



CITY OF SAXMAN, ALASKA -- FINANCIAL STATEMENTS

For the Year Ended June 30, 2020  
Together with Independent Auditor's Report

CITY OF SAXMAN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of the City of Saxman  
Saxman, Alaska

***Report on the Financial Statements***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saxman (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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinion***

In my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and pension and other post-employment schedules as listed in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

The combining and individual nonmajor fund financial statements 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 on 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 my opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated January 6, 2021 on my consideration of the City's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

A handwritten signature in black ink, appearing to read 'MEM'.

January 6, 2021

## CITY OF SAXMAN

**STATEMENT OF NET POSITION**

June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 438,518	\$ 224,263	\$ 662,781
Receivables	51,072	35,400	86,472
Internal balances, net	(194,369)	194,369	-
Prepaid expenses	20,570	19,787	40,357
<b>Total Current Assets</b>	<b>315,791</b>	<b>473,819</b>	<b>789,610</b>
<b>RESTRICTED ASSETS</b>			
Revenue bond debt service			
Cash and cash equivalents	-	34,105	34,105
<b>NONCURRENT ASSETS</b>			
Capital assets, net	9,590,609	7,030,514	16,621,123
<b>Total Assets</b>	<b>9,906,400</b>	<b>7,538,438</b>	<b>17,444,838</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>39,801</b>	<b>62,512</b>	<b>102,313</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>9,946,201</b>	<b>7,600,950</b>	<b>17,547,151</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	13,025	70,027	83,052
Accrued and other liabilities	14,270	22,460	36,730
Unearned revenue	220,084	-	220,084
Current portion of long-term obligations	17,158	7,022	24,180
<b>Total Current Liabilities</b>	<b>264,537</b>	<b>99,509</b>	<b>364,046</b>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	-	14,008	14,008
Bonds and loans payable	312,408	151,497	463,905
Net OPEB liability	2,182	4,513	6,695
Net pension liability	74,517	153,692	228,209
<b>Total Liabilities</b>	<b>653,644</b>	<b>423,219</b>	<b>1,076,863</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>27,817</b>	<b>8,386</b>	<b>36,203</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>681,461</b>	<b>431,605</b>	<b>1,113,066</b>
<b>NET POSITION</b>			
Net investment in capital assets	9,261,043	6,871,995	16,133,038
Restricted for:			
Tourism and cultural	(957)	-	(957)
Debt service	-	34,105	34,105
Unrestricted net position (deficit)	4,654	263,245	267,899
<b>Total Net Position</b>	<b>\$ 9,264,740</b>	<b>\$ 7,169,345</b>	<b>\$ 16,434,085</b>

The accompanying notes to financial statements are an integral part of these statements.

## CITY OF SAXMAN

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 189,780	\$ 44,790	\$ -	\$ -	\$ (144,990)	\$ -	\$ (144,990)
Public works and streets	145,491	95,061	-	-	(50,430)	-	(50,430)
Public safety	81,301	-	-	-	(81,301)	-	(81,301)
Educational and youth	2,447	-	-	-	(2,447)	-	(2,447)
Tourism and cultural	293,334	187,426	15,000	-	(90,908)	-	(90,908)
Interest on long-term debt	15,990	-	-	-	(15,990)	-	(15,990)
<b>Total Governmental Activities</b>	<b>728,343</b>	<b>327,277</b>	<b>15,000</b>	<b>-</b>	<b>(386,066)</b>	<b>-</b>	<b>(386,066)</b>
<b>Business-Type Activities</b>							
Water and sewer	453,955	257,335	3,997	-	-	(192,623)	(192,623)
Saxman seaport	314,964	186,470	9,738	-	-	(118,756)	(118,756)
<b>Total Business-Type Activities</b>	<b>768,919</b>	<b>443,805</b>	<b>13,735</b>	<b>-</b>	<b>-</b>	<b>(311,379)</b>	<b>(311,379)</b>
<b>Total Primary Government</b>	<b>\$ 1,497,262</b>	<b>\$ 771,082</b>	<b>\$ 28,735</b>	<b>\$ -</b>	<b>(386,066)</b>	<b>(311,379)</b>	<b>(697,445)</b>
<b>General Revenue and Transfers</b>							
Sales taxes					123,039	-	123,039
Intergovernmental revenue not restricted to specific programs					118,504	-	118,504
Interest income					-	1,524	1,524
<b>Total General Revenue and Transfers</b>					<b>241,543</b>	<b>1,524</b>	<b>243,067</b>
Change in Net Position					(144,523)	(309,855)	(454,378)
Net Position, Beginning of Year					9,409,263	7,479,200	16,888,463
<b>Net Position, End of Year</b>					<b>\$ 9,264,740</b>	<b>\$ 7,169,345</b>	<b>\$ 16,434,085</b>

CITY OF SAXMAN

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

June 30, 2020

	General Fund	CARES ACT Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 438,518	\$ -	\$ -	\$ 438,518
Accounts receivables	21,860	-	-	21,860
Due from other funds	-	216,304	36,597	252,901
Taxes receivable	29,212	-	-	29,212
Prepaid expenses	20,570	-	-	20,570
<b>Total Assets</b>	<b>\$ 510,160</b>	<b>\$ 216,304</b>	<b>\$ 36,597</b>	<b>\$ 763,061</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 13,025	\$ -	\$ -	\$ 13,025
Accrued expenses	14,270	-	-	14,270
Due to other funds	447,270	-	-	447,270
Unearned revenue	1,000	216,304	2,780	220,084
<b>Total Liabilities</b>	<b>475,565</b>	<b>216,304</b>	<b>2,780</b>	<b>694,649</b>
<b>Fund Balances (Deficits)</b>				
Nonspendable	20,570	-	-	20,570
Restricted for totem pole restoration	-	-	(957)	(957)
Assigned to capital projects	-	-	21,558	21,558
Unassigned	14,025	-	(1,784)	12,241
<b>Total Fund Balances</b>	<b>34,595</b>	<b>-</b>	<b>18,817</b>	<b>53,412</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 510,160</b>	<b>\$ 216,304</b>	<b>\$ 21,597</b>	
Net position reported for governmental activities is different from fund balances due to:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				9,590,609
Contributions to the defined pension and OPEB plan and other related items in the current fiscal year are deferred outflows on the Statement of Net Position				39,801
Pension and OPEB related deferred inflows for changes differences in projections and actual earnings are not reported in the funds				(27,817)
Long-term liabilities are not due in the current period, and are not reported in the funds:				
Loans payable				(329,566)
Net pension and OPEB liability				(76,699)
<b>Net Position of Governmental Activities</b>				<b>\$ 9,249,740</b>



CITY OF SAXMAN

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	General Fund	CARES ACT Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Sales tax	\$ 123,039	\$ -	\$ -	\$ 123,039
Intergovernmental	76,937	10,852	30,715	118,504
Charges for services	327,277	-	-	327,277
Contributions and other	-	-	-	-
<b>Total Revenues</b>	<b>527,253</b>	<b>10,852</b>	<b>30,715</b>	<b>568,820</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	269,562	-	-	269,562
Public works and streets	164,207	-	-	164,207
Public safety	44,554	10,852	-	55,406
Tourism and cultural	20,671	-	12,190	32,861
<b>Debt service</b>				
Principal	-	-	16,205	16,205
Interest	-	-	15,990	15,990
<b>Capital outlay</b>	<b>11,425</b>	<b>-</b>	<b>30,715</b>	<b>42,140</b>
<b>Total Expenditures</b>	<b>510,419</b>	<b>10,852</b>	<b>75,100</b>	<b>596,371</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,834	-	(44,385)	(27,551)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	32,195	32,195
Transfers out	(32,195)	-	-	(32,195)
<b>Total Other Financing Sources (Uses)</b>	<b>(32,195)</b>	<b>-</b>	<b>32,195</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(15,361)</b>	<b>-</b>	<b>(12,190)</b>	<b>(27,551)</b>
Fund Balances, Beginning of Year	49,956	-	31,007	80,963
<b>Fund Balances, End of Year</b>	<b>\$ 34,595</b>	<b>\$ -</b>	<b>\$ 18,817</b>	<b>\$ 53,412</b>

The accompanying notes to financial statements are an integral part of these statements.

