,622
Accrued interest	238,279	81,394	—	305,364	43,941	668,978
Bonds, loans, and other liabilities	1,467,181	428,330	254,232	3,122,467	179,463	5,451,673
Advances from general fund	240,000	—	—	—	—	240,000
Customer deposits	122,715	21,986	8,808	—	75,525	229,034
Total current liabilities	2,507,631	655,189	427,338	3,668,692	567,839	7,826,689
Noncurrent liabilities:						
Bonds and loans payable	22,819,353	6,424,950	3,813,473	32,284,250	2,871,403	68,213,429
Advances from general fund	2,070,000	—	—	—	—	2,070,000
Net OPEB liability	40,584	52,511	44,991	86,216	25,189	249,491
Net pension liability	2,836,331	996,014	972,280	1,643,685	1,359,906	7,808,216
Accrued landfill closure and post closure costs	—	—	5,243,399	—	—	5,243,399
Total noncurrent liabilities	27,766,268	7,473,475	10,074,143	34,014,151	4,256,498	83,584,535
Total liabilities	30,273,899	8,128,664	10,501,481	37,682,843	4,824,337	91,411,224
Deferred inflows of resources:						
OPEB related	81,756	53,357	41,593	73,621	48,587	298,914
Pension related	76,726	49,787	32,407	55,446	44,084	258,450
Total deferred inflows of resources	158,482	103,144	74,000	129,067	92,671	557,364
Net Position						
Net investment in capital assets	32,933,924	28,059,056	12,665,150	82,501,443	23,033,729	179,193,302
Unrestricted	13,661,480	3,749,198	1,670,231	7,203,014	11,455,915	37,739,838
Total net position	\$ 46,595,404	31,808,254	14,335,381	89,704,457	34,489,644	216,933,140

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Revenues, Expenditures, and Changes in Net Position

Year ended June 30, 2020

	<u>Electric</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	\$ 15,883,635	2,465,586	2,470,460	6,921,195	3,344,089	31,084,965
Total operating revenues	<u>15,883,635</u>	<u>2,465,586</u>	<u>2,470,460</u>	<u>6,921,195</u>	<u>3,344,089</u>	<u>31,084,965</u>
Operating expenses:						
Operations	10,138,529	1,685,904	1,562,525	2,418,068	1,754,857	17,559,883
General and administrative	1,190,187	483,027	389,070	836,568	703,939	3,602,791
Landfill closure and post closure care costs	—	—	461,775	—	—	461,775
Depreciation and amortization	3,037,151	1,314,265	911,102	4,276,173	1,570,665	11,109,356
Total operating expenses	<u>14,365,867</u>	<u>3,483,196</u>	<u>3,324,472</u>	<u>7,530,809</u>	<u>4,029,461</u>	<u>32,733,805</u>
Operating income (loss)	<u>1,517,768</u>	<u>(1,017,610)</u>	<u>(854,012)</u>	<u>(609,614)</u>	<u>(685,372)</u>	<u>(1,648,840)</u>
Nonoperating revenues (expenses):						
Gain (loss) on sale/disposal of assets	5,000	—	(7,375)	—	4,300	1,925
Intergovernmental revenue	782,458	53,818	48,708	162,936	78,678	1,126,598
Interest income	37,165	—	—	29,728	—	66,893
Interest expense	(999,897)	(109,932)	(43,338)	(1,471,350)	(48,820)	(2,673,337)
Net nonoperating revenues (expenses)	<u>(175,274)</u>	<u>(56,114)</u>	<u>(2,005)</u>	<u>(1,278,686)</u>	<u>34,158</u>	<u>(1,477,921)</u>
Income (loss) before capital contributions and transfers	1,342,494	(1,073,724)	(856,017)	(1,888,300)	(651,214)	(3,126,761)
Capital contributions	—	750,540	—	1,000,000	—	1,750,540
Transfers in	—	998,248	44,622	—	158,000	1,200,870
Transfers out	(437,298)	—	—	—	—	(437,298)
Change in net position	905,196	675,064	(811,395)	(888,300)	(493,214)	(612,649)
Net position, beginning of year	45,690,208	31,133,190	15,146,776	90,592,757	34,982,858	217,545,789
Net position, end of year	\$ <u>46,595,404</u>	<u>31,808,254</u>	<u>14,335,381</u>	<u>89,704,457</u>	<u>34,489,644</u>	<u>216,933,140</u>

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2020

	<u>Electric</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	\$ 15,726,050	2,440,754	2,493,874	7,064,480	3,360,127	31,085,285
Payments to employees for salaries and benefits	(2,101,781)	(1,016,844)	(957,737)	(1,579,677)	(1,584,148)	(7,240,187)
Payments to vendors	(9,122,606)	(1,295,357)	(1,081,453)	(1,854,140)	(1,003,438)	(14,356,994)
Net cash provided by operating activities	<u>4,501,663</u>	<u>128,553</u>	<u>454,684</u>	<u>3,630,663</u>	<u>772,541</u>	<u>9,488,104</u>
Cash flows from noncapital and related financing activities:						
Cash received from other governments, including operating subsidies	1,128,506	—	—	84,019	—	1,212,525
Transfers in	—	998,248	44,622	—	158,000	1,200,870
Transfers out	(437,298)	—	—	—	—	(437,298)
Net cash provided by (used for) noncapital and related financing activities	<u>691,208</u>	<u>998,248</u>	<u>44,622</u>	<u>84,019</u>	<u>158,000</u>	<u>1,976,097</u>
Cash flows from capital and related financing activities:						
Interest payments on long-term obligations	(978,823)	(109,933)	(64,830)	(1,513,592)	(48,821)	(2,715,999)
Increase in cash held by fiscal agent	(36,716)	—	—	(147,226)	—	(183,942)
Proceeds from sale of assets	5,000	—	—	—	4,300	9,300
Principal payments on long-term debt obligations	(1,310,000)	(428,330)	(254,230)	(920,000)	(179,465)	(3,092,025)
Advances from General Fund	1,750,000	—	—	—	—	1,750,000
Repayment of capital projects advances from General Fund	(208,240)	—	—	—	—	(208,240)
Acquisition and construction of capital assets	(2,721,721)	(1,808,436)	(61,259)	(2,895,487)	(672,266)	(8,159,169)
Capital contributions	—	750,540	—	1,000,000	—	1,750,540
Net cash used for capital and related financing activities	<u>(3,500,500)</u>	<u>(1,596,159)</u>	<u>(380,319)</u>	<u>(4,476,305)</u>	<u>(896,252)</u>	<u>(10,849,535)</u>
Cash flows from investing activities:						
Interest income received	37,165	—	—	29,728	—	66,893
Change in cash and due from General Fund	1,729,536	(469,358)	118,987	(731,895)	34,289	681,559
Cash and due from other funds, beginning of year	13,336,989	5,185,398	7,644,251	9,575,615	12,365,405	48,107,658
Cash and due from other funds, end of year	\$ <u>15,066,525</u>	<u>4,716,040</u>	<u>7,763,238</u>	<u>8,843,720</u>	<u>12,399,694</u>	<u>48,789,217</u>
Reconciliation to the statement of net position:						
Cash and cash equivalents	\$ —	—	—	150	—	150
Due from other funds	15,066,525	4,716,040	7,763,238	8,843,570	12,399,694	48,789,067
Cash and due from General Fund, June 30, 2020	\$ <u>15,066,525</u>	<u>4,716,040</u>	<u>7,763,238</u>	<u>8,843,720</u>	<u>12,399,694</u>	<u>48,789,217</u>

CITY OF UNALASKA, ALASKA

Proprietary Funds

Statement of Cash Flows

Year ended June 30, 2020

	<u>Electric</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)	\$ 1,517,768	(1,017,610)	(854,012)	(609,614)	(685,372)	(1,648,840)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	3,037,151	1,314,265	911,102	4,276,173	1,570,665	11,109,356
Pension and OPEB related	(285,090)	(108,553)	(98,245)	(159,175)	(158,693)	(809,756)
Amortization of landfill costs	—	—	461,775	—	—	461,775
Changes in assets and liabilities that provided cash:						
Accounts receivable	406,121	(29,226)	22,814	143,285	18,731	561,725
Assessments receivable	—	6,544	—	—	—	6,544
Inventories	(91,397)	1,157	(5,847)	—	(12,245)	(108,332)
Accounts payable	(136,473)	(60,330)	(1,901)	(15,625)	33,050	(181,279)
Accrued payroll and payroll liabilities	49,796	24,456	18,398	(4,381)	9,098	97,367
Customer deposits	3,787	(2,150)	600	—	(2,693)	(456)
Net cash provided by operating activities	\$ <u>4,501,663</u>	<u>128,553</u>	<u>454,684</u>	<u>3,630,663</u>	<u>772,541</u>	<u>9,488,104</u>
Schedule of noncash capital and noncapital and related financing activities:						
Acquisition and construction of capital assets through accounts payable	\$ 51,673	—	—	42,976	66,922	161,571
Intergovernmental nonemployer pension and OPEB contributions	141,342	107,412	97,213	78,917	78,678	503,562

See accompanying notes to financial statements.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

(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

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(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 the Coronavirus Relief Fund

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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.

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

CITY OF UNALASKA, ALASKA

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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.

(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.

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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 \$2,360 to cover damage or additional costs incurred by the City in leasing its recreational facilities.

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

The Housing Fund holds refundable customer deposits of \$16,805 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 \$122,715, \$47,720, \$21,986, and \$8,808, respectively, to cover equipment held by customers and in the event of nonpayment of utility bills.

(vi) *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. During 2020 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

CITY OF UNALASKA, ALASKA

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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.

(ix) Postemployment Benefits Other Than Pensions (OPEB)

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

(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 qualifies for reporting in this category. A deferred charge on refunding is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The 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.

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June 30, 2020

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.

(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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

(2) Stewardship, Compliance, and Accountability

(a) Budgetary Information

(i) City

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

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

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

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

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

(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

CITY OF UNALASKA, ALASKA

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

(iii) Fund Balance Policies

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

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

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

(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, 2020, the City's carrying amount of bank deposits was \$2,260,435 and the bank balance was \$2,990,097. The \$729,662 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, 2020, 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

CITY OF UNALASKA, ALASKA

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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;
- (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.

