

CITY OF CRAIG, ALASKA
BASIC FINANCIAL STATEMENTS

For the fiscal year ended

June 30, 2021

Prepared by:

Department of Finance

CITY OF CRAIG, ALASKA
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2021
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BASIC FINANCIAL STATEMENTS
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FINANCIAL SECTION

CHRISTINE E. HARRINGTON

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Craig, Alaska

Report on the Financial Statements

I have audited the accompanying 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 Craig, Alaska, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Craig, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions 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 judgement, including the assessment of the risk 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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Craig, Alaska, as of June 30, 2021, 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 management's discussion and analysis on pages 6 -16, the budgetary comparison on page 58, and the Schedules of Net Pension Liability, Net OPEB Liability and Pension and OPEB Contributions on pages 59 - 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who consider 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Craig, Alaska's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2022, on my consideration of the City of Craig, Alaska's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 of Craig, Alaska's internal control over financial reporting and compliance.

Christine E. Harrington

Sitka, Alaska
September 23, 2022

CITY OF CRAIG, ALASKA

Management's Discussion and Analysis June 30, 2021

As management of the City of Craig, we offer readers of the City of Craig's financial statements this narrative overview and analysis of the financial activities of the City of Craig for the fiscal year ended June 30, 2021.

Financial Highlights

- The assets and deferred outflows of the City of Craig exceeded its liabilities at the close of the most recent fiscal year by \$63,421,174. Of this amount, \$19,757,573 (*unrestricted*) may be used to meet the government's ongoing obligations to residents and creditors.
- The government's total net position increased by \$2,087,513. Governmental type activities increased by \$2,721,725 and business type activities decreased by \$634,212.
- As of the close of the current fiscal year, the City of Craig's governmental funds reported combined ending fund balances of \$24,161,836 an increase of \$3,719,856 in comparison with the prior year. Approximately 16% of this amount (\$3,897,538) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,897,538 or approximately 101% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Craig's basic financial statements. The City of Craig's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial condition in a summary format.
- *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Craig's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Craig's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Craig is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Craig that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Craig include general government, public safety, streets, public parks and facilities, planning and zoning, library, recreation and aquatic center, voluntary fire and emergency medical services. The business-type activities of the City of Craig include utilities, leased lots and ice house at JT Brown Industrial Park, and harbors.

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

The government-wide financial statements can be found on pages 18 through 19 of this report.

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

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

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

The City of Craig maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the endowment fund and the national forest receipts fund, all of which are considered to be major funds. Data from other non-major governmental funds (both special revenue and capital projects funds) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 71 through 73 of this report.

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

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary funds. The City of Craig uses an enterprise fund to report the same functions presented as business-type activities in the government-wide financial statements. The City of Craig uses an enterprise fund to account for its sewer, water, garbage, leased lots at JT Brown Industrial Park, icehouse, and docks and harbors.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund departments are combined into a single, aggregated presentation. Individual data for each of these enterprise fund departments is provided in the form of a combining statement on page 75 of this report.

The basic proprietary fund financial statements can be found on pages 24 through 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 56 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and enterprise funds are presented following the notes to the financial statements. Combining statements and schedules can be found on page 71 through 73 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Craig, assets and deferred outflows exceeded liabilities by \$63,421,174 at the close of the most recent fiscal year. Net position increased by \$2,087,513 from 2020 to 2021.

The following table provides a summary of the City's net assets:

City of Craig Net Position
June 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current & other assets	\$ 24,446,619	\$ 21,225,232	\$ (7,233)	\$ 186,160	\$ 24,439,386	\$ 21,411,392
Capital assets	23,992,562	25,034,581	20,122,141	20,867,919	44,114,703	45,902,500
Total assets	48,439,181	46,259,813	20,114,908	21,054,079	68,554,089	67,313,892
Deferred outflows of						
resources	388,244	383,861	122,501	128,820	510,745	512,681
Total assets and deferred						
resources	48,827,425	46,643,674	20,237,409	21,182,899	69,064,834	67,826,573
Liabilities						
Long-term liabilities	3,888,770	3,916,581	1,041,067	1,023,820	4,929,837	4,940,401
Other liabilities	365,051	863,522	136,767	461,184	501,818	1,324,706
Total liabilities	4,253,821	4,780,103	1,177,834	1,485,004	5,431,655	6,265,107
Deferred inflows	156,884	168,576	55,121	59,229	212,005	227,805
Total liabilities and						
deferred outflows	4,410,705	4,948,679	1,232,955	1,544,233	5,643,660	6,492,912
Net position						
Net investment in						
capital assets	22,227,141	23,375,555	19,759,489	20,560,827	41,986,630	43,936,382
Restricted	1,676,971	1,682,647	-	-	1,676,971	1,682,647
Unrestricted	20,512,608	16,636,793	(755,035)	(922,161)	19,757,573	15,714,632
Total Net Position	\$ 44,416,720	\$ 41,694,995	\$ 19,004,454	\$ 19,638,666	\$ 63,421,174	\$ 61,333,661