CITY OF SAXMAN

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds		\$	(27,551)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are capitalized and are allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlays	30,715		
Depreciation expense	<u>(277,859)</u>		(247,144)
Issuance of long-term debt provides current financial resources to funds, while the repayment of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position.			
Principal payments	<u>16,205</u>		16,205
Pension and other post-employment (expense) benefit, net of pension and other post-employment contributions reflected in the governmental funds			<u>98,967</u>
<b>Change in Net Position of Governmental Activities</b>		\$	<b>(159,523)</b>

## CITY OF SAXMAN

**BALANCE SHEETS - PROPRIETARY FUNDS**

June 30, 2020

	Water and Sewer	Saxman Seaport	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 165,569	\$ 58,694	\$ 224,263
Receivables	27,319	8,081	35,400
Due from other funds	181,943	12,426	194,369
Prepaid expenses	-	19,787	19,787
<b>Total Current Assets</b>	<b>374,831</b>	<b>98,988</b>	<b>473,819</b>
<b>RESTRICTED ASSETS</b>			
Revenue bond debt service cash and cash equivalents	-	34,105	34,105
<b>Total Restricted Assets</b>	<b>-</b>	<b>34,105</b>	<b>34,105</b>
<b>CAPITAL ASSETS</b>			
Land	-	153,427	153,427
Buildings and improvements, net of accumulated depreciation	5,194,225	1,682,862	6,877,087
<b>Total Capital Assets</b>	<b>5,194,225</b>	<b>1,836,289</b>	<b>7,030,514</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
<b>Total Assets and Deferred Outflows of Resources</b>	<b>5,569,056</b>	<b>2,031,894</b>	<b>7,600,950</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	68,755	1,272	70,027
Bond payable - current	-	7,022	7,022
Accrued and other liabilities	5,476	16,984	22,460
<b>Total Current Liabilities</b>	<b>74,231</b>	<b>25,278</b>	<b>99,509</b>
<b>NONCURRENT LIABILITIES</b>			
Accrued vacation	-	14,008	14,008
Revenue bonds payable	-	151,497	151,497
Net OPEB liability	-	4,513	4,513
Net pension liability	-	153,692	153,692
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>323,710</b>	<b>323,710</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>74,231</b>	<b>357,374</b>	<b>431,605</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,194,225	1,677,770	6,871,995
Restricted for debt service	-	34,105	34,105
Unrestricted	300,600	(37,355)	263,245
<b>Total Net Position</b>	<b>\$ 5,494,825</b>	<b>\$ 1,674,520</b>	<b>\$ 7,169,345</b>

The accompanying notes to financial statements are an integral part of these statements.

## CITY OF SAXMAN

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS**

For the Year Ended June 30, 2020

	Water and Sewer	Saxman Seaport	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 257,335	\$ 186,470	\$ 443,805
<b>GENERAL REVENUES</b>			
Intergovernmental - State of Alaska	3,997	9,738	13,735
<b>Total Operating and General Revenue</b>	<b>261,332</b>	<b>196,208</b>	<b>457,540</b>
<b>OPERATING EXPENSES</b>			
Depreciation	244,888	90,598	335,486
Salaries and benefits	79,806	168,309	248,115
Utilities	77,378	28,640	106,018
Banking and insurance	16,396	15,743	32,139
Materials and supplies	13,401	453	13,854
Professional services	13,360	355	13,715
Repairs and maintenance	5,374	4,889	10,263
Vehicle	2,845	-	2,845
Advertising, dues and subscriptions	469	258	727
Travel and training	38	-	38
<b>Total Operating Expenses</b>	<b>453,955</b>	<b>309,245</b>	<b>763,200</b>
<b>Operating Loss</b>	<b>(192,623)</b>	<b>(113,037)</b>	<b>(305,660)</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Interest income	54	1,470	1,524
Interest expense	-	(5,719)	(5,719)
<b>Total Nonoperating Revenue (Expense)</b>	<b>54</b>	<b>(4,249)</b>	<b>(4,195)</b>
<b>Change in Net Position</b>	<b>(192,569)</b>	<b>(117,286)</b>	<b>(309,855)</b>
Net Position, Beginning of Year	5,687,394	1,791,806	7,479,200
<b>Net Position, End of Year</b>	<b>\$ 5,494,825</b>	<b>\$ 1,674,520</b>	<b>\$ 7,169,345</b>

The accompanying notes to financial statements are an integral part of these statements.

## CITY OF SAXMAN

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS**

For the Year Ended June 30, 2020

	Water and Sewer	Saxman Seaport	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 259,768	\$ 222,079	\$ 481,847
Cash paid to suppliers	(104,793)	(68,947)	(173,740)
Cash paid to employees	(91,976)	(149,440)	(241,416)
Net cash repaid to general fund	(4,826)	(12,426)	(17,252)
<b>Net Cash Flows Provided by (Used for) Operating Activities</b>	<b>58,173</b>	<b>(8,734)</b>	<b>49,439</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest on bonds and loan payable	-	(5,719)	(5,719)
Repayment of bonds payable	-	(6,406)	(6,406)
<b>Net Cash Flows Used for Capital and Related Financing Activities</b>	<b>-</b>	<b>(12,125)</b>	<b>(12,125)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Change in performance deposit	-	(41)	(41)
Cash receipts from investments	54	1,470	1,524
<b>Net Cash Provided by Investing Activities</b>	<b>54</b>	<b>1,429</b>	<b>1,483</b>
<b>Change in Cash and Cash Equivalents</b>	<b>58,227</b>	<b>(19,430)</b>	<b>38,797</b>
Cash and Cash Equivalents, Beginning of Year	107,342	78,124	185,466
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 165,569</b>	<b>\$ 58,694</b>	<b>\$ 224,263</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating loss	\$ (192,623)	\$ (113,037)	\$ (305,660)
Adjustments to reconcile operating loss to net cash flows provided by (used for) operating activities			
Depreciation	244,888	90,598	335,486
Pension and Other Post-Employment Benefit related	-	32,935	32,935
Changes in operating assets and liabilities			
Receivables	(1,564)	25,871	24,307
Due to/from other funds	(4,826)	(12,426)	(17,252)
Prepaid expenses	-	(19,787)	(19,787)
Accounts payable	24,468	1,178	25,646
Accrued and other liabilities	(12,170)	(14,066)	(26,236)
<b>Total adjustments</b>	<b>250,796</b>	<b>104,303</b>	<b>355,099</b>
<b>Net Cash Flows Provided by (Used for) Operating Activities</b>	<b>\$ 58,173</b>	<b>\$ (8,734)</b>	<b>\$ 49,439</b>

The accompanying notes to financial statements are an integral part of these statements.

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The City of Saxman ("the City") was incorporated in 1929. The City is incorporated under the laws of the State of Alaska as a second-class city. The City operates under a Manager-City Council form of government and provides a variety of municipal services, including general administration, fire, recreation, public works, ports and harbors, and water and sewer utilities.

##### Component Units

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon this criterion, the reporting entity has no component units.

##### Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City. These statements include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City, and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 SAXMAN

### NOTES TO FINANCIAL STATEMENTS

The City reports the following major governmental funds:

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

*CARES Act Special Revenue Fund* – Accounts for revenues and expenditures related to the City's CARES Act, Coronavirus Relief Fund (CRF) pass-through grant from the State of Alaska.

The City reports the following major proprietary funds:

*Water and Sewer Fund* – Accounts for activities of providing water and sewer utility services to the residents of the City.

*Saxman Seaport Fund* – This fund accounts for the operation and maintenance of warehousing and port facilities owned and controlled by the City through a separate corporation.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when financial activities are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 imposed by the provider 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 60 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 (if any), are recorded only when payment is due.

Sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when cash is received by the government. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Proprietary (or enterprise) 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 City's enterprise funds are charges to customers for sales and services. The Water and

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

Sewer fund also recognizes as operating revenue fees intended to recover the cost of connecting new customers to the systems.