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At June 30, 2020, the City's investments in bonds were rated as follows:

Investment	Standard & Poor's	Moody's Investor Service
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, 2020, the City has the following investments and maturities:

	Fair value	Investment maturities (in years)				
		Less than 1	1-2	2-3	3-5	More than 5
AML Investment Pool	\$ 43,763,607	43,763,607	—	—	—	—
Wells Fargo money market	204,929	204,929	—	—	—	—
Private debt obligations	1,820,554	416,000	—	1,404,554	—	—
U.S. government obligations	63,839,890	—	33,910,157	29,929,733	—	—
Corporate bonds	38,049,166	3,716,052	22,777,807	11,555,307	—	—
Mortgage/asset-backed securities	7,711,422	—	—	3,673,235	4,038,187	—
	<u>\$ 155,389,568</u>	<u>48,100,588</u>	<u>56,687,964</u>	<u>46,562,829</u>	<u>4,038,187</u>	<u>—</u>

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

Cash and cash equivalents:	
Petty cash	\$ 1,700
Demand deposits	<u>2,260,435</u>
Total cash	<u>\$ 2,262,135</u>
Investments:	
Temporary investments	\$ 43,968,536
Long-term investments	<u>111,421,032</u>
	<u>\$ 155,389,568</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.

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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, 2020, 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, 2020:

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

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

(b) Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,147,603	—	—	31,147,603
Construction in progress	<u>5,976,311</u>	<u>1,996,850</u>	<u>(1,418,901)</u>	<u>6,554,260</u>
Total	<u>37,123,914</u>	<u>1,996,850</u>	<u>(1,418,901)</u>	<u>37,701,863</u>
Capital assets, being depreciated:				
Buildings	63,024,118	114,500	—	63,138,618
Infrastructure	51,354,191	1,302,101	(250,930)	52,405,362
Machinery and equipment	<u>10,523,583</u>	<u>919,882</u>	<u>(113,407)</u>	<u>11,330,058</u>
Total	<u>124,901,892</u>	<u>2,336,483</u>	<u>(364,337)</u>	<u>126,874,038</u>
Less accumulated depreciation for:				
Buildings	(33,357,424)	(1,515,063)	—	(34,872,487)
Infrastructure	(22,916,790)	(3,163,822)	189,607	(25,891,005)
Machinery and equipment	<u>(8,063,777)</u>	<u>(526,484)</u>	<u>113,407</u>	<u>(8,476,854)</u>
Total	<u>(64,337,991)</u>	<u>(5,205,369)</u>	<u>303,014</u>	<u>(69,240,346)</u>
Total capital assets, being depreciated, net	<u>60,563,901</u>	<u>(2,868,886)</u>	<u>(61,323)</u>	<u>57,633,692</u>
Governmental-type activities, net	\$ <u>97,687,815</u>	<u>(872,036)</u>	<u>(1,480,224)</u>	<u>95,335,555</u>

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	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,309,476	—	—	3,309,476
Construction in progress	6,382,325	6,124,285	(9,351,244)	3,155,366
Total	<u>9,691,801</u>	<u>6,124,285</u>	<u>(9,351,244)</u>	<u>6,464,842</u>
Capital assets, being depreciated:				
Buildings	101,341,326	2,181,395	—	103,522,721
Infrastructure	224,428,451	4,618,686	—	229,047,137
Machinery and equipment	33,485,417	2,775,176	(61,024)	36,199,569
Total	<u>359,255,194</u>	<u>9,575,257</u>	<u>(61,024)</u>	<u>368,769,427</u>
Less accumulated depreciation for:				
Buildings	(25,352,508)	(2,622,730)	—	(27,975,238)
Infrastructure	(76,987,701)	(6,679,132)	—	(83,666,833)
Machinery and equipment	(13,244,651)	(1,831,315)	61,024	(15,014,942)
Total	<u>(115,584,860)</u>	<u>(11,133,177)</u>	<u>61,024</u>	<u>(126,657,013)</u>
Total capital assets, being depreciated, net	<u>243,670,334</u>	<u>(1,557,920)</u>	<u>—</u>	<u>242,112,414</u>
Business-type activities, net	\$ <u>253,362,135</u>	<u>4,566,365</u>	<u>(9,351,244)</u>	<u>248,577,256</u>

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

General government	\$ 265,962
Public safety	288,842
Public works	3,235,718
Parks, culture, and recreation	691,713
Education	<u>723,134</u>
Total – governmental activities	\$ <u>5,205,369</u>

CITY OF UNALASKA, ALASKA

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June 30, 2020

Business-type activities:	
Electric	\$ 3,037,151
Water	1,124,222
Wastewater	1,314,265
Solid waste	911,102
Ports and harbors	4,276,173
Airport	264,278
Housing	<u>182,165</u>
Total – business-type activities	\$ <u><u>11,109,356</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 Fund Balance Sheet and the Proprietary Funds Statement of Net Position and as internal balances in the statement of net position. These balances at June 30, 2020 were as follows:

Receivable	Payable General fund
General fund	\$ —
Cares Special Revenue Fund	1,823,016
1% Sales Tax Special Revenue Fund	11,503,735
Nonmajor governmental funds	13,904,215
Electric	15,066,525
Wastewater	4,716,040
Solid waste	7,763,238
Ports and harbors	8,843,570
Nonmajor proprietary funds	<u>12,399,694</u>
	\$ <u><u>76,020,033</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, 2020

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, 2020 were as follows:

	<u>Advances to</u>	<u>Advances from</u>
General fund	\$ —	2,310,000
Current portion	240,000	—
Long-term portion	<u>2,070,000</u>	<u>—</u>
	<u>\$ 2,310,000</u>	<u>2,310,000</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, 2020 is as follows:

<u>Transfers in</u>	<u>Transfers out</u>			
	<u>General fund</u>	<u>1% Sales tax</u>	<u>Electric fund</u>	<u>Total transfers in</u>
General fund	\$ —	—	437,298	437,298
1% Sales Tax	—	—	—	—
Nonmajor Gov. Funds	9,980,667	3,201,662	—	13,182,329
Major Enterprise Funds:				
Electric	—	—	—	—
Water	—	—	—	—
Wastewater	750,540	998,248	—	1,748,788
Solid Waste	—	44,622	—	44,622
Ports and Harbors	1,000,000	—	—	1,000,000
Nonmajor Ent. Funds	<u>158,000</u>	<u>—</u>	<u>—</u>	<u>158,000</u>
	<u>\$ 11,889,207</u>	<u>4,244,532</u>	<u>437,298</u>	<u>16,571,037</u>

A summary of significant transfers are as follows:

- The General Fund transferred \$9,980,667 to the Capital Equipment Project Fund for capital projects approved for the FY20 Capital and Major Maintenance Plan. Additionally, the General

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

Fund transferred \$750,540 and \$1,000,000 to the Wastewater and Ports and Harbors Funds, respectively, both related to capital projects.

- The 1% Sales Tax Special Revenue Fund transferred \$3,201,662 to the Capital Equipment Project Fund for capital projects approved for the FY20 Capital and Major Maintenance Plan. Additionally, the 1% Sales Tax Special Revenue Fund transferred \$998,248 to the Wastewater Fund to subsidize Wastewater Fund operations.

(d) Operating Leases

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

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

On October 2, 1992, the City and North Pacific Fuel entered into a lease agreement for office space for the Port and Harbor Offices. The lease was renewed on January 1, 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 \$2,771 are due January 1 each year, ending December 31, 2020.

On July 1, 2016, the City and the United Methodist Ministries entered into a 5 year lease for land for a community ballpark with incremental increases each fiscal year ending June 30, 2021. The final payment under this agreement, in the amount of \$20,500 was paid in June 2020.

Rent expense for the year ended June 30, 2020 was \$208,680.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

The future commitment for operating lease payments is as follows:

Year(s) ending:		
2021	\$	199,774
2022		82,921
2023		83,459
2024		74,394
2025		62,974
2026–2030		29,375
2031–2035		29,375
2036–2040		5,875
2041–2045		—
	\$	<u>568,147</u>

(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, 2020.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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

	<u>Principle balance</u>
Business-type activities:	
Bonds:	
2017 Series One bonds issued in 2018 for \$29,655,000, interest rates of 3.75% to 5.0%, due in annual installments of \$685,000 to \$1,935,000, beginning in 2020 through 2043, payable to the Bond Bank	\$ 28,970,000
2015 Series One bonds issued in 2015 for \$20,415,000, interest rates of 3.5% to 4.0%, due in annual installments of \$1,055,000 to \$1,785,000, beginning in 2020 through 2035, payable to the Bond Bank	19,360,000
2010 Series A (tax-exempt) General Obligation Harbor Improvement Bond issued in 2010 for \$2,270,000, interest rates of 2% to 5% due in annual installments of \$180,000 to \$440,000 to 2021, payable to the Bond Bank	245,000
2010 Series B (taxable Build America Bond) General Obligation Harbor Improvement Bond issued in 2010 for \$2,730,000, interest rates of 5.995% to 6.341% due in annual installments of \$255,000 to \$355,000, to 2030, payable to the Bond Bank	2,730,000
2010B (taxable Recovery Zone Economic Development Bond – direct payment) Electric Utility Revenue Bond issued in 2010 for \$3,465,000, interest rates of 4.925% to 5.432% due in annual installments of \$265,000 to \$350,000, to 2030, payable to the Bond Bank	3,365,000
State of Alaska loans:	
2013 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	6,853,280
2013 1.50% Alaska Drinking Water Fund loan payable in annual installments over 20 years	3,050,868
2014 1.50% Alaska Clean Water Fund loan payable in annual installments over 20 years	<u>4,067,703</u>
Total	\$ <u>68,641,851</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

(i) *Changes in Long-Term Liabilities*

Changes in long-term liabilities for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 385,000	—	(385,000)	—	—
Premium on bonds	2,402	—	(2,402)	—	—
Net OPEB liability	2,366,384	—	(2,094,030)	272,354	—
Net pension liability	11,504,975	468,866	—	11,973,841	—
Compensated absences	<u>1,160,324</u>	<u>522,552</u>	<u>—</u>	<u>1,682,876</u>	<u>1,682,876</u>
Governmental activity long-term liabilities	<u>\$ 15,419,085</u>	<u>991,418</u>	<u>(2,481,432)</u>	<u>13,929,071</u>	<u>1,682,876</u>
Business-type activities:					
Bonds payable:					
Electric Bonds	\$ 24,035,000	—	(1,310,000)	22,725,000	1,350,000
Ports Bonds	32,865,000	—	(920,000)	31,945,000	965,000
Premium on bonds	<u>3,103,874</u>	<u>—</u>	<u>(177,635)</u>	<u>2,926,239</u>	<u>177,635</u>
Total bonds payable	60,003,874	—	(2,407,635)	57,596,239	2,492,635
Other contracts and loans:					
Water Loans	3,230,331	—	(179,465)	3,050,866	179,463
Wastewater Loans	7,281,610	—	(428,330)	6,853,280	428,330
Solid Waste Loans	4,321,935	—	(254,230)	4,067,705	254,232
Army Corps of Engineers	2,097,013	—	—	2,097,013	2,097,013
Accrued landfill closure and postclosure care costs	4,781,624	461,775	—	5,243,399	—
Net OPEB liability	1,512,025	—	(1,262,534)	249,491	—
Net pension liability	7,493,659	314,557	—	7,808,216	—
Compensated absences	<u>335,364</u>	<u>567,007</u>	<u>(463,331)</u>	<u>439,040</u>	<u>439,040</u>
Business-type activity— long-term liabilities	<u>\$ 91,057,435</u>	<u>1,343,339</u>	<u>(4,995,525)</u>	<u>87,405,249</u>	<u>5,890,713</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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