By far the largest portion of the City of Craig's net position (66 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Craig uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Craig's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Craig's net position (29 percent) represents the City's endowment funds, which have been committed for certain uses by City Council ordinance. The remaining balance of unrestricted net assets (\$2,861,284) may be used to meet the government's ongoing obligations to residents and creditors.

At the end of the current fiscal year, the City of Craig is able to report positive balances in all of the categories of net position for the governmental activities. While business-type activities are designed to generate revenue to offset most or all of the direct operating costs,

some departments may not fully recover the costs of operations. The general fund will cover budget shortfalls for departments when necessary. The combining statement for the departments within the enterprise fund, which can be found on page 75 of this report, provides more detail for individual business-type activities.

Governmental Activities.

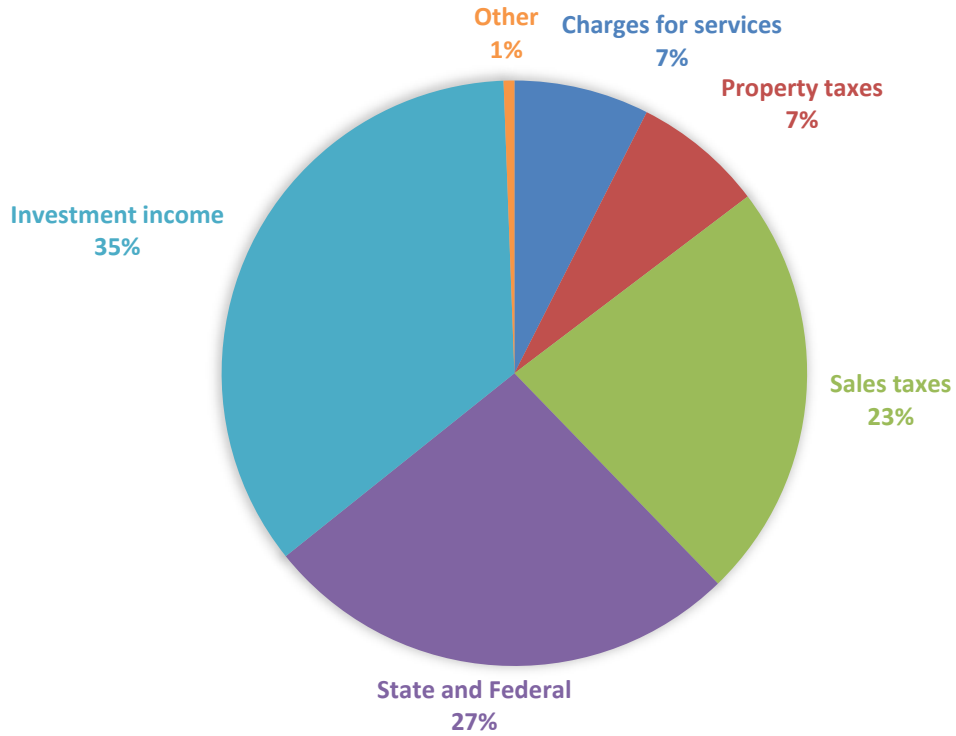
During fiscal year 2021, the City of Craig's net position increased by \$2,087,513 for governmental activities. Highlights of governmental activities net position changes are as follows:

- Revenues for the City's governmental activities increased 61.7% due to higher sales tax, State and Federal revenue and investment income. Federal increases are due to CARES funding to help mitigate the economic effects of the Coronavirus pandemic.
- The sales tax revenue increased by 4%. The City continued to collect sales tax on online purchases from retail platforms such as Amazon.
- Investment income increased 450% from FY20. Most of the increase occurred in the Endowment Fund. The increase was due to equity market gains.
- The governmental expenditures increased for parks and recreation, public safety and public work. The pandemic and the related quarantine reduced recreation and police and public works expenditures significantly in FY20. Those departments returned to their pre-pandemic levels in FY21
- The capital outlay in the general fund was for equipment. The reduction in the capital assets is due to depreciation.