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 classified as nonoperating revenues and expenses.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

#### **Assets, Liabilities, Deferred Inflows and Outflows of Resources, Net Position and Fund Balance**

#### Deposits

Cash deposits are maintained in multiple financial institutions and are carried at cost. The City considers all investments in money market funds and highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City pools most of its cash resources of its various funds to facilitate the management of cash. The majority of the cash balances are recorded in the general fund with amounts allocated to the appropriate funds; however, separate bank accounts are maintained for the Water and Sewer Fund and Saxman Seaport Fund. The City has also established a separate bank account for CARES Act Special Revenue Fund activity.

#### Receivables

All receivables are reported at gross value and, if appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### Due to and Due from Other Funds

Interfund receivables and payables arising from interfund transactions are recorded by all funds affected in the period in which the transactions are executed and are current obligations. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### Prepaid Expenses

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

#### 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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



CITY OF SAXMAN

NOTES TO FINANCIAL STATEMENTS

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

All reported capital assets are depreciated except for land, tidelands, rights-of-way and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Land improvements	20 to 50 years
Buildings and structures	20 to 50 years
Vehicles	5 to 25 years
Equipment	5 to 25 years
Water and sewer utility plant	25 to 50 years
Port facilities	25 to 50 years

All significant capital assets including infrastructure assets are capitalized and reported by the City.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation 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.

Unearned Revenue

Amounts received from grants and other sources, but not yet spent for their restricted purpose, are shown on the balance sheet as unearned revenue on both the government-wide and fund financial statements.

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 or proprietary fund balance sheets.

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 Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as PERS, assuming the State's pension support under AS 39.35.280 is a "Special Funding Situation" as defined by GASB 68. 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the 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

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as PERS, and assuming the State's OPEB support under AS 39.35.280 is a "Special Funding Situation" as defined by GASB 75. 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.

#### Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element 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.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element 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.

#### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, and related debt. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City Council or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

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

#### Fund Balance

Generally, fund balance represents the difference between the assets and liabilities. The City classifies its fund balances in accordance with GASB Statement No. 54 as nonspendable, restricted, committed, assigned, or unassigned fund balance categories. See Note 6 for further information on the City's fund balance classifications.

In governmental funds, the City's policy regarding when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available is to consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, then committed amounts would be reduced first, followed by assigned and then unassigned amounts.

The City has not formally adopted a policy with respect to the minimum fund balance amount.

#### Date of Subsequent Review

The City has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

### **NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

The appropriated budget is prepared by fund, function, and department using the modified accrual basis of accounting. The City adopts an annual operating budget for the general fund and each enterprise fund.

CITY OF SAXMAN

NOTES TO FINANCIAL STATEMENTS

The budget resolution reflects the total of each department's appropriation. The budgets for the enterprise funds are adopted for management purposes and are not reported in these financial statements. Generally, a project budget is adopted for each capital projects fund. Budgets for grant-driven special revenue funds are adopted as part of the application for and acceptance of the grant funding. Capital project budgets are on a project basis but annual budgets may also be used if the project is expected to span multiple years.

Before June 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The budget is a line item budget, and upon approval by ordinance, cannot be modified except by ordinance. The City Council made supplemental budgetary appropriations during the year. The significant supplemental budgetary appropriations made were related to wage and related expenses, and other operating expenses.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation) is not utilized by the City. All unexpended annual appropriations lapse at year-end.

Deficit Fund Balances

The following individual fund had a deficit fund balance at the fund reporting level at June 30, 2020:

<u>Fund</u>	<u>Deficit Amount</u>
Youth Reach Program Fund	\$ 1,784

Excess of Expenditures over Appropriations

For the year ended June 30, 2020 the following departments incurred expenditures in excess of their appropriations:

	<u>Budget</u>	<u>Expenditures</u>	<u>Expenditures Over Budget</u>
City Clerk	\$ 65,797	\$ 68,954	\$ (3,157)
City Council	10,875	12,355	(1,480)
Community Hall	86,769	89,755	(2,986)
	\$ 163,441	\$ 171,064	\$ (7,623)

*This section left intentionally blank.*

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The City follows the practice of pooling cash equivalents of its various funds. The financial activity of the pooled cash and cash equivalents is accounted for in the General Fund. In some instances, funds may overdraw their available cash balance in the general fund. Specific fund overdrafts are treated as short-term loans and are included on the balance sheets as liabilities in “due to other funds.” Funds’ interest in pooled cash and cash equivalents is included on the balance sheets as assets in “due from other funds”.

Interest income from pooled cash equivalents is allocated ratably over the various funds.

At June 30, 2020, the carrying amount of the City's cash balances was \$696,886, while the bank and other institution balances were \$697,493. These balances are categorized as follows:

	Bank Balance
Amount insured by the FDIC (up to \$250,000) or collateralized with securities held by the bank or other institutions in the City's name	\$ 598,595
Uncollateralized/uninsured	98,898
	\$ 697,493

The following is the reconciliation of various components of cash to amounts presented in the statement of net position:

	Carrying Amount
Reconciliation to statement of net position- Cash and cash equivalents	\$ 662,781
Restricted assets: Revenue bond debt service reserve instruments	34,105
	\$ 696,886

**NOTE 4 - RECEIVABLES, DEFERRED INFLOW OF RESOURCES, AND UNEARNED REVENUE**

Receivables at June 30, 2020, for the individual major and aggregate nonmajor funds were as follows:

	Sales Taxes	Accounts Receivable	Customer Charges	Total
<i>Governmental funds:</i>				
General fund	\$ 29,212	\$ 21,860	\$ -	\$ 51,072
<i>Enterprise funds:</i>				
Water and sewer fund	-	-	27,319	27,319
Saxman Seaport	-	-	8,081	8,081
<b>Total</b>	<b>\$ 29,212</b>	<b>\$ 21,860</b>	<b>\$ 35,400</b>	<b>\$ 86,472</b>
Reconciliation to statement of net position:				
Current receivables				86,472
				\$ 86,472

CITY OF SAXMAN

NOTES TO FINANCIAL STATEMENTS

All receivables are expected to be collected within one year.

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue, a liability, in connection with resources that have been received, but not yet earned. At June 30 2020, The City had no deferred inflow of resources in connection with receivables. Unearned revenue amounts reported in the governmental funds relate to tour advance payments that will be available early in the next fiscal year totaling \$1,000, and advances on grants that will be used early in the next fiscal year totaling \$-.

**NOTE 5 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2020 were as follows:

	Balance, June 30, 2019	Increases	Transfers/ Decreases	Balance, June 30, 2020
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 934,050	\$ -	\$ -	\$ 934,050
Tidelands	617,008	-	-	617,008
Construction in progress	117,136	30,715	-	147,851
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,668,194</b>	<b>30,715</b>	<b>-</b>	<b>1,698,909</b>
Other capital assets:				
Land improvements	1,019,673	-	-	1,019,673
Buildings and structures	9,848,246	-	-	9,848,246
Vehicles	240,005	-	-	240,005
Equipment	459,225	-	-	459,225
<b>Total Other Capital Assets</b>	<b>11,567,149</b>	<b>-</b>	<b>-</b>	<b>11,567,149</b>
Less: Accumulated Depreciation	3,397,590	277,859	-	3,675,449
<b>Other Capital Assets, net</b>	<b>8,169,559</b>	<b>(277,859)</b>	<b>-</b>	<b>7,891,700</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 9,837,753</b>	<b>\$ (247,144)</b>	<b>\$ -</b>	<b>\$ 9,590,609</b>
<i>Business-type activities</i>				
Other capital assets:				
Water and sewer utility plant	\$ 8,368,509	\$ -	\$ -	\$ 8,368,509
Port facilities	4,894,577	-	-	4,894,577
<b>Total Other Capital Assets</b>	<b>13,263,086</b>	<b>-</b>	<b>-</b>	<b>13,263,086</b>
Less: Accumulated Depreciation for:				
Water and sewer utility plant	2,929,396	244,888	-	3,174,284
Port facilities	2,967,690	90,598	-	3,058,288
<b>Total Accumulated Depreciation</b>	<b>5,897,086</b>	<b>335,486</b>	<b>-</b>	<b>6,232,572</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 7,366,000</b>	<b>\$ (335,486)</b>	<b>\$ -</b>	<b>\$ 7,030,514</b>

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

Depreciation expense was charged to functions/programs of the City as follows:

<i>Governmental activities</i>	
General government	\$ 19,185
Public works and streets	574
Public safety	25,895
Educational and youth	2,447
Tourism and cultural	229,758
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 277,859</b>

**NOTE 6 - FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – Nonspendable fund balance is that portion of fund equity that cannot be spent either because it is in a nonspendable form or because it is legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balance is that portion of fund equity that has constraints placed upon the use of the resources either by an external party or imposed by law.