Year(s) ending June 30:	Electric		
	Principal	Interest	Total
2021	\$ 1,350,000	935,742	2,285,742
2022	1,380,000	899,163	2,279,163
2023	1,410,000	859,646	2,269,646
2024	1,445,000	817,754	2,262,754
2025	1,490,000	759,036	2,249,036
2026–2030	8,545,000	2,569,723	11,114,723
2031–2035	7,105,000	562,606	7,667,606
	\$ <u>22,725,000</u>	<u>7,403,670</u>	<u>30,128,670</u>

Year(s) ending June 30:	Ports and harbors		
	Principal	Interest	Total
2021	\$ 965,000	1,475,649	2,440,649
2022	1,010,000	1,427,399	2,437,399
2023	1,065,000	1,374,367	2,439,367
2024	1,110,000	1,318,435	2,428,435
2025	1,165,000	1,260,155	2,425,155
2026–2030	6,700,000	5,314,586	12,014,586
2031–2035	6,395,000	3,665,175	10,060,175
2036–2040	7,950,000	2,111,750	10,061,750
2041–2045	5,585,000	452,600	6,037,600
	\$ <u>31,945,000</u>	<u>18,400,116</u>	<u>50,345,116</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, 2020

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

Year(s) ending June 30:	Other proprietary funds		
	Principal	Interest	Total
2021	\$ 864,524	210,215	1,074,739
2022	864,524	197,247	1,061,771
2023	864,524	184,280	1,048,804
2024	864,524	171,312	1,035,836
2025	864,524	158,344	1,022,868
2026–2030	4,322,622	597,201	4,919,823
2031–2035	4,322,622	273,005	4,595,627
2036–2040	1,003,987	18,426	1,022,413
	<u>\$ 13,971,851</u>	<u>1,810,030</u>	<u>15,781,881</u>

(ii) *Build America Bond*

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

(iii) *Recovery Zone Economic Development Bond*

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

(iv) *Alaska Department of Environmental Conservation Loans*

On October 4, 2013, the City was approved for an \$8,788,200 loan from the Alaska Department of Environmental Conservation for a landfill phase II expansion. As of June 30, 2020, 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, 2020, 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, 2020, the City has received \$3,639,257 and closed the loan.

(v) *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, 2020, \$19,265,000 of defeased bonds remain outstanding.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

(4) Other Information

(a) Risk Management

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

The City currently participates in the Alaska Public Entity Insurance (APEI) pool, which covers property and contents, general, auto liability, law enforcement legal liability, errors and omissions, earthquake and flood, marine, and workers compensation. APEI is a public entity risk pool that reinsurers risk above certain levels, thereby relieving the members of the need for additional assessments. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. The Association made no supplemental assessments during the year ended June 30, 2020.

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 2020, the estimated closure and postclosure care costs were reevaluated and adjusted to reflect conditions as of June 30, 2020. As of June 30, 2020, the City has an accrued liability associated with these estimated closure and postclosure care costs of \$5,243,399, based on the use of 58% of the estimated capacity of the landfill. It is estimated the City will recognize additional \$4,962,586, of expense and liability between July 2020, 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 2020. 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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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.

In May, June, and July 2019, the City was victimized by a phishing email scheme for a total of approximately \$3 million. The City was able to recover approximately \$2.3 million and anticipates insurance recoveries of \$100,000. During fiscal year 2020, the City received insurance proceeds of \$122,500, which partially offset the loss. The City is evaluating the benefits of seeking additional insurance proceeds through legal action. A loss of \$637,862 was recognized in the general fund and allocated between fiscal years 2020 and 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, 2020 were as follows:

Governmental funds:	
General fund	\$ 359,449
Other nonmajor governmental funds	<u>2,464,257</u>
Total governmental funds	<u>2,823,706</u>
Proprietary funds:	
Electric fund	398,964
Wastewater fund	46,581
Solid Waste fund	53,899
Ports and Harbor fund	91,630
Other nonmajor proprietary funds	<u>295,658</u>
Total proprietary funds	<u>886,732</u>
Total	<u>\$ 3,710,438</u>

(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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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

PERS benefits are earned based on the following tiers:

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

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

	Others	Police/fire
Defined benefit plans:		
Pension	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
- (4) Health reimbursement arrangement

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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, 2020, 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	\$	19,782,057
State's proportionate share of the net pension liability associated with the City		<u>7,856,932</u>
Total	\$	<u><u>27,638,989</u></u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the present value of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. At June 30, 2019, the City's proportion was 0.361%, which was a decrease of 0.02% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$2,429,262 and revenue of \$1,067,323 for support provided by the State. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ 283,632	—
Change in assumptions	605,639	—
Difference between actual and expected experience	—	292,852
Changes in proportion and differences between City contributions and proportionate share of contributions	—	369,992
City contributions subsequent to the measurement date	<u>1,366,374</u>	<u>—</u>
Total	<u>\$ 2,255,645</u>	<u>662,844</u>

The City reported \$1,366,374 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, 2020. 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:	
2021	\$ 257,502
2022	(209,411)
2023	80,474
2024	97,862
2025	—
Thereafter	<u>—</u>
	<u>\$ 226,427</u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

Pension Plan Fiduciary Net Position

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

(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.

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

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

At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City as its proportionate share of net OPEB liabilities, the related State support, and the total portion of the net OPEB liabilities that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$	521,845
State's proportionate share of the net OPEB liability associated with the City (ARHCT)		<u>213,274</u>
Total	\$	<u><u>735,119</u></u>

The net OPEB liabilities were measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the ARHCT net OPEB liability was based on a projection of the present value of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. The City's proportion of the ODD and RMP plans' net OPEB liability (asset) was based on the City's contribution relative to the total actual contributions from all participating political subdivisions and the State for the respective plan. At June 30, 2019, the City's proportion was 0.38% (ARHCT), 0.69% (RMP), and 0.74% (ODD) which was a decrease of .02%, increase of .030%, and increase of 0.08% respectively from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized an OPEB benefit of \$3,480,150 and revenue of \$(1,378,395) for support provided by the State. At June 30, 2020, the City reported collective deferred outflows of resources and collective deferred inflows of resources related to OPEB plans from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	237,821
Difference between actual and expected experience	—	428,777
Change in assumptions	791,764	3,445
Changes in proportion and differences between City contributions and proportionate share of contributions	75,350	52,044
City contributions subsequent to the measurement date	<u>702,023</u>	<u>—</u>
Total	<u><u>\$ 1,569,137</u></u>	<u><u>722,087</u></u>

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

The City reported \$702,023 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, 2020. 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:		
2021	\$	194,019
2022		(185,912)
2023		59,122
2024		76,310
2025		357
Thereafter		<u>1,131</u>
	\$	<u><u>145,027</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, 2018, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2019:

	<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%
Discount	7.38%	7.38%
Investment rate of return	7.38%	7.38%
Healthcare cost trend rates:		
Pre-65 medical	N/A	7.5% grading down to 4.5%
Post 65 medical	N/A	5.5% grading down to 4.5%
Prescription drugs	N/A	8.5% 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, 2020

Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination 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-termination mortality were 100% of the RP-2104 employee table 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	24.0 %	8.16 %
Global equity	22.0	7.51
Real estate	17.0	4.76
Fixed income	10.0	1.58
Opportunistic	10.0	3.96
Private equity	9.0	11.39
Absolute return	7.0	3.96
Cash equivalents	1.0	0.83
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.

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

The following presents the City's proportionate share of the net pension and OPEB liabilities (asset) calculated using the discount rate of 7.38%, as well as what the City's proportionate share

CITY OF UNALASKA, ALASKA

Notes to Financial Statements

June 30, 2020

of the net pension and OPEB liabilities (asset) would be if it were calculated using a discount rate 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	\$ 26,108,836	19,782,057	14,483,575
ARHCT	4,313,145	536,277	(2,570,730)
ODD	(170,904)	(180,171)	(187,662)
RMP	416,280	165,739	(22,882)

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

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

<u>Plan</u>	<u>1% decrease</u>	<u>Current trend rate</u>	<u>1% increase</u>
ARHCT	\$ (2,934,109)	536,277	4,771,312
ODD	N/A	N/A	N/A
RMP	(50,974)	165,739	462,398

(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, 2020

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

	Others Tier IV	Police/fire Tier IV
Individual account	4.96 %	4.96 %
Health reimbursement arrangement (HRA)*	3.00	3.00
	<u>7.96 %</u>	<u>7.96 %</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, 2020 was \$705,853.

(f) Subsequent Event

Subsequent to year end, the City entered into a 30-year Power Purchase Agreement (PPA) with Ounalashka/Chena Power, LLC (OCCP) whereby the City commits to purchase a minimum of 100 million kWh annually. The agreement between the City and OCCP is contingent on OCCP obtaining financing to construct their Geothermal site locally. Subsequent to year end, the City also refunded certain business-type activity debt in the amount of \$5,340,000. This refunding will allow the City to benefit from lower interest rates and achieve an overall cost savings over the remaining life of the bonds. As of the date of these financial statements it is unknown when the Geothermal site will become operational.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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>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>	<u>2011</u>
City's proportion of the net pension liability	0.36 %	0.38 %	0.36 %	0.44 %	0.33 %	0.25 %	0.24 %	*	*	*
City's proportionate share of the net pension liability	\$ 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	7,856,932	5,500,348	6,892,621	3,099,287	4,272,502	10,547,310	12,049,865	*	*	*
Total	<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>	<u>*</u>
City's covered-employee payroll	\$ 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	6,776,880
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.04 %	363.90 %	456.55 %	525.27 %	305.22 %	209.44 %	214.16 %	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	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 2020 and 2019 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>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>	<u>2011</u>
Contractually required contributions	\$ 1,366,374	1,395,418	1,394,691	1,200,784	1,167,149	1,034,346	963,284	811,763	816,945	625,113
Contributions in relation to the contractually required contributions	<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>	<u>(625,113)</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-employee 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
Contributions as a percentage of covered-employee payroll	42.45 %	40.58 %	26.71 %	29.63 %	24.93 %	19.78 %	17.20 %	14.06 %	13.28 %	9.55 %