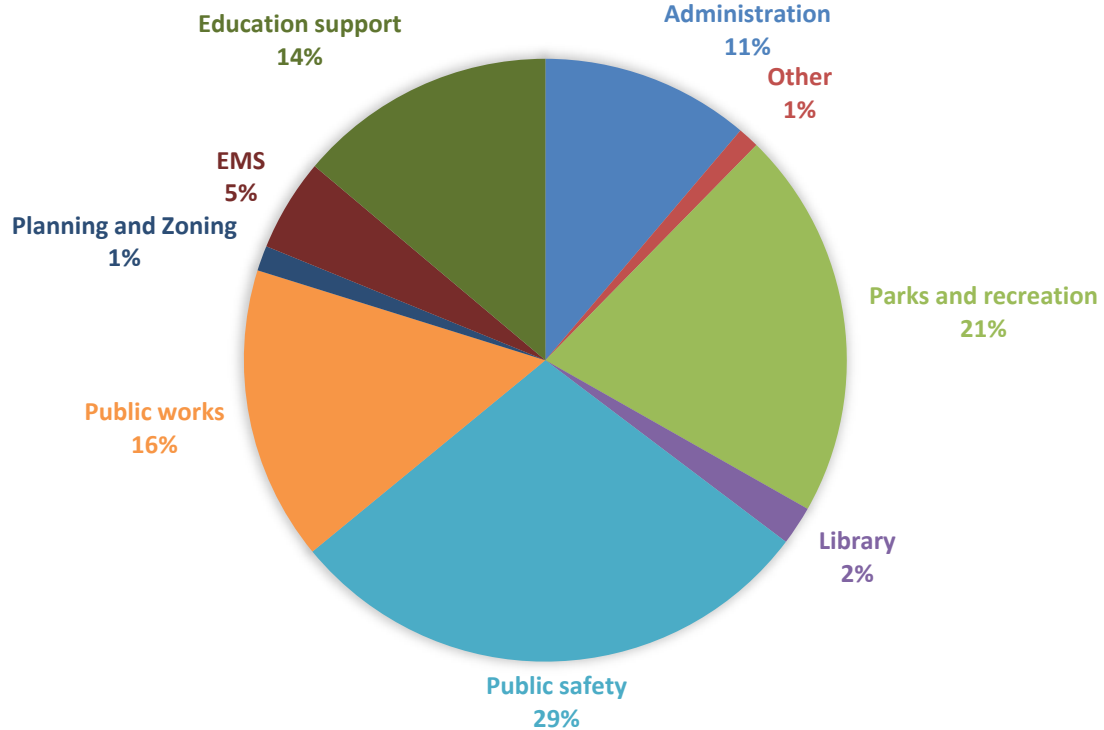
City of Craig
Changes in Net Position
For the year ended June 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for services	\$ 693,756	\$ 580,716	\$ 1,826,116	\$ 1,617,086	\$ 2,519,872	\$ 2,197,802
Property taxes	670,329	663,083	-	-	670,329	663,083
Sales taxes	2,142,676	2,051,659	-	-	2,142,676	2,051,659
State and Federal sources	2,461,884	1,646,096	31,093	27,141	2,492,977	1,673,237
Investment income	3,264,846	592,489	-	1,174	3,264,846	593,663
Other	54,560	211,243	-	-	54,560	211,243
Total Revenue	9,288,051	5,745,286	1,857,209	1,645,401	11,145,260	7,390,687
Expenses						
Administration	735,702	770,189	-	-	735,702	770,189
Council	32,516	34,729	-	-	32,516	34,729
Fire	42,331	33,802	-	-	42,331	33,802
Parks and recreation	1,369,849	1,269,452	-	-	1,369,849	1,269,452
Library	137,173	127,049	-	-	137,173	127,049
Public safety	1,888,470	806,915	-	-	1,888,470	806,915
Public works	1,035,008	817,693	-	-	1,035,008	817,693
Planning and Zoning	88,703	86,674	-	-	88,703	86,674
EMS	325,935	287,222	-	-	325,935	287,222
Education support	910,639	922,352	-	-	910,639	922,352
Sewer	-	-	507,471	447,770	507,471	447,770
Water	-	-	792,635	641,750	792,635	641,750
Garbage	-	-	345,760	324,137	345,760	324,137
JT Brown Industrial Park	-	-	374,600	341,935	374,600	341,935
Harbors	-	-	449,624	442,240	449,624	442,240
Cannery	-	-	21,331	20,556	21,331	20,556
Total Expense	6,566,326	5,156,077	2,491,421	2,218,388	9,057,747	7,374,465
Change in net position						
before transfers	2,721,725	589,209	(634,212)	(572,987)	2,087,513	16,222
Transfers