Committed Fund Balance – Committed fund balance is that portion of fund equity that can only be used for specific purposes determined by a formal action by the City Council. Formal action by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned Fund Balance – Assigned fund balance is that portion of fund equity that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent can be expressed by the governing body itself or by the City Manager or his designee to whom the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is that portion of fund balances not included in other spendable classifications.

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Prepaid expenses	\$ 20,570	\$ -	\$ 20,570
<b>Total Nonspendable</b>	<b>20,570</b>	<b>-</b>	<b>20,570</b>
<b>Restricted</b>			
Totem pole restoration	-	14,043	14,043
<b>Total Restricted</b>	<b>-</b>	<b>14,043</b>	<b>14,043</b>
<b>Assigned</b>			
Capital projects	-	21,558	21,558
<b>Total Assigned</b>	<b>-</b>	<b>21,558</b>	<b>21,558</b>
Unassigned	14,025	(1,784)	12,241
<b>Total Fund Balances</b>	<b>\$ 34,595</b>	<b>\$ 33,817</b>	<b>\$ 68,412</b>

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM DEBT**

The City's long-term debt includes general obligation debt and notes payable. General obligation bonds and notes are direct obligations of the City and the City has pledged its full faith and credit to their repayment.

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance, June 30, 2019	Additions	Reductions	Balance, June 30, 2020	Amounts Due Within One Year
<b>Governmental Activities</b>					
Notes payable:					
Kitchen loan	\$ 36,171	\$ -	\$ (5,905)	\$ 30,266	\$ 6,335
VPSO duplex	110,976	-	(2,841)	108,135	3,035
Flatbed truck loan	20,000	-	(3,570)	16,430	3,772
AHFC duplex permanent financing	178,624	-	(3,889)	174,735	4,016
<b>Governmental Activities</b>					
Long-term Liabilities	\$ 345,771	\$ -	\$ (16,205)	\$ 329,566	\$ 17,158
<b>Business-type Activities</b>					
Bonds and notes payable:					
Saxman Seaport bonds	\$ 145,000	\$ -	\$ (5,000)	\$ 140,000	\$ 5,000
Bond premium	19,925	-	(1,406)	18,519	2,022
<b>Business-type Activities</b>					
Long-term Liabilities	\$ 164,925	\$ -	\$ (6,406)	\$ 158,519	\$ 7,022

Bonds and notes payable at June 30, 2020, are comprised of the following individual issues:

**Governmental Activities:**

\$76,434 bank loan originated in 2010, due in monthly installments of \$688, plus interest at Wall Street Journal prime plus 1%, with a 7% floor, through September 2024, collateralized by land.	\$ 30,266
\$122,587 bank loan originated in fiscal year 2015, due in monthly installments of \$809 plus interest at 6.25% through 2025, then to \$757 plus interest at the Bank's prime plus 2% until maturity in 2039, collateralized by real property.	108,135
\$20,000 bank loan originated in fiscal year 2019, due in monthly installments of \$383 including interest at 5.25% through 2024, collateralized by a vehicle.	16,430
\$184,530 bank loan originated in fiscal year 2018, due in monthly installments of \$803, plus interest at 3.25% until maturity in 2039, collateralized by real property.	174,735
Total governmental activities bonds payable	329,566
Less current portion	(17,158)
<b>Governmental activities long-term bonds payable</b>	<b>\$ 312,408</b>

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

**Business-type Activities:**

\$165,000 general obligation bond, due in annual installments of \$5,000 through 2023, then \$10,000 payments through fiscal year 2036 at 5% per annum.	\$	140,000
<hr/>		
Total business-type activities bond payable		140,000
Unamortized premium		18,519
<hr/>		
Total business-type activities bond and note payable debt		158,519
Less current portion		(7,022)
<hr/>		
<b>Business-type activities long-term bond and note payable debt</b>	<b>\$</b>	<b>151,497</b>

Subsequent to year-end, the City issued a promissory note to a bank in the amount of \$376,000 payable over 15 years in monthly installments in the amount of \$2,755 at a fixed rate of 3.86% per annum. The proceeds were used to retire the kitchen loan, VPSO Duplex loan and Flatbed Truck loan described above with outstanding balances totaling \$155,719 at date of retirement on July 1, 2020. The remainder of the proceeds from the loan, after closing costs, were received by the City in the form of a cashier's check in the amount of \$214,940. In addition, the City later changed the terms of the promissory to extend the term to 20 years and reduce monthly payments to \$2,233, with no change in interest rate.

The debt service annual requirements to amortize bond and notes payable debt outstanding as of June 30, 2020, are as follows:

**Governmental Activities:**

Year Ending June 30	Principal	Interest	Total
2021	\$ 17,158	\$ 15,037	\$ 27,599
2022	18,160	14,034	27,599
2023	19,225	12,970	27,599
2024	20,324	11,871	27,599
2025	8,779	9,941	27,599
2026-2030	49,882	43,719	102,480
2031-3035	61,716	31,885	83,964
2036-2040	59,429	16,006	74,881
2041-2045	32,576	5,972	47,631
Thereafter	42,317	932	75,402
<hr/>			
	<b>\$ 329,566</b>	<b>\$ 162,367</b>	<b>\$ 522,351</b>

**Business-type Activities:**

Year Ending June 30	Principal	Interest	Total
2021	\$ 5,000	\$ 6,875	\$ 12,350
2022	5,000	6,625	12,125
2023	5,000	6,375	11,875
2024	10,000	6,000	11,625
2025	10,000	5,500	11,375
2026-2030	50,000	20,500	75,000
2031-3035	50,000	8,750	50,000
2036-2040	5,000		25,000
<hr/>			
	<b>\$ 140,000</b>	<b>\$ 60,625</b>	<b>\$ 209,350</b>



**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of June 30, 2020, was as follows:

	Interfund Balances	
	Due from other funds	Due to other funds
General Fund	\$ -	\$ 447,270
CARES Act Special Revenue Fund	216,304	-
Carving Center Expansion	21,558	-
Water and Sewer	181,943	-
Youth Reach Program	996	-
Totem Pole Restoration	14,043	-
Saxman Seaport	12,426	-
	<b>\$ 447,270</b>	<b>\$ 447,270</b>

Interfund transfers result from the City budget and are as follows for the year ended June 30, 2020:

	Transfers In	
	Debt Service Fund	Total
Transfers out:		
General fund	\$ 32,195	\$ 32,195
<b>Total</b>	<b>\$ 32,195</b>	<b>\$ 32,195</b>

Transfers between funds are in accordance with the City Code and budgetary authorizations, and are generally used for capital outlay, debt service and operations.

**NOTE 9 – RETIREMENT PLANS**

The City and Saxman Seaport (referred to collectively for this note as the “City” except where otherwise separately presented) participate in the State of Alaska Public Employees’ Retirement System (PERS) under separate participation agreements with the State of Alaska. PERS is governed by the Alaska Retirement Management Board (the “Board” or the “System”), which consists of nine trustees, as follows: the Commissioner of the Department of Administration, the Commissioner of the Department of Revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers’ Retirement System (TRS), two trustees who are members of PERS, and two trustees who are members of TRS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. PERS issues a publicly available financial report that can be obtained at <http://doa.alaska.gov/drb/pers/employee/resources/index.html>.

Description of Plans Available to Employees

The City provides three types of plans to its employees through its participation in PERS. A cost-sharing multiple-employer defined benefit (DB) pension plan administered by the State of Alaska is provided, which includes a defined benefit health plan under the State of Alaska Retiree Healthcare Trust (ARHCT),

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

a healthcare trust fund of the State of Alaska. The DB, including ARHCT, was closed to all new members effective July 1, 2006.