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		
	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018
City's proportion of the net OPEB liability	0.38 %	0.38 %	0.36 %	0.44 %	—	—	—	—	0.69 %	0.66 %	0.67 %
City's proportionate share of the net OPEB liability (asset)	\$ 521,845	3,922,688	3,024,628	5,047,603	(180,171)	(128,417)	(94,464)	(85,058)	165,739	84,137	34,719
State's proportionate share of the net OPEB liability	213,274	1,139,084	1,127,892	—	—	—	—	—	—	—	—
Total	\$ 735,119	5,061,772	4,152,520	5,047,603	(180,171)	(128,417)	(94,464)	(85,058)	165,739	84,137	34,719
City's covered-employee payroll	\$ 3,438,941	3,714,963	4,001,150	4,682,104	8,648,862	7,483,344	6,928,337	6,303,523	8,648,862	7,483,344	6,928,337
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15 %	106 %	76 %	108 %	(2)%	(2)%	(1)%	(1)%	2 %	1 %	1 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	98.13 %	88.12 %	89.68 %	85.45 %	297.43 %	270.62 %	212.97 %	245.29 %	83.17 %	88.71 %	93.98 %

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		
	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018
Contractually required contributions	\$ 545,772	503,583	397,538	565,081	32,291	30,342	15,685	15,979	123,966	81,299	77,079
Contributions in relation to the contractually required contributions	<u>(545,772)</u>	<u>(503,583)</u>	<u>(397,538)</u>	<u>(565,081)</u>	<u>(32,291)</u>	<u>(30,342)</u>	<u>(15,685)</u>	<u>(15,979)</u>	<u>(123,966)</u>	<u>(81,299)</u>	<u>(77,079)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
City's covered-employee payroll	\$ 3,218,949	3,438,941	3,714,963	4,001,150	9,391,299	8,648,862	7,483,344	6,928,337	9,391,299	8,648,862	7,483,344
Contributions as a percentage of covered-employee payroll	16.95 %	14.64 %	10.70 %	14.12 %	0.34 %	0.35 %	0.21 %	0.23 %	1.32 %	0.94 %	1.03 %

Information for 10 years is not available.

See accompanying independent auditors' report.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF UNALASKA, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2020

Assets	1% Sales Tax Special Revenue Fund	Bed Tax Special Revenue Fund	Equipment capital projects	Street paving	Total nonmajor funds
Receivables, net:					
Taxes	\$ 574,569	39,985	—	—	614,554
Due from other funds	<u>11,503,735</u>	<u>149,889</u>	<u>13,591,164</u>	<u>163,162</u>	<u>25,407,950</u>
Total assets	<u>\$ 12,078,304</u>	<u>189,874</u>	<u>13,591,164</u>	<u>163,162</u>	<u>26,022,504</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	324,266	—	324,266
Unearned revenues	<u>2,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,500</u>
Total liabilities	<u>2,500</u>	<u>—</u>	<u>324,266</u>	<u>—</u>	<u>326,766</u>
Fund balances committed:					
Community support	—	189,874	—	—	189,874
Capital projects	<u>12,075,804</u>	<u>—</u>	<u>13,266,898</u>	<u>163,162</u>	<u>25,505,864</u>
Total fund balances	<u>12,075,804</u>	<u>189,874</u>	<u>13,266,898</u>	<u>163,162</u>	<u>25,695,738</u>
Total liabilities and fund balances	<u>\$ 12,078,304</u>	<u>189,874</u>	<u>13,591,164</u>	<u>163,162</u>	<u>26,022,504</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, 2020

	<u>1% Sales Tax Special Revenue Fund</u>	<u>Bed Tax Special Revenue Fund</u>	<u>Equipment capital projects</u>	<u>Street paving</u>	<u>Total nonmajor funds</u>
Revenues:					
Taxes	\$ 3,546,641	166,311	—	—	3,712,952
Intergovernmental revenue	<u>—</u>	<u>—</u>	139,000	<u>—</u>	139,000
Total revenues	<u>3,546,641</u>	<u>166,311</u>	<u>139,000</u>	<u>—</u>	<u>3,851,952</u>
Expenditures:					
Current:					
Community support	—	200,000	—	—	200,000
Capital projects	<u>—</u>	<u>—</u>	2,008,397	<u>—</u>	2,008,397
Total expenditures	<u>—</u>	<u>200,000</u>	<u>2,008,397</u>	<u>—</u>	<u>2,208,397</u>
Excess (deficiency) revenues over expenditures	<u>3,546,641</u>	<u>(33,689)</u>	<u>(1,869,397)</u>	<u>—</u>	<u>1,643,555</u>
Other financing sources (uses):					
Transfers in	—	—	13,182,329	—	13,182,329
Transfers out	<u>(4,244,532)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,244,532)</u>
Net other financing sources (uses)	<u>(4,244,532)</u>	<u>—</u>	<u>13,182,329</u>	<u>—</u>	<u>8,937,797</u>
Net change in fund balances	(697,891)	(33,689)	11,312,932	—	10,581,352
Fund balances, beginning of year	<u>12,773,695</u>	<u>223,563</u>	<u>1,953,966</u>	<u>163,162</u>	<u>15,114,386</u>
Fund balances, end of year	\$ <u><u>12,075,804</u></u>	<u><u>189,874</u></u>	<u><u>13,266,898</u></u>	<u><u>163,162</u></u>	<u><u>25,695,738</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Bed Tax Special Revenue Fund

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

Year ended June 30, 2020

	<u>Final budget</u>	<u>Actual amount</u>	<u>Variance with final budget positive (negative)</u>
Revenues:			
Taxes	\$ 150,000	3,546,641	3,396,641
Expenditures:			
Community support	<u>200,000</u>	<u>—</u>	<u>(200,000)</u>
Excess (deficiency) of revenues over expenditures	(50,000)	3,546,641	3,596,641
Other financing sources (uses):			
Transfers in	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balance	\$ <u><u>(50,000)</u></u>	3,546,641	<u><u>3,596,641</u></u>
Fund balance at beginning of year		<u>223,563</u>	
Fund balance at end of year		\$ <u><u>3,770,204</u></u>	

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2020

	<u>Water</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Current assets:				
Accounts receivables (net of allowance for uncollectibles)	\$ 192,364	57,419	3,650	253,433
Assessment receivable	730	—	—	730
Due from General Fund	10,125,417	1,804,958	469,319	12,399,694
Inventories	354,621	—	—	354,621
Total current assets	<u>10,673,132</u>	<u>1,862,377</u>	<u>472,969</u>	<u>13,008,478</u>
Noncurrent assets:				
Capital assets, net	<u>19,712,933</u>	<u>2,344,674</u>	<u>4,093,910</u>	<u>26,151,517</u>
Total noncurrent assets	<u>19,712,933</u>	<u>2,344,674</u>	<u>4,093,910</u>	<u>26,151,517</u>
Total assets	<u>30,386,065</u>	<u>4,207,051</u>	<u>4,566,879</u>	<u>39,159,995</u>
Deferred outflows of resources:				
OPEB related	85,352	12,275	12,197	109,824
Pension related	106,887	20,463	9,483	136,833
Total assets and deferred outflows of resources	<u>30,578,304</u>	<u>4,239,789</u>	<u>4,588,559</u>	<u>39,406,652</u>
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	\$ 95,237	26,537	19,966	141,740
Accrued payroll and payroll liabilities	114,086	6,572	6,512	127,170
Accrued interest	43,941	—	—	43,941
Bonds, loans, and other liabilities	179,463	—	—	179,463
Customer deposits	47,720	11,000	16,805	75,525
Total current liabilities	<u>480,447</u>	<u>44,109</u>	<u>43,283</u>	<u>567,839</u>
Noncurrent liabilities:				
Bonds and loans payable	2,871,403	—	—	2,871,403
Net OPEB liability	9,776	5,186	10,227	25,189
Net pension liability	1,071,593	176,587	111,726	1,359,906
Total liabilities	<u>4,433,219</u>	<u>225,882</u>	<u>165,236</u>	<u>4,824,337</u>
Deferred inflows of resources:				
OPEB related	34,850	6,603	7,134	48,587
Pension related	31,083	7,282	5,719	44,084
Total liabilities and deferred inflows of resources	<u>4,499,152</u>	<u>239,767</u>	<u>178,089</u>	<u>4,917,008</u>
Net Position				
Net investment in capital assets	16,610,394	2,344,674	4,078,661	23,033,729
Unrestricted	9,468,758	1,655,348	331,809	11,455,915
Total net position	<u>\$ 26,079,152</u>	<u>4,000,022</u>	<u>4,410,470</u>	<u>34,489,644</u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA

Nonmajor Proprietary Funds

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

Year ended June 30, 2020

	<u>Water</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 2,623,908	485,446	234,735	3,344,089
Total operating revenues	<u>2,623,908</u>	<u>485,446</u>	<u>234,735</u>	<u>3,344,089</u>
Operating expenses:				
Operations	1,288,873	368,936	97,048	1,754,857
General and administrative	543,774	—	160,165	703,939
Depreciation and amortization	1,124,222	264,278	182,165	1,570,665
Total operating expenses	<u>2,956,869</u>	<u>633,214</u>	<u>439,378</u>	<u>4,029,461</u>
Operating loss	<u>(332,961)</u>	<u>(147,768)</u>	<u>(204,643)</u>	<u>(685,372)</u>
Nonoperating revenues (expenses):				
Gain on sale of assets	4,300	—	—	4,300
Intergovernmental revenue	63,753	8,481	6,444	78,678
Interest expense	(48,820)	—	—	(48,820)
Net nonoperating revenues	<u>19,233</u>	<u>8,481</u>	<u>6,444</u>	<u>34,158</u>
Loss before capital contributions and transfers	(313,728)	(139,287)	(198,199)	(651,214)
Transfers in	—	158,000	—	158,000
Transfers out	—	—	—	—
Change in net position	<u>(313,728)</u>	<u>18,713</u>	<u>(198,199)</u>	<u>(493,214)</u>
Net position, beginning of year	<u>26,392,880</u>	<u>3,981,309</u>	<u>4,608,669</u>	<u>34,982,858</u>
Net position, end of year	\$ <u><u>26,079,152</u></u>	<u><u>4,000,022</u></u>	<u><u>4,410,470</u></u>	<u><u>34,489,644</u></u>

See accompanying independent auditors' report.

CITY OF UNALASKA, ALASKA
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year ended June 30, 2020

	<u>Water</u>	<u>Airport</u>	<u>Housing</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,591,765	534,129	234,233	3,360,127
Payments to employees	(1,278,629)	(163,531)	(141,988)	(1,584,148)
Payments to vendors	(671,916)	(203,676)	(127,846)	(1,003,438)
Net cash provided by operating activities	<u>641,220</u>	<u>166,922</u>	<u>(35,601)</u>	<u>772,541</u>
Cash flows from noncapital and related financing activities:				
Transfers in	—	158,000	—	158,000
Cash flows from capital and related financing activities:				
Interest payments on long-term obligations	(48,821)	—	—	(48,821)
Proceeds from the sale of assets	4,300	—	—	4,300
Principal payments on long-term debt obligations	(179,465)	—	—	(179,465)
Acquisition and construction of capital assets	(284,670)	(158,660)	(228,936)	(672,266)
	<u>(508,656)</u>	<u>(158,660)</u>	<u>(228,936)</u>	<u>(896,252)</u>
Change in due from General Fund	132,564	166,262	(264,537)	34,289
Due from other funds, beginning of year	9,992,853	1,638,696	733,856	12,365,405
Due from other funds, end of year	<u>\$ 10,125,417</u>	<u>1,804,958</u>	<u>469,319</u>	<u>12,399,694</u>
Reconciliation to balance sheet:				
Due from General Fund	\$ 10,125,417	1,804,958	469,319	12,399,694
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (332,961)	(147,768)	(204,643)	(685,372)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,124,222	264,278	182,165	1,570,665
Pension and OPEB related	(128,589)	(17,105)	(12,999)	(158,693)
Changes in assets and liabilities that provided (used) cash:				
Accounts receivable	(29,952)	48,683	—	18,731
Inventories	(12,245)	—	—	(12,245)
Accounts payable	17,281	16,780	(1,011)	33,050
Accrued payroll and payroll liabilities	5,655	2,054	1,389	9,098
Customer deposits	(2,191)	—	(502)	(2,693)
Net cash provided by operating activities	<u>\$ 641,220</u>	<u>166,922</u>	<u>(35,601)</u>	<u>772,541</u>
Schedule of noncash capital and noncapital and related financing activities:				
Acquisition and construction of capital assets through accounts payable	\$ 51,673	—	15,249	66,922
Intergovernmental nonemployer pension and OPEB contributions	63,753	8,481	6,444	78,678

See accompanying independent auditors' report.

STATISTICAL SECTION (UNAUDITED)

CITY OF UNALASKA, ALASKA

Statistical Section

June 30, 2020

Statistical Section

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

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	Page(s)
Financial Trends	70–76
<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	77–82
<i>These schedules contain information to help the reader assess the government's most significant sources of revenue.</i>	
Debt Capacity	83–87
<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	88–90
<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	91–92
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

Table 1

CITY OF UNALASKA, ALASKA

Net Position by Component

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	<u>2011</u>	<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>
Governmental activities:										
Net investment in capital assets	\$ 85,914	84,763	87,329	92,389	99,476	102,588	101,301	98,779	97,300	95,011
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	69,731	65,008	69,518	75,878	67,336	77,138	80,027	84,596	95,016	107,384
Total governmental activities	<u>\$ 155,645</u>	<u>149,771</u>	<u>156,847</u>	<u>168,267</u>	<u>166,812</u>	<u>179,726</u>	<u>181,328</u>	<u>183,375</u>	<u>192,316</u>	<u>202,395</u>
Business-type activities:										
Net investment in capital assets	\$ 114,909	125,055	154,863	164,240	185,023	178,831	152,758	178,783	180,537	179,190
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	29,195	45,100	45,102	43,173	31,810	42,058	67,940	40,332	37,008	37,744
Total business-type activities	<u>\$ 144,104</u>	<u>170,155</u>	<u>199,965</u>	<u>207,413</u>	<u>216,833</u>	<u>220,889</u>	<u>220,698</u>	<u>219,115</u>	<u>217,545</u>	<u>216,934</u>
Primary government:										
Net investment in capital assets	\$ 200,823	209,818	242,192	259,411	286,499	281,419	254,059	277,562	277,837	274,201
Restricted	—	—	—	—	—	—	—	—	—	—
Unrestricted	98,926	110,108	114,620	116,269	99,146	119,197	147,967	124,928	132,024	145,128
Total primary government activities	<u>\$ 299,749</u>	<u>319,926</u>	<u>356,812</u>	<u>375,680</u>	<u>385,645</u>	<u>400,616</u>	<u>402,026</u>	<u>402,490</u>	<u>409,861</u>	<u>419,329</u>

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
General government	\$ 4,191	4,123	4,439	4,773	4,206	4,610	5,061	4,994	5,118	4,778
Public safety	4,477	4,269	5,003	5,229	4,728	5,322	6,104	4,881	5,396	8,158
Public works	6,369	6,746	6,595	6,782	9,504	8,362	9,627	8,697	8,810	8,148
Parks, culture, and recreation	3,146	3,208	3,494	3,670	3,482	3,725	4,079	3,422	3,379	3,210
Community support	1,626	932	1,258	1,047	1,106	1,139	1,082	1,169	1,768	1,469
Education support	3,828	4,736	4,483	4,683	4,456	4,615	4,622	4,685	4,848	5,055
Interest on long-term debt	265	431	149	185	148	104	99	56	1	2
Total governmental activities expenses	23,902	24,445	25,421	26,369	27,630	27,877	30,674	27,904	29,320	30,820
Business-type activities:										
Electric	13,745	16,757	16,973	18,004	15,363	13,967	15,656	16,900	17,400	15,366
Water	2,227	2,248	2,372	2,600	2,332	2,705	2,973	2,880	2,829	3,006
Wastewater	1,748	4,408	5,504	2,054	1,740	2,518	3,810	3,383	3,528	3,593
Solid waste	1,986	2,093	2,220	2,238	2,670	2,640	3,429	3,033	3,157	3,368
Ports and harbors	4,418	2,299	1,815	6,404	5,928	6,623	7,371	8,487	8,610	9,002
Airport	777	787	840	799	809	843	862	806	678	633
Housing	355	736	528	463	436	415	431	453	463	439
Total business-type activities expenses	25,256	29,328	30,252	32,562	29,278	29,711	34,532	35,942	36,665	35,407
Total primary government expenses	\$ 49,158	53,773	55,673	58,931	56,908	57,588	65,206	63,846	65,985	66,227
Program revenues:										
Governmental activities:										
Charges for services:										
General government	\$ 12	9	66	12	21	5	19	54	42	40
Public safety	54	8	3	2	83	69	52	82	49	32
Public works	—	—	—	—	—	—	—	—	—	—
Culture and recreation	183	201	222	215	218	205	195	175	184	157
Operating grants and contributions	1,604	1,620	1,635	1,540	1,623	1,283	1,136	—	1,425	4,958
Capital grants and contributions	760	21	59	750	919	686	—	—	—	139
Total primary government activities program revenues	2,613	1,859	1,985	2,519	2,864	2,248	1,402	311	1,700	5,326

Table 2

CITY OF UNALASKA, ALASKA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
Electric	\$ 12,847	18,295	17,390	18,825	16,571	13,527	17,198	18,493	17,304	15,884
Water	2,020	2,215	2,323	2,208	2,560	2,878	2,810	2,601	2,704	2,624
Wastewater	1,456	1,815	1,898	2,082	2,262	2,373	2,361	2,302	2,442	2,466
Solid waste	1,331	1,555	1,630	1,817	2,197	2,654	2,275	2,292	2,358	2,470
Ports and harbors	5,545	5,459	5,785	6,427	6,538	6,634	6,640	7,265	6,557	6,921
Airport	458	457	472	481	512	573	518	486	489	485
Housing	127	184	238	245	259	276	236	242	250	235
Capital grants and contributions	6,608	4,545	22,721	1,072	9,131	4,048	—	85	282	—
Operating grants and contributions	1,421	995	1,065	7,834	755	804	697	731	954	1,127
Total business-type activities program revenues	<u>31,813</u>	<u>35,520</u>	<u>53,522</u>	<u>40,991</u>	<u>40,785</u>	<u>33,767</u>	<u>32,735</u>	<u>34,497</u>	<u>33,340</u>	<u>32,212</u>
Total primary government program revenues	<u>\$ 34,426</u>	<u>37,379</u>	<u>55,507</u>	<u>43,510</u>	<u>43,649</u>	<u>36,015</u>	<u>34,137</u>	<u>34,808</u>	<u>35,040</u>	<u>37,538</u>
Net (expense) revenue:										
Governmental activities	\$ (21,289)	(22,586)	(23,436)	(23,850)	(24,766)	(25,629)	(29,272)	(26,312)	(27,620)	(25,494)
Business-type activities	6,557	6,192	23,270	8,429	11,507	4,056	(1,797)	(1,445)	(3,325)	(3,195)
Total primary government net expense	<u>\$ (14,732)</u>	<u>(16,394)</u>	<u>(166)</u>	<u>(15,421)</u>	<u>(13,259)</u>	<u>(21,573)</u>	<u>(31,069)</u>	<u>(27,757)</u>	<u>(30,945)</u>	<u>(28,689)</u>
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 4,630	4,750	4,987	5,210	5,709	6,063	6,195	6,052	6,524	7,078
General sales tax	10,755	13,960	13,272	12,554	12,220	11,846	11,307	10,738	11,084	10,798
Raw seafood sales tax	5,372	5,261	4,784	4,450	4,982	5,124	4,657	4,475	4,762	5,328
Other taxes	158	87	102	118	89	32	38	72	235	7,864
Fisheries tax	7,378	9,324	11,422	8,956	7,198	12,188	8,694	8,768	8,965	237
Grants not restricted to specific programs	811	1,232	1,436	1,364	808	974	571	476	158	910
Gain (loss) on disposal of capital assets	—	—	—	4	11	9	7	1	—	136
Investment earnings	1,603	1,067	436	742	636	1,307	495	700	5,213	5,273
Other	920	611	878	891	971	823	1,216	1,249	1,262	464
Transfers	5,459	(19,580)	(6,805)	980	(2,229)	178	(2,307)	(1,575)	(1,643)	(2,514)
Total governmental activities	<u>37,086</u>	<u>16,712</u>	<u>30,512</u>	<u>35,269</u>	<u>30,395</u>	<u>38,544</u>	<u>30,873</u>	<u>30,956</u>	<u>36,560</u>	<u>35,574</u>
Business-type activities:										
Gain (loss) on disposal of capital assets	—	—	16	—	—	—	(701)	—	—	—
Investment earnings	—	—	—	—	—	—	—	—	111	67
Other	1,974	—	—	—	—	—	—	—	—	2
Transfers	(5,459)	19,580	6,805	(980)	2,229	—	2,307	1,575	1,643	2,514
Total business-type activities	<u>(3,485)</u>	<u>19,580</u>	<u>6,821</u>	<u>(980)</u>	<u>2,229</u>	<u>—</u>	<u>1,606</u>	<u>1,575</u>	<u>1,754</u>	<u>2,583</u>
Total primary government	<u>\$ 33,601</u>	<u>36,292</u>	<u>37,333</u>	<u>34,289</u>	<u>32,624</u>	<u>38,544</u>	<u>32,479</u>	<u>32,531</u>	<u>38,314</u>	<u>38,157</u>
Change in net position:										
Governmental activities	\$ 15,797	(5,874)	7,076	11,419	5,629	12,915	(191)	4,644	8,940	10,080
Business-type activities	3,072	25,772	30,091	7,449	13,736	4,056	1,602	130	(1,571)	(613)
Total primary government	<u>\$ 18,869</u>	<u>19,898</u>	<u>37,167</u>	<u>18,868</u>	<u>19,365</u>	<u>16,971</u>	<u>1,411</u>	<u>4,774</u>	<u>7,369</u>	<u>9,467</u>