A Defined Contribution Pension Plan (DC Plan) provides retirement benefits for eligible employees hired after July 1, 2006, as described in the Defined Contribution Pension Plan section below. PERS also includes a Retiree Medical Plan (RMP) which provides major medical coverage to all employees of the DC Plan.

An Occupational Death and Disability (ODD) plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Together the ARHCT, RMP and ODD plans are referred to as Other Postemployment Benefits (“OPEB”), which are further described in the Defined Benefit Other Postemployment Benefit Plans (OPEB) section below.

#### State of Alaska PERS Defined Benefit Plan

##### Benefits Provided

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.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for 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. 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%.

Postemployment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986 and who have not reached age 60 may elect to pay for major medical benefits; thereafter they are provided without cost.

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.

##### Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plans members’ contribution rates are 7.5% for peace officers and

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The City’s effective contribution rate is 22.00% of annual payroll. Alaska Statute 39.35.280 states that the State of Alaska, as a non-employer contributing entity, shall contribute each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System’s past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement (DC) Plan payroll. The DBUL amount is computed as the difference between:

- (A) The amount calculated for the 22.00% statutory employer contribution rate on eligible salary, less
- (B) The total of the employer contributions for
  - (1) the defined contribution employer matching amount,
  - (2) major medical,
  - (3) occupational death & disability, and
  - (4) health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan’s pension and healthcare funds.

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	Saxman Seaport
Proportionate share of the net pension liability	\$ 74,517	\$ 153,692
State’s proportionate share of the net pension liability associated the City and Saxman Seaport	31,437	61,709
<b>Total Net Pension Liability</b>	<b>\$ 105,954</b>	<b>\$ 215,401</b>

The City will record the entire net pension liability, including the State’s proportionate share, if the State of Alaska no longer contributes its proportionate share as measured by the annual State contributions and provided under Alaska Statute 39.35.280. By changing the existing statute to a higher rate above and up to the actuarially determined rate, the City may be required to record some or all of the State’s proportion and its contribution amounts will increase accordingly.

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 City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2019, the City and Saxman Seaport’s proportion were .00136% and .00281%, respectively, which was a change of (.00130%) and (.00135%), respectively from their proportion measured as of June 30, 2018.

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**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2020, the City recognized a net pension benefit of \$50,718 and Saxman Seaport recognized a net pension expense of \$54,771, including revenue of \$4,271 and \$8,393, respectively, for support provided by the State. At June 30, 2020, the City and Saxman Seaport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City of Saxman		Saxman Seaport	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and differences between employer contributions	\$ -	\$ 19,615	\$ 23,400	\$ -
Changes in assumptions	2,984	-	4,947	-
Differences between expected and actual experience	-	1,104		2,345
Differences between projected and actual investment earnings	1,068	-	2,204	-
Contributions subsequent to measurement date	22,921	-	12,257	-
<b>Total</b>	<b>\$ 26,973</b>	<b>\$ 20,719</b>	<b>\$ 42,808</b>	<b>\$ 2,345</b>

Of the total amount reported as deferred outflows of resources related to pensions, \$22,921 and \$12,257 resulting from City and Saxman Seaport contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement year (fiscal year) as follows:

	City	Saxman Seaport
Year ended June 30:		
2020 (2021)	\$ (16,549)	\$ 28,447
2021 (2022)	(789)	(1,627)
2022 (2023)	303	625
2023 (2024)	368	761

Pursuant to AS 39.35.255, employers are required to contribute to PERS every payroll period an amount calculated by applying a rate of 22 percent to the greater of the total of all base salaries (a) paid by the employer to employees who are active members of PERS, or (2) paid by the employer to employees who were active members of the system during the corresponding payroll period for the fiscal year ending June 30, 2008. During fiscal year 2019, for the City, salary amounts were less than 2008 by \$49,903, and \$10,979 in additional contributions were paid in fiscal year 2020. Of the amount paid, \$8,069 related to pension. These amounts are included in deferred outflow for fiscal year 2020.

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**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

Actuarial Assumptions

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officers/Firefighters
	Graded service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.

Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/ firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return, excluding the inflation component of 2.5%, for each major asset class included in the Plan’s target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.16%
Global ex-US equity	7.51
Intermediate treasuries	1.28
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.38 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount rate (7.38%)	1% Increase (8.38%)
<hr/>			
City’s proportionate share of the net pension liability			
City	\$ 98,350	\$ 74,517	\$ 54,558
Saxman Seaport	202,847	153,692	112,527

Pension Plan Fiduciary Net Position

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

Defined Contribution Pension Plan

Plan Description

The City and Saxman Seaport also participate in the State of Alaska Defined Contribution Pension Plan (DC Plan), Tier 4, which provides pension benefits and certain Other Postemployment Benefits (OPEB) benefits similar to those of the defined benefit plan for eligible employees hired after July 1, 2006. The State of Alaska Healthcare Reimbursement Arrangement Plan is also provided to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. The OPEB benefits are described further below. Additionally, certain active members of the DB Plan were eligible to transfer to the DC Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DC Plan is administered by the System.

Pension Benefits

A participating member is immediately and fully vested in that member’s contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member’s behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member’s behalf, and the related earnings, in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service.

Contributions

Alaska statutes require an 8.0% contribution rate for DC Plan members. Employers are required to contribute 5.0% of the member’s compensation. For the year ended June 30, 2020, employee contributions for the City and Saxman Seaport totaled \$9,516 and \$7,895, respectively, and the City and Saxman Seaport recognized pension expense of \$5,948 and \$4,935 respectively.

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

#### Refunds

A member is eligible to elect distribution of their account 60 days after termination of employment.

#### Participant Accounts

Participant accounts under the DC Plan are self-directed with respect to investment options.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record-keeping/administrative fees, consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

#### Defined Benefit Other Postemployment Benefit Plans (OPEB)

##### OPEB Benefits Provided

Major medical benefits under ARHCT are provided to retirees and their surviving spouses at no premium cost for all members hired before July 1, 1986 (Tier 1), and disabled retirees. Members hired after June 30, 1986 (Tier 2), and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) 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 with between five and ten years of credited service 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 and retire between 20 and 25 years must pay the full monthly premium.

The Occupational Death and Disability Plan (ODD) provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

The Retiree Medical Plan (RMP) provides major medical coverage to retirees of the DC 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.

#### Contributions

Employer contribution rates for major medical OPEB benefits to the ARHCT are actuarially determined and adopted by the Board as described in the PERS defined pension plan above. The 2020 employer effective contribution rate is 22.00% of member's compensation.

Employer contribution for the ODD plan are to each member's account based on the member's compensation. For fiscal year 2020, the rates are 0.76% for occupational death and disability for

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

peace officers and firefighters, and 0.26% for occupational death and disability all other members.

Employer contribution rates for the RMP plan are actuarially determined and adopted by the Alaska Retirement Management Board (Board). For fiscal year 2020, the employer rate is 1.32% of member's compensation.

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

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

	ARHCT	ODD	RMP	Total
Proportionate share of the net OPEB liability (asset)				
City	\$ 1,999	\$ (757)	\$ 940	\$ 2,182
Saxman Seaport	4,214	(1,247)	1,546	4,513
State's proportionate share of the net OPEB liability associated with:				
City	972	-	-	972
Saxman Seaport	1,621	-	-	1,621
<b>Total Net OPEB Liability (Asset)</b>	<b>\$ 8,806</b>	<b>\$ (2,004)</b>	<b>\$ 2,486</b>	<b>\$ 9,288</b>

The City will record the entire net ARHCT OPEB liability, including the State's proportionate share, if the State of Alaska no longer contributes its proportionate share as measured by the annual State contributions and provided under Alaska Statute 39.35.280. By changing the existing statute to a higher rate above and up to the actuarially determined rate, the City may be required to record some or all of the State's proportion and its contribution amounts will increase accordingly.

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability (asset) was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2019, the City's proportion was .00130% for ARHCT and .00312% for ODD and .00393% for RM, which was a decrease of .00140% for ARHCT, .00179% for ODD and .00098% for RM from its proportion measured as of June 30, 2018. At June 30, 2019, Saxman Seaport's proportion was .00280% for ARHCT and .00514% for ODD and .00647% for RM, which was an increase of .00140% for ARHCT, .00032% for ODD and .00165% for RM from its proportion measured as of June 30, 2018.