Table 3

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

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

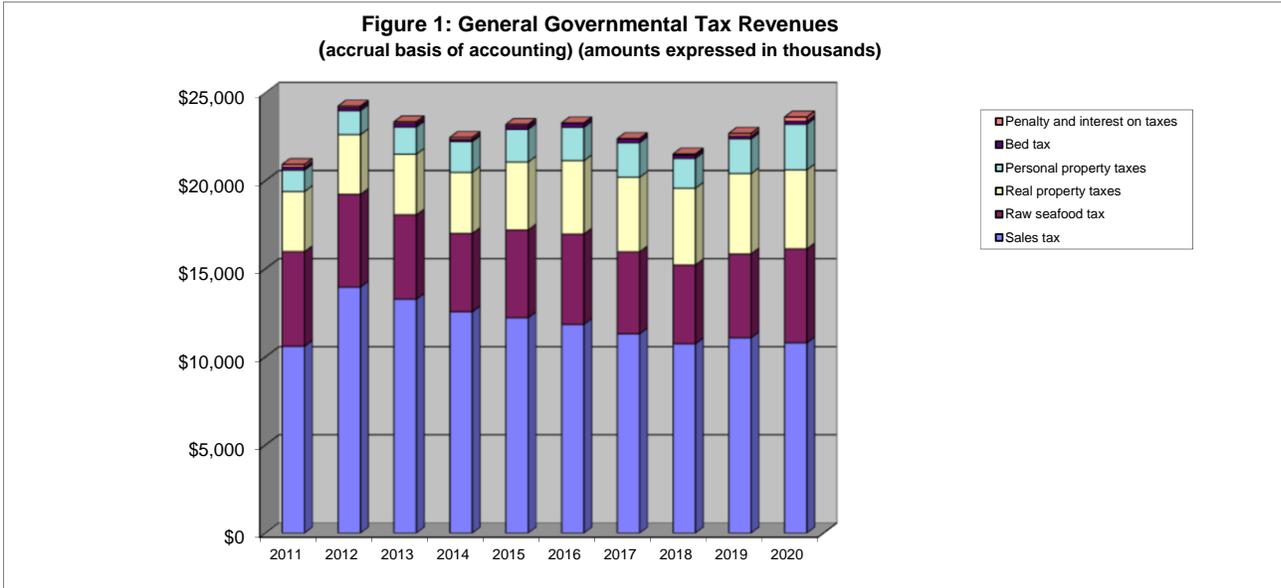


Table 4

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

	<u>2011</u>	<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>
General fund:										
Nonspendable	\$ 2,316	2,282	2,091	2,061	2,337	2,156	2,012	1,849	1,709	3,260
Committed	34,500	20,300	14,300	14,300	14,300	14,000	14,000	14,000	14,000	14,000
Assigned	264	190	333	239	234	292	308	119	802	359
Unassigned	10,603	12,509	14,760	29,094	37,888	43,981	53,972	60,990	68,910	68,382
Total general fund	<u>\$ 47,683</u>	<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>
All other governmental funds:										
Nonspendable	\$ —	—	—	—	—	—	—	—	—	5
Committed	3,000	3,000	—	3,953	5,188	7,902	10,701	14,211	15,114	25,696
Assigned	13,488	19,491	28,339	18,601	9,719	6,043	3,142	—	—	—
Unassigned	(78)	—	—	—	(804)	—	—	—	—	(5)
Total all other governmental funds	<u>\$ 16,410</u>	<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>25,696</u>

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Taxes	\$ 20,901	24,018	23,191	22,286	23,060	22,923	22,033	21,429	22,833	23,461
Intergovernmental	10,747	11,127	13,197	16,047	15,330	10,811	15,091	11,153	11,486	14,649
Changes for services	250	210	290	229	322	279	266	311	275	229
Investment income	1,603	1,067	436	742	636	1,307	495	700	5,213	5,273
Other	99	—	104	121	296	178	382	400	396	392
Total revenues	33,600	36,422	37,218	39,425	39,644	35,498	38,267	33,993	40,203	44,004
Expenditures:										
General government	—	3,917	4,291	4,457	4,578	4,137	4,082	4,553	5,104	5,153
Public safety	4,237	4,030	4,707	4,944	5,417	5,051	4,966	4,929	5,616	8,446
Public works	5,143	5,132	5,275	5,545	5,861	5,341	5,409	6,049	5,866	5,869
Parks, culture, and recreation	2,194	2,233	2,440	2,615	2,722	2,532	2,585	2,636	2,852	2,670
Community support	920	932	1,258	1,046	1,106	1,139	1,082	1,169	1,768	1,469
Education support	3,828	4,024	3,822	4,023	3,869	3,879	3,886	3,946	4,115	4,332
Debt service:										
Principal	823	834	720	755	780	805	835	875	910	385
Interest	325	397	165	212	184	150	119	86	51	8
Capital projects	9,795	1,664	5,695	8,017	10,894	6,961	3,241	1,142	2,910	2,008
Total expenditures	27,265	23,163	28,373	31,614	35,411	29,995	26,205	25,385	29,192	30,340
Excess of revenues over expenditures	6,335	13,259	8,845	7,811	4,233	5,503	12,062	8,608	11,011	13,664
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	11,683	15,681	15,358	6,353	11,822	4,604	5,709	3,192	3,778	13,620
Transfers out	(6,224)	(35,261)	(22,163)	(5,748)	(15,452)	(4,604)	(8,016)	(4,767)	(5,422)	(16,134)
Other	8	—	9	9	—	9	7	1	—	—
Total other financing sources (uses)	5,467	(19,580)	(6,796)	614	(3,619)	9	(2,300)	(1,574)	(1,644)	(2,500)
Net change in fund balance	\$ 11,802	(6,321)	2,049	8,425	614	5,512	9,762	7,034	9,367	11,164
Debt service as a percentage of noncapital expenditures	6.6 %	5.7 %	3.9 %	4.1 %	3.9 %	4.1 %	4.2 %	4.0 %	3.7 %	1.4%

CITY OF UNALASKA, ALASKA
 Governmental Expenditures
 Last Ten Fiscal Years

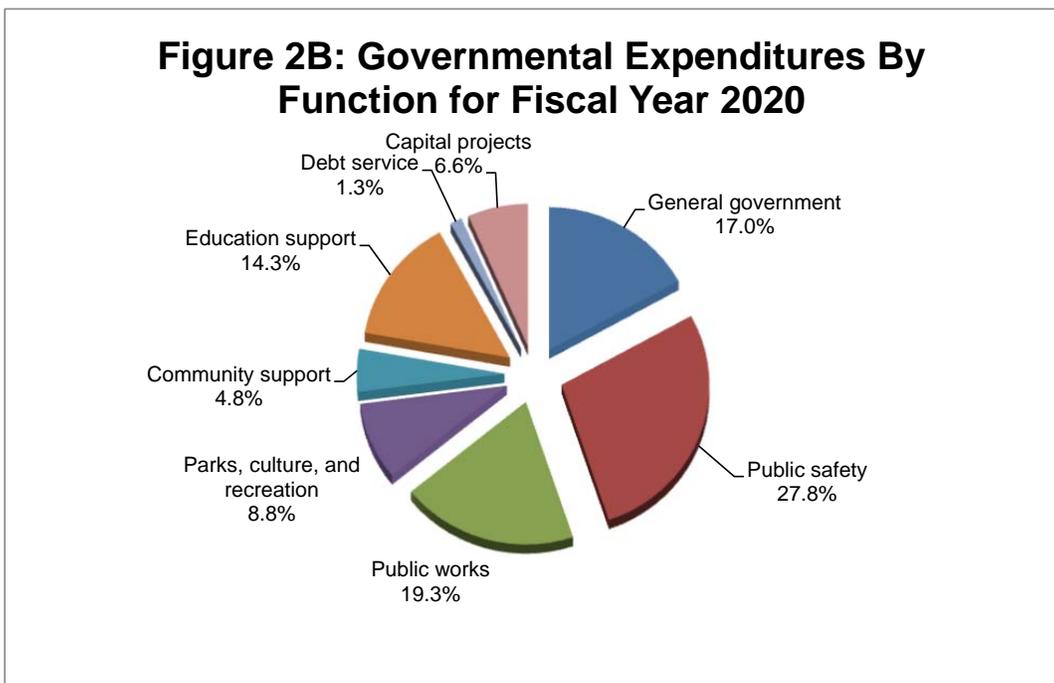
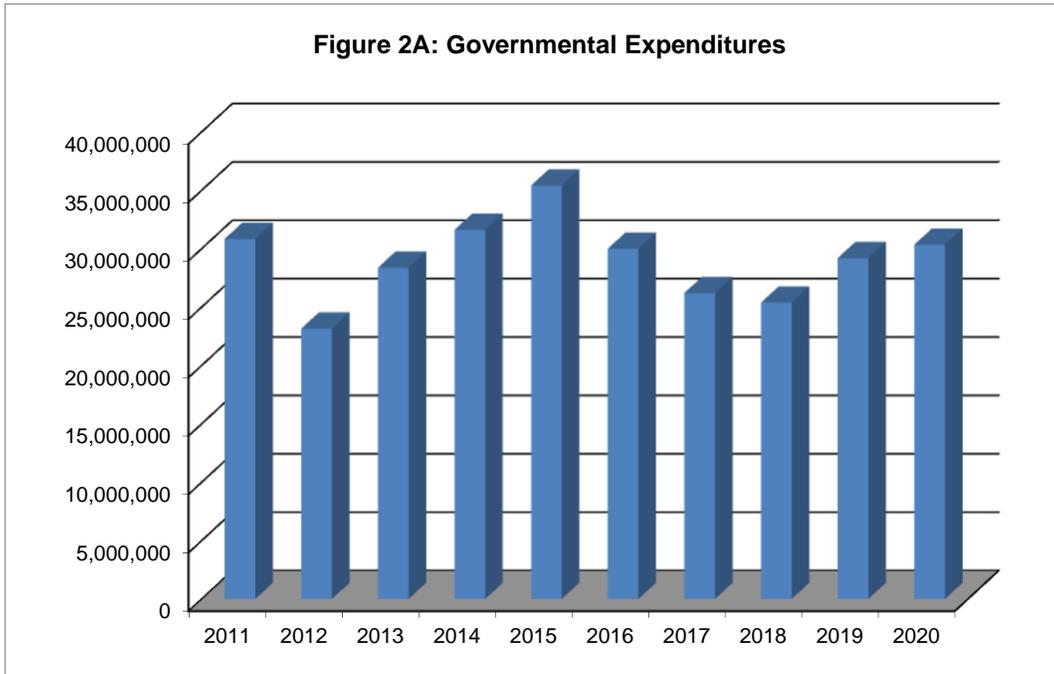