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**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

For the year ended June 30, 2020, the City and Saxman Seaport recognized a net OPEB (expense) benefit of \$49,365 and \$23,033, respectively, including revenue of \$6,284 and \$10,474, respectively, for support provided by the State. At June 30, 2020, the City and Saxman Seaport reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	City of Saxman		Saxman Seaport	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion and differences between employer contributions	\$ 1,333	\$ 4,545	\$ 8,844	\$ 812
Differences between expected and actual experience	-	1,649		3,335
Changes in Assumptions	3,107	14	6,340	24
Differences between projected and actual investment earnings	-	890	-	1,870
Contributions subsequent to measurement date	8,388	-	4,520	-
<b>Total</b>	<b>\$ 12,828</b>	<b>\$ 7,098</b>	<b>\$ 19,704</b>	<b>\$ 6,041</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$8,388 and \$4,520 resulting from City and Saxman Seaport contributions subsequent to the measurement date and before the end of the fiscal year, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense in the measurement year (fiscal year) as follows:

	City	Saxman Seaport
Year ended June 30:		
2020 (2021)	\$ (2,860)	\$ 9,273
2021 (2022)	(632)	(1,425)
2022 (2023)	290	506
2023 (2024)	353	641
2024 (2025)	68	41
Thereafter	123	108

Pursuant to AS 39.35.255, employers are required to contribute to PERS every payroll period an amount calculated by applying a rate of 22 percent to the greater of the total of all base salaries (1) paid by the employer to employees who are active members of PERS, or (2) paid by the employer to employees who were active members of the system during the corresponding payroll period for the fiscal year ending June 30, 2008. During fiscal year 2019, for the City, salary amounts were less than 2008 by \$49,903, and \$10,979 in additional contributions were paid in fiscal year 2020. Of the amount paid, \$2,909 related to pension. These amounts are included in deferred outflow for fiscal year 2020.

Actuarial Assumptions

The total OPEB liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

Inflation rate	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for peace officer/firefighter Graded by service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% Employee Group Waiver Plan (EGWP): 8.5% grading down to 4.5%
Mortality	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-2014 employee table with MP-2017 generational improvement.
Participation	100% of system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

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

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CITY OF SAXMAN

NOTES TO FINANCIAL STATEMENTS

Best estimates of arithmetic real rates of return, excluding the inflation component of 2.5%, for each major asset class included in the Plan’s target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.16%
Global ex-US equity	7.51
Intermediate treasuries	1.28
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount rate (7.38%)	1% Increase (8.38%)
City			
ARHCT	\$ 16,078	\$ 1,999	\$ (9,583)
ODD	(719)	(757)	(789)
RMP	2,362	940	(130)
Saxman Seaport			
ARHCT	\$ 33,893	\$ 4,213	\$ (20,201)
ODD	(1,183)	(1,247)	(1,298)
RMP	3,886	1,547	(214)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) for the ARHCT and ODD plans as of June 30, 2020, calculated using the healthcare cost trend rates as summarized in the 2019 actuarial valuation report, as well as what the respective amount for each plan’s net OPEB liability would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (trend not provided for ODD as healthcare is not a component of the measurement of the liability or asset):

**CITY OF SAXMAN**

**NOTES TO FINANCIAL STATEMENTS**

	1% Decrease	Current Trend Rate	1% Increase
City			
ARHCT	\$ (10,937)	\$ 1,999	\$ 37,494
RMP	(289)	940	2,623
Saxman Seaport			
ARHCT	\$ (23,057)	\$ 4,214	\$ 37,494
RMP	(476)	1,546	4,317

OPEB Plan Fiduciary Net Position

The separately issued PERS financial report has more information about the OPEB plan’s net position.

Total Deferred Outflows of Resources and Inflows of Resources

Total deferred outflows of resources and deferred inflows of resources presented in the Statement of Net Position consists of the following at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Related	\$ 69,781	\$ 23,064
OPEB Related	32,532	13,139
<b>Total</b>	<b>\$ 102,313</b>	<b>\$ 36,203</b>

**NOTE 10 – LEASES AND OPERATING AGREEMENTS**

Cape Fox Corporation Tourism

The City and Cape Fox Corporation (Cape Fox), an unrelated entity, entered into an agreement dated March 29, 2019, for the period from April 2019 through November 2028 that provides for Cape Fox to operate as the manager and operator of the City's tourism-related facilities, and grants Cape Fox Tours the exclusive right to market the Saxman Native Village Tour and exclude customers of outside tours from access to the interior of the tourism-related buildings from mid-April to October 1 each year. The Agreement called for Cape Fox to pay the City a base fee of \$40,000 under the agreement for the summer of 2020, plus \$1 per visitor to the City’s Native Village for 0 to 25,000 visitors, \$1.50 per visitor for 25,000 to 50,000 visitors, and \$2 per visitor for over 50,000 visitors. Due to the pandemic described in Note 14, there was no tourism season for the summer of 2020 and no payments were made. In addition, Cape Fox pays the City \$7,500 per year for restoration and replacement of totem poles in the Native Village.

The agreement is exclusive only for to tourism-related activities during the five-month tour season and, as to the Community Hall, only covers approximately one-fourth of the building. The property covered by the lease is used by the City for other purposes in the non-tourism hours during the tour season. Property covered by this lease are buildings valued at \$5,663,005 less accumulated depreciation of \$1,308,403.

CCTHITA Head Start

The City leases land to Central Council Tlingit & Haida Indian Tribes of Alaska (CCTHITA) to operate a Head Start program. The lease commenced in fiscal 2002 for a term of 50 years. The initial monthly lease was \$150 and the lease provides for annual increases based on the U.S. Department of Labor Consumer Price

CITY OF SAXMAN

NOTES TO FINANCIAL STATEMENTS

Index for Anchorage, AK. The current monthly amount is \$218. Property covered by this lease is land valued at \$32,935.

THRHA Senior Center

The City leases land to Tlingit & Haida Regional Housing Authority (THRHA) to construct and operate two Senior Housing Centers. The lease commenced in fiscal 2010 for a term of 50 years with an option to renew for another 50 years. No lease fee is charged for the leasehold estate. Consideration for the lease is THRHA’s performance in constructing and operating the senior housing centers now located on the land. Property covered by this lease is land valued at \$48,612.

Marina leases

The City, through Saxman Seaport, leases indoor and outdoor space at its marina and provides access to tidelands and its marina infrastructure to various entities. Most leases are on a month-to-month or short-term basis. Property held for leasing is the entire Saxman Seaport facility in the Saxman Seaport enterprise fund with a cost of \$4,894,577 and accumulated depreciation of \$3,058,288.

Land Lease for Communications Tower

The City, through Saxman Seaport, leases space to a communications corporation under an annually renewable lease which commenced in fiscal 2010 and was extended in fiscal year 2020 through May 2021. The current agreement calls for payments of \$1,573 per month. The tower is on land owned by Saxman Seaport which is included in the total value as listed above.

Minimum lease payments on noncancelable leases are as follows:

Year Ending June 30	
2021	\$ 59,919
2022	42,616
2023	42,616
2024	42,616
2025	42,616
	<b>\$ 230,383</b>

**NOTE 11 – ECONOMIC DEPENDENCY AND CONCENTRATIONS**

The City is economically dependent on tourism, which provides over one-third of its non-grant governmental revenues and provides additional indirect revenues such as sales taxes. The Saxman Seaport has five customers who accounted for approximately 66% of the Seaport revenue. These customers engage in a variety of economic activity.

**NOTE 12 – RISK MANAGEMENT**

Saxman City is exposed to numerous risks of loss associated with the operations of a government. These potential losses include, but are not limited to, employee relations and injuries, contracts, theft, loss or damage of property, natural disasters and general liability. The City manages its risks from these potential losses by participating in the Alaska Municipal League Joint Insurance Association (a governmental insurance pool), as well by purchasing commercial insurance coverage. This insurance has provided the City with adequate coverage in the past. The City's insurance is on a claims-occurred basis, except for

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

public officials' coverage which is on a claims-made basis. There were no significant changes in insurance coverage obtained and there were no claims or settlements that exceeded insurance coverage in any of the past three fiscal years.

The City, in the normal course of its activities, is involved in various claims and pending litigation. In the opinion of management and legal counsel, the disposition of these matters is not expected to have a material adverse effect on the City's general-purpose financial statements.

#### NOTE 13 – CONTINGENT LIABILITIES

The City participates in a variety of State and Federal assistance grant programs. These programs are subject to program compliance reviews by the grantors or their representatives. The audits of these programs for and including the year ended June 30, 2020, have not yet been finalized. Accordingly, compliance with applicable grant requirements by the City will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects any such unrecorded amounts, if any, to be immaterial.

#### NOTE 14 - PANDEMIC

On March 11, 2020, Governor Dunleavy declared a public health disaster emergency under State law, as a result of COVID-19. On March 13, 2020, President Trump declared a national emergency due to the COVID-19 outbreak. On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain governments. On April 9, 2020, President Trump declared that a major disaster exists in the State of Alaska and ordered federal assistance to supplement State, tribal, and local recovery efforts in the areas affected by COVID-19.

The State of Alaska has awarded \$293,120 to the City from the State's Coronavirus Relief Fund amounts received under CARES. Through June 30, 2020, it had received \$239,342 of its State award, and expended \$23,038 (\$10,038 in the CARES Special Revenue Fund, \$3,997 in the Water and Sewer Fund and \$8,189 in the Saxman Seaport Fund) for eligible program uses. The Ketchikan Gateway Borough awarded an additional \$365,000 subsequent to year-end.

The City made significant reductions to its budgets for both fiscal year 2020 and fiscal year 2021 as a result of the pandemic. The continued spread of COVID-19 and the continued impact on social interaction, travel, economies, and financial markets will likely adversely impact the City's financial condition, results of operations or liquidity and may continue to adversely affect the ability of the City to conduct its operations and adversely affect the cost of operations and adversely affect its primary revenue sources, sales tax and tourism revenue. The full impact of COVID-19, the CARES Act, and the scope of any adverse impact on the City, results of operations or liquidity cannot be fully determined at this time. Management will continue to evaluate the impact on the City and take steps necessary to manage these challenges.

#### NOTE 15 – SUBSEQUENT EVENTS

As further described in Note 7, subsequent to year-end the City issued a promissory note to a bank in the amount of \$376,000.

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements. In May 2020, the GASB issued GASB 95 - *Postponement of The Effective Dates of Certain Authoritative Guidance* in order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The implementation dates below are updated to reflect the impact of GASB 95.

GASB 84 - *Fiduciary Activities* - Effective for the fiscal year ended June 30, 2021, with earlier application encouraged, this statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 - *Leases* - Effective for the fiscal year ended June 30, 2022, with earlier application encouraged, this statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 - *Accounting for Interest Cost Incurred Before the End of a Construction Period* – Effective for fiscal year 2022, this statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 90 – *Majority Equity Interests* – Effective for fiscal year 2021, this statement enhances financial reporting related to a government’s majority equity interest in a legally separate organization.

GASB 91 – *Conduit Debt Obligations* – Effective for fiscal year 2023, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB 92 – *Omnibus 2020* – Effective for fiscal year 2022, the objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB 93 – *Replacement of Interbank Offered Rates* – Effective for fiscal year 2022, the objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

GASB 94 – *Public-private and Public-public Partnerships and Availability Payment Arrangements* – Effective for fiscal year 2023, the objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB 96 – *Subscription-based Information Technology Arrangements* – Effective for fiscal 2023, this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

## CITY OF SAXMAN

### NOTES TO FINANCIAL STATEMENTS

GASB 97 – *Certain Component Units, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – This standard has varying implementation dates. It is an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No.32. The provisions of this statement in paragraph 4 as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and paragraph 5 of this statement are effective immediately. All other requirements are effective for the 2022 reporting period.



REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

For the Year Ended June 30, 2020

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Sales tax	\$ 120,000	\$ 121,700	\$ 123,039	\$ 1,339
Intergovernmental	78,150	83,962	76,937	(7,025)
Charges for services	363,304	384,480	327,277	(57,203)
<b>Total Revenues</b>	<b>561,454</b>	<b>590,142</b>	<b>527,253</b>	<b>(62,889)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	408,831	284,749	269,562	15,187
Public works and streets	61,051	192,251	164,207	28,044
Health and human services	45,049	53,577	44,554	9,023
Tourism and cultural	16,923	17,491	20,671	(3,180)
<b>Capital outlay</b>	<b>-</b>	<b>26,984</b>	<b>11,425</b>	<b>15,559</b>
<b>Total Expenditures</b>	<b>531,854</b>	<b>575,052</b>	<b>510,419</b>	<b>64,633</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,600	15,090	16,834	1,744
<b>Other financing sources (uses)</b>				
Transfers in	6,400	-	-	-
Transfers out	(36,000)	(49,196)	(32,195)	17,001
<b>Total Other Financing Sources</b>	<b>(29,600)</b>	<b>(49,196)</b>	<b>(32,195)</b>	<b>17,001</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (34,106)</b>	<b>\$ (15,361)</b>	<b>\$ 18,745</b>

CITY OF SAXMAN

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULES OF THE CITY OF SAXMAN'S AND SAXMAN SEAPORT'S PROPORTIONATE SHARE OF THE NET PENSION AND OTHER POSTEMPLOYMENT BENEFIT LIABILITIES**

Fiscal Years 2015 through 2020 for Pension and Fiscal Year 2018 through 2020 for OPEB

	2020	2019	2018	2017	2016	2015
<b>PENSION</b>						
Proportion of the net pension liability:						
City of Saxman	0.13600%	0.00266%	0.00264%	0.95000%	0.67000%	0.30000%
Saxman Seaport	0.28100%	0.00135%	0.00153%	0.20000%	0.20000%	0.20000%
Proportionate share of the net pension						
City of Saxman	\$ 74,517	\$ 132,059	\$ 136,705	\$ 531,375	\$ 325,995	\$ 141,691
Saxman Seaport	153,692	67,077	79,346	111,494	95,022	91,381
State's proportionate share of the net pension liability associated with:						
City of Saxman	31,437	34,587	50,667	69,980	86,870	134,539
Saxman Seaport	61,709	23,058	28,679	18,978	-	-
<b>Totals:</b>						
City of Saxman	\$ 105,954	\$ 166,646	\$ 187,372	\$ 601,355	\$ 412,865	\$ 276,230
Saxman Seaport	\$ 215,401	\$ 90,135	\$ 108,025	\$ 130,472	\$ 95,022	\$ 91,381
Covered payroll						
City of Saxman	\$ 118,958	\$ 58,069	\$ 54,162	\$ 3,420	\$ 7,105	\$ 6,659
Saxman Seaport	\$ 98,691	\$ 87,488	\$ 54,589	\$ -	\$ -	\$ -
Proportionate share of the net						
City of Saxman	62.64%	227.42%	252.40%	15537.28%	4588.25%	2127.81%
Saxman Seaport	155.73%	76.67%	145.35%	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	63.42%	65.19%	63.37%	59.55%	63.96%	62.37%

This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the City of Saxman has only presented information for the years in which information is available.

**OTHER POSTEMPLOYMENT BENEFIT**

Proportion of the net OPEB liability			
City of Saxman	0.00278%	0.00266%	0.00266%
Saxman Seaport	0.00480%	0.00141%	0.00156%
Proportionate share of the net OPEB			
City of Saxman	\$ 2,182	\$ 27,145	\$ 21,888
Saxman Seaport	\$ 4,513	\$ 14,116	\$ 12,487
State's proportionate share of the net OPEB liability associated with the City of Saxman			
City of Saxman	972	7,749	7,654
Saxman Seaport	1,621	4,579	5,760
<b>Total</b>			
City of Saxman	\$ 3,154	\$ 34,894	\$ 29,542
Saxman Seaport	\$ 6,134	\$ 18,695	\$ 18,247
Covered payroll			
City of Saxman	\$ 118,958	\$ 58,069	\$ 54,162
Saxman Seaport	\$ 98,691	\$ 87,488	\$ 54,589
Proportionate share of the net OPEB liability as a percentage of covered employee payroll			
City of Saxman	1.83%	46.75%	40.41%
Saxman Seaport	4.57%	16.13%	22.87%
Plan fiduciary net position as a percentage of the total OPEB liability	98.13%	88.12%	89.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the City of Saxman has only presented information for the years in which information is available.