Table 7

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

<u>Fiscal year</u>	<u>Sales tax</u>	<u>Raw seafood tax</u>	<u>Real property taxes</u>	<u>Personal property taxes</u>	<u>Bed tax</u>	<u>Penalty and interest on taxes</u>	<u>Total</u>
2011	\$ 10,772	5,372	3,384	1,214	157	159	21,058
2012	13,790	5,261	3,364	1,367	170	87	24,039
2013	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

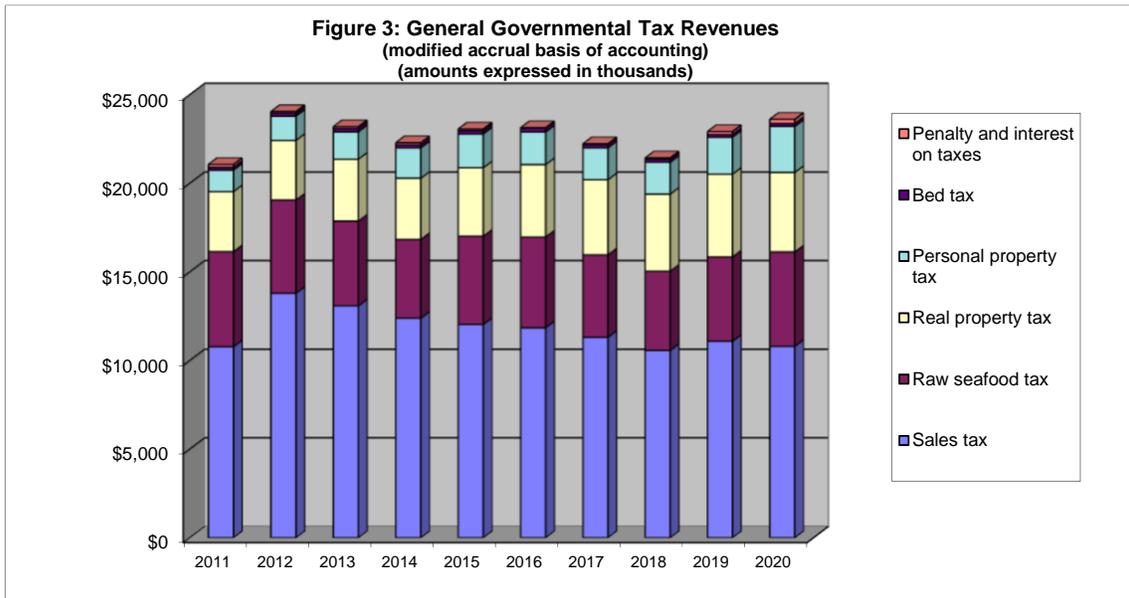


Table 8

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		
2011	\$ 321,616	382,876	132,439	157,665	454,055	540,541	84	10.50
2012	330,239	393,142	134,744	160,410	464,983	553,552	84	10.50
2013	330,908	376,032	161,341	183,342	492,249	559,374	88	10.50
2014	367,166	410,517	177,979	198,993	545,145	609,510	89	10.50
2015	396,455	435,665	182,178	200,196	578,633	635,861	91	10.50
2016	397,350	428,733	171,733	185,297	569,083	614,030	93	10.50
2017	416,223	447,552	174,302	187,422	590,525	634,974	93	10.50
2018	427,990	433,082	166,579	168,679	594,569	601,761	99	10.50
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

Table 9

CITY OF UNALASKA, ALASKA

City Tax Rates

All Governments

Last Ten Fiscal Years

	Total city millage rate (1)	City Sales Tax rate (2)	City Raw Seafood Tax rate (3)
Fiscal year ending:			
2011	10.50	3.00	2.00
2012	10.50	3.00	2.00
2013	10.50	3.00	2.00
2014	10.50	3.00	2.00
2015	10.50	3.00	2.00
2016	10.50	3.00	2.00
2017	10.50	3.00	2.00
2018	10.50	3.00	2.00
2019	10.50	3.00	2.00
2020	10.50	3.00	2.00

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

(2) Per Ordinance Section 6.40.020.

(3) Per Ordinance Section 6.44.020.

Note: There are no overlapping governmental units.

Table 10

CITY OF UNALASKA, ALASKA

Principal Real Property Taxpayers

June 30, 2020 and 2011

	2020			2011		
	<u>Total assessed value</u>	<u>Rank</u>	<u>Percentage of total taxable assessed value</u>	<u>Total assessed value</u>	<u>Rank</u>	<u>Percentage of total taxable assessed value</u>
Ounalashka Corporation and subsidiaries	\$ 138,657,360	1	31.1 %	\$ 88,682,856	1	27.6 %
Unisea Inc.	59,308,950	2	13.3	40,626,213	3	12.6
Western Pioneer Inc.	50,876,055	3	11.4	45,175,464	2	14.0
Westward Seafoods Inc.	27,556,500	4	6.2	24,888,000	4	7.7
Alyeska Seafoods Inc.	21,625,490	5	4.8	19,534,094	5	6.1
Offshore Systems Inc.	14,442,500	6	3.2	11,501,800	6	3.6
Strong Holdings LLC	9,623,410	7	2.2	3,027,790	9	0.9
Kloosterboer Dutch Harbor, LLC	7,682,700	8	1.7	—	—	—
Valdez Petroleum Terminal Inc.	4,728,630	9	1.1	4,139,500	7	1.3
Petro Star	4,296,000	10	1.0	—	—	—
Puget Sound Tug and Barge				3,786,300	8	1.2
Telco Properties				2,110,000	10	0.7
All Remaining Taxpayers	<u>107,619,405</u>		<u>24.1</u>	<u>78,143,983</u>	—	<u>24.3</u>
	<u>\$ 446,417,000</u>		<u>100.0 %</u>	<u>\$ 321,616,000</u>		<u>100.0 %</u>

Table 11

CITY OF UNALASKA, ALASKA

Principal Electric Utility Customers

June 30, 2020 and 2011

Taxpayer	2020			2011		
	Receipts from customer	Rank	Percentage of total electric utility customers billed	Receipts from customer	Rank	Percentage of total electric utility customers billed
American President Lines	\$ 3,122,402	1	18.0	2,144,827	1	16.9
Alyeska Seafoods	2,046,441	2	11.8	—	—	—
Horizon Lines	1,974,320	3	11.4	1,609,605	2	12.7
City of Unalaska	1,690,489	4	9.7	1,137,953	3	9.0
Kloosterboer	529,142	5	3.1	525,596	5	4.1
Alaska Ship Supply	526,605	6	3.0	509,329	6	4.0
Safeway	491,250	7	2.8	541,131	4	4.3
Coastal Transportation	420,053	8	2.4	422,788	8	3.3
Westward Seafoods	404,604	9	2.3	—	—	—
Unalaska City School	334,693	10	1.9	421,359	9	3.3
North Pacific Fuel	—	—	—	410,814	10	3.2
Dutch Harbor Acquisitions	—	—	—	498,841	7	3.9
All other customers	5,808,427		33.5	4,448,124		35.3
	<u>\$ 17,348,426</u>		<u>100.0</u>	<u>12,670,367</u>		<u>100.0</u>

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>
2011	\$ 4,645	4,622	99.5	8	4,630	99.7	15	0.3
2012	4,760	4,689	98.5	59	4,748	99.7	12	0.3
2013	4,986	4,948	99.2	—	4,948	99.2	38	0.8
2014	5,141	5,090	99.0	—	5,090	99.0	51	1.0
2015	5,725	5,656	98.8	40	5,696	99.5	29	0.5
2016	6,076	5,854	96.3	24	5,878	96.7	198	3.3
2017	6,183	5,942	96.1	89	6,031	97.5	152	2.5
2018	6,243	6,129	98.2	15	6,144	98.4	99	1.6
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	30	0.4

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			
2011	\$ 6,974	4,815	30,380	309	42,478	24	9,734
2012	6,186	4,635	29,560	265	40,646	21	8,515
2013	5,460	4,450	28,715	222	38,847	19	8,893
2014	4,698	4,260	27,845	178	36,981	58	7,800
2015	3,954	4,065	28,085	4,605	40,709	14	8,840
2016	3,114	3,942	29,175	16,006	52,237	17	11,270
2017	2,243	34,856	28,068	16,656	81,823	*	18,849
2018	1,333	34,576	26,916	15,748	78,573	*	*
2019	387	34,290	25,714	14,834	75,225	*	*
2020	—	33,310	24,287	13,972	71,569	*	*

* Data unavailable or incomplete

Table 14

CITY OF UNALASKA, ALASKA

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita amount)

Fiscal year		General obligation bonds	Percentage of estimated actual taxable value of property	Per capita
2011	\$	6,974	1.29	1,598
2012		6,186	1.12	1,288
2013		5,460	0.98	1,242
2014		4,698	0.77	985
2015		3,954	0.62	843
2016		3,114	0.52	700
2017		2,243	0.35	496
2018		1,333	0.22	*
2019		387	0.09	*
2020		—	—	*
				Population Not available

Table 15

CITY OF UNALASKA, ALASKA
Direct Governmental Activities Debt (1)
June 30, 2020

Jurisdiction	Outstanding debt	Percentage applicable to City of Unalaska	Amount applicable to City of Unalaska
Direct:			
City of Unalaska	\$ —	100.00 %	—

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

Note: There are no overlapping governmental units.

CITY OF UNALASKA, ALASKA

Legal Debt Margin Information

June 30, 2020

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

Table 17

CITY OF UNALASKA, ALASKA

Pledged-Revenue Coverage

Electric Fund

<u>Fiscal year</u>	<u>Operating revenues</u>	<u>Operating expenses (1)</u>	<u>Income from operations</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
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

- (1) Operating expenses exclude depreciation.
- (2) Rates are required to generate net revenues equal to or greater than 135% times annual debt payments.

CITY OF UNALASKA, ALASKA

Demographic Statistics

Last Ten Fiscal Years

Calendar year	Unalaska population (1)	Aleutians west region personal income (amounts expressed in thousands) (2)	Aleutians west region per capita personal income (2)	Unalaska school enrollment (3)	Aleutians west region unemployment (4)
2011	4,389	\$ 175,274	31,845	412	7.8
2012	4,516	195,082	35,525	414	9.1
2013	4,516	202,105	36,673	415	8.8
2014	4,517	304,806	53,010	407	4.8
2015	4,440	299,746	52,569	396	3.8
2016	4,448	316,823	56,105	375	3.3
2017	4,341	301,733	53,010	389	3.7
2018	4,333	311,245	54,385	400	3.5
2019	*	*	*	421	*
2020	*	*	*	412	*

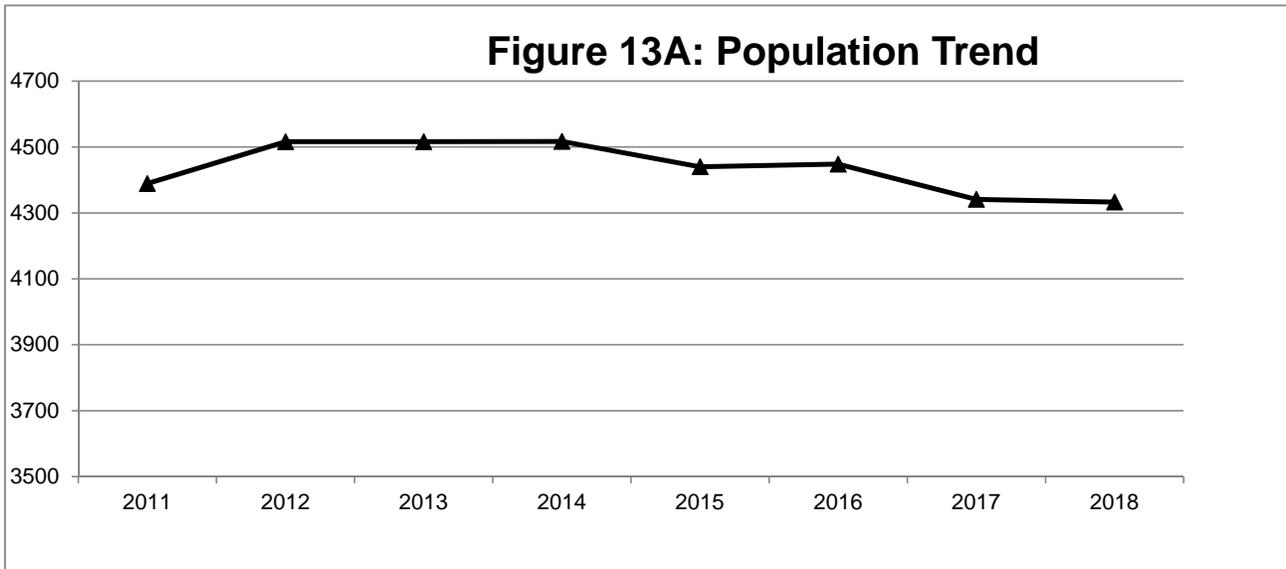
* Data unavailable or incomplete.

(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

Table 19

Principal Employers

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

Table 20

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

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government:										
Council	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
Manager	3.00	3.00	3.00	3.00	3.00	3.00	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	5.00	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	2.00	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	3.00	4.00	4.00	4.56	4.56
Public safety:										
Police	22.00	22.00	22.00	22.00	22.00	22.00	24.50	24.50	19.50	19.50
Communications	—	—	—	—	—	—	—	—	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	4.00	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	10.50	10.00	10.00	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	8.00	8.35	8.35	8.78	8.50	9.00	9.00	9.00	9.00	9.00
Parks, culture, and recreation:										
Community center	12.00	12.00	12.00	12.00	12.50	12.50	12.89	12.89	12.89	12.89
Libraries	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.25
Community pool	5.50	5.00	5.00	5.00	4.25	4.25	4.78	4.78	4.76	5.30
Public utilities administration										
Electric	13.00	13.00	13.00	14.00	14.00	14.33	13.00	13.00	13.00	15.00
Water	4.00	4.33	4.66	5.00	5.00	5.00	5.00	5.00	5.00	7.00
Wastewater	3.34	3.34	4.00	4.50	5.17	3.50	7.00	7.00	7.00	7.00
Ports and airport	10.00	10.00	9.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Solid waste	4.33	4.33	4.50	4.50	4.50	4.50	4.50	5.50	5.50	6.50
Total employees	154.63	156.31	156.47	159.74	159.88	159.04	166.13	167.13	168.17	174.96

Notes:

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

Table 21

CITY OF UNALASKA, ALASKA

Operating Indicators by Function

Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Custodies	257	274	241	271	263	325	267	124	148	119
Fire:										
Fire response	50	42	29	21	49	38	30	42	42	
Burn permits	129	99	65	65	129	114	92	73	73	
Fire safety	41	15	17	20	35	14	28	18	18	
EMS:										
EMS ambulance Calls	147	184	131	113	290	186	148	101	101	
Public works:										
Building permits issued	34	18	14	27	25	21	21	18	18	13
Parks, culture, and recreation:										
Community Center admissions	72,889	89,178	42,747	43,161	43,158	41,194	42,407	42,407	50,445	28,514
Aquatic center attendance	14,631	18,348	11,950	13,219	16,928	13,317	16,181	16,181	18,148	13,463
CC & aquatic center volunteer hours	1,908	1,731	1,693	975	894	885	889	889	1,101	995
Library volunteer hours	733	667	766	116	98	83	49	63	110	95
Library circulation	211,841	239,936	267,630	196,852	198,012	75,916	67,346	80,837	87,103	63,914
Library attendance	113,439	105,931	138,955	91,252	71,537	41,060	47,802	52,792	51,679	33,897
Electric:										
Power generated MW	37,998	46,958	43,742	45,198	44,411	43,213	58,515	58,515	53,379	52,531
Water:										
Water produced (MG)	1,090	1,204	1,262	1,164	1,163	1,246	1,284	1,284	1,284	1,129
Daily pumping capacity (MGD)	4	4	4	4	4	4	4	4	4	4
Total daily capacity (MGD)	12	12	12	12	12	13	13	13	13	13
Wastewater:										
Average daily treatment (MG)	0.56	0.55	0.43	0.43	0.39	0.40	0.41	0.53	0.53	0.40
Solid waste:										
Tons of waste collected	6,442	7,128	7,484	7,238	7,508	8,419	6,440	6,440	6,440	5,919
Cubic yards of waste collected	8,978	10,625	10,678	10,910	11,022	11,760	10,934	10,934	10,934	10,653
Ports and harbors:										
UMC vessel calls	237	577	655	751	680	574	613	461	511	564
UMC wharfage tons	338,029	479,630	356,032	498,098	535,028	488,758	550,253	505,888	414,720	424,855
Airport:										
Passengers	55,135	53,698	59,792	51,424	54,200	*	57,710	*	54,596	19,203

* Data unavailable or incomplete

Source: City of Unalaska

Table 22

CITY OF UNALASKA, ALASKA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	92
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Response vehicles	7	7	7	7	7	7	7	7	7	7
EMS:										
Ambulances	2	2	2	2	2	2	2	2	2	2
Public works:										
Miles of public roads	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	41.2
Miles of paved roads	7.0	7.0	7.0	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Street lights	179	179	179	245	246	251	317	317	317	321
Flashing/cautionary lights	9	9	9	15	15	15	15	15	15	13
Number of bridges	7	7	7	10	11	11	11	11	11	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	4	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	599	582	582	586	590	590	590	590	590
Wastewater:										
Sanitary sewers MH's	353	353	353	367	367	367	367	367	367	367
Miles of sewer lines	17	17	17	18	21	21	21	21	21	21
Lift stations	9	9	9	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	1,975	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	1,232	1,072	1,072	1,072	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

Source: City of Unalaska

CITY OF UNALASKA, ALASKA





CITY OF UNALASKA, ALASKA

Federal and State of Alaska Single Audit
Reports and Supplementary Information

Year Ended June 30, 2020

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, 2020, 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 22, 2020. 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 22, 2020



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

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, 2020. 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, 2020.

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, 2020, 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 22, 2020, 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

June 29, 2021

CITY OF UNALASKA, ALASKA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

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	\$ 906,109	906,109
Total U.S. Department of Interior			<u>906,109</u>	<u>906,109</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	3,673,487
Total U.S. Department of the Treasury			<u>13,453,952</u>	<u>3,673,487</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	NG-01-19-0119	45.311	6,000	6,000
Passed through State of Alaska Education and Early Development:				
Grants to States – The Institute of Museum and Library Services	ILC-20-708-06	45.310	1,180	1,180
Total The Institute of Museum and Library Services:			<u>7,180</u>	<u>7,180</u>
Federal Communications Commission:				
Communications Information and Assistance and Investigation of Complaints:				
USAC – Schools and Libraries	1046256	32.001	47,849	47,849
Total Federal Communications Commission			<u>47,849</u>	<u>47,849</u>
U.S. Department of Homeland Security:				
Homeland Security Grant Program	20SHSP-GY17	97.067	139,000	139,000
Homeland Security Grant Program	20SHSP-GY19	97.067	44,250	44,250
Total U.S. Department of Homeland Security			<u>183,250</u>	<u>183,250</u>
Total federal awards			<u>\$ 14,598,340</u>	<u>4,817,875</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, 2020

(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, 2020. 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, 2020 consists of:

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

(6) Amounts Passed through to Subrecipients

During the year ended June 30, 2020, 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, 2020

(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.



KPMG LLP
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Anchorage, AK 99501

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, 2020. 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 \$5,184,751 in state awards which is not included in the City of Unalaska's schedule of state financial assistance for the year ended June 30, 2020. 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, 2020.



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, 2020, 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 22, 2020, 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

June 29, 2021

CITY OF UNALASKA, ALASKA
Schedule of State Financial Assistance
Year ended June 30, 2020

Name of award	Grant number	Total grant award	Total state expenditures	Major program
Department of Education and Early Development:				
Debt Retirement 2009II 31609 ISSUE	*	\$ 269,500	269,500	Yes
Public Library Assistance Grant	PLA-20-782-01	7,000	7,000	
Alaska State Library On-Line With Libraries (OWL) Broadband Grant	Unalaska Library	27,099	27,099	
Total Department of Education and Early Development		<u>303,599</u>	<u>303,599</u>	
Department of Revenue:				
Fisheries Business Tax	*	3,775,900	3,775,900	Yes
Fisheries Resource Landing Tax	*	4,601,633	4,601,633	Yes
State Liquor License	*	16,700	16,700	
Commercial Passenger Vessel Excise Tax Share	*	28,620	28,620	
Total Department of Revenue		<u>8,422,853</u>	<u>8,422,853</u>	
Department of Administration:				
PERS Contribution	*	875,789	875,789	Yes
Passed through the Aleutian Housing Authority:				
Senior Center Payments in Lieu of Taxes	*	3,869	3,869	
Total Department of Administration		<u>879,658</u>	<u>879,658</u>	
Department of Commerce, Community, and Economic Development:				
Fisheries Business Tax	*	93,724	93,724	Yes
Fisheries Resource Landing Tax	*	34,295	34,295	Yes
Community Assistance Program	*	136,361	136,361	Yes
Total Department of Commerce, Community, and Economic Development		<u>264,380</u>	<u>264,380</u>	
Total State Assistance		<u>\$ 9,870,490</u>	<u>9,870,490</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, 2020

(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, 2020. 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, 2020, 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, 2020

(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.