CITY OF SAXMAN

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULES OF CITY OF SAXMAN AND SAXMAN SEAPORT CONTRIBUTIONS**

Fiscal Years 2015 through 2020 for Pension and Fiscal Years 2018 through 2020 for OPEB

	2020	2019	2018	2017	2016	2015
<b>PENSION</b>						
Contractually required contribution						
City of Saxman	\$ 22,921	\$ 15,922	\$ 11,354	\$ 752	\$ 1,563	\$ 1,465
Saxman Seaport	\$ 12,257	\$ 13,944	\$ 4,554	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution						
City of Saxman	22,921	15,922	11,354	9,658	17,772	17,200
Saxman Seaport	12,257	13,944	4,554	8,523	2,656	2,508
Contribution deficiency (excess)						
City of Saxman	\$ -	\$ -	\$ -	\$ (8,906)	\$ (16,209)	\$ (15,735)
Saxman Seaport	\$ -	\$ -	\$ -	\$ (8,523)	\$ (2,656)	\$ (2,508)
Covered payroll						
City of Saxman	\$ 118,958	\$ 58,069	\$ 54,162	\$ 3,420	\$ 7,105	\$ 6,659
Saxman Seaport	\$ 98,691	\$ 87,488	\$ 54,589	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll						
City of Saxman	19.27%	27.42%	20.96%	21.99%	22.00%	22.00%
Saxman Seaport	12.42%	15.94%	8.34%	-	-	-

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the City of Saxman has only presented information for the years in which information is available.

**OTHER POSTEMPLOYMENT BENEFIT**

Contractually required contribution			
City of Saxman	\$ 8,388	\$ 4,877	\$ 4,807
Saxman Seaport	\$ 4,520	\$ 4,457	\$ 1,948
Contributions in relation to the contractually required contribution			
City of Saxman	8,388	4,877	4,807
Saxman Seaport	4,520	4,457	1,948
Contribution deficiency (excess)			
City of Saxman	\$ -	\$ -	\$ -
Saxman Seaport	\$ -	\$ -	\$ -
Covered payroll			
City of Saxman	\$ 118,958	\$ 58,069	\$ 54,162
Saxman Seaport	\$ 98,691	\$ 87,488	\$ 54,589
Contributions as a percentage of covered employee payroll			
City of Saxman	7.05%	8.40%	8.88%
Saxman Seaport	4.58%	5.09%	3.57%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the City of Saxman has only presented information for the years in which information is available.

SUPPLEMENTARY INFORMATION

CITY OF SAXMAN

**COMBINING BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Due from other funds	\$ 15,039	\$ 21,558	\$ -	\$ 36,597
<b>Total Assets</b>	<b>\$ 15,039</b>	<b>\$ 21,558</b>	<b>\$ -</b>	<b>\$ 36,597</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Unearned revenue	\$ 2,780	\$ -	\$ -	\$ 2,780
<b>Total Liabilities</b>	<b>2,780</b>	<b>-</b>	<b>-</b>	<b>2,780</b>
<b>Fund Balances (Deficits)</b>				
Restricted for totem pole restoration	(957)	-	-	(957)
Assigned to capital projects		21,558	-	21,558
Unassigned	(1,784)	-	-	(1,784)
<b>Total Fund Balances</b>	<b>(2,741)</b>	<b>21,558</b>	<b>-</b>	<b>18,817</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 39</b>	<b>\$ 21,558</b>	<b>\$ -</b>	<b>\$ 21,597</b>

CITY OF SAXMAN

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 30,715	\$ -	\$ 30,715
Contributions and other	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>30,715</b>	<b>-</b>	<b>30,715</b>
<b>EXPENDITURES</b>				
Current				
Tourism and cultural	12,190	-	-	12,190
Debt service				
Principal	-	-	16,205	16,205
Interest	-	-	15,990	15,990
Capital outlay	-	30,715	-	30,715
<b>Total Expenditures</b>	<b>12,190</b>	<b>30,715</b>	<b>32,195</b>	<b>75,100</b>
Excess (Deficiency) of Revenues (Over) Under Expenditures	(12,190)	-	(32,195)	(44,385)
<b>Other Financing Sources</b>				
Transfers in	-	-	32,195	32,195
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>32,195</b>	<b>32,195</b>
<b>Net Change in Fund Balances</b>	<b>(12,190)</b>	<b>-</b>	<b>-</b>	<b>(12,190)</b>
Fund Balances (Deficits), Beginning of Year	9,449	21,558	-	31,007
<b>Fund Balances, End of Year</b>	<b>\$ (2,741)</b>	<b>\$ 21,558</b>	<b>\$ -</b>	<b>\$ 18,817</b>

CITY OF SAXMAN

**COMBINING BALANCE SHEETS - NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2020

	Youth Reach Program	Totem Pole Restoration	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>			
Due from other funds	\$ 996	\$ 14,043	\$ 15,039
<b>Total Assets</b>	<b>\$ 996</b>	<b>\$ 14,043</b>	<b>\$ 15,039</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>Liabilities</b>			
Unearned revenue	\$ 2,780	\$ -	\$ 2,780
<b>Total Liabilities</b>	<b>2,780</b>	<b>-</b>	<b>2,780</b>
<b>Fund Balances (Deficits)</b>			
Restricted for totem pole restoration	-	(957)	(957)
Unassigned	(1,784)	-	(1,784)
<b>Total Fund Balances (Deficits)</b>	<b>(1,784)</b>	<b>(957)</b>	<b>(2,741)</b>
<b>Total Liabilities and Fund Balances (Deficits)</b>	<b>\$ 996</b>	<b>\$ (957)</b>	<b>\$ 39</b>



CITY OF SAXMAN

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2020

	Youth Reach Program	Totem Pole Restoration	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>			
Contributions and other	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>			
Current			
Tourism and cultural	-	12,190	12,190
<b>Total Expenditures</b>	<b>-</b>	<b>12,190</b>	<b>12,190</b>
Excess of Revenues Over Expenditures	-	(12,190)	(12,190)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(12,190)</b>	<b>(12,190)</b>
Fund Balances (Deficits), Beginning of Year	(1,784)	11,233	9,449
<b>Fund Balances (Deficits), End of Year</b>	<b>\$ (1,784)</b>	<b>\$ (957)</b>	<b>\$ (2,741)</b>

CITY OF SAXMAN

**COMBINING BALANCE SHEETS - NONMAJOR CAPITAL PROJECTS FUNDS**

June 30, 2020

	Mahoney Lake	Carving Center Expansion	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Due from other funds	\$ -	\$ 21,558	\$ 21,558
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 21,558</b>	<b>\$ 21,558</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balances</b>			
Assigned to capital projects	-	21,558	21,558
<b>Total Fund Balances</b>	<b>-</b>	<b>21,558</b>	<b>21,558</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ -</b>	<b>\$ 21,558</b>	<b>\$ 21,558</b>

CITY OF SAXMAN

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS**

For the Year Ended June 30, 2020

	Mahoney Lake	Carving Center Expansion	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Intergovernmental	\$ 30,715	\$ -	\$ 30,715
<b>Total Revenues</b>	<b>30,715</b>	<b>-</b>	<b>30,715</b>
<b>EXPENDITURES</b>			
Capital outlay	30,715	-	30,715
<b>Total Expenditures</b>	<b>30,715</b>	<b>-</b>	<b>30,715</b>
Excess of Revenues Over Expenditures	-	-	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances, Beginning of Year	-	21,558	21,558
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 21,558</b>	<b>\$ 21,558</b>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council of the City of Saxman  
Saxman, Alaska

I have audited 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Saxman (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, and have issued my report thereon dated January 6, 2021.

***Internal Control over Financial Reporting***

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City'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 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.

My consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I 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's financial statements are free of

material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'MEM'.

January 6, 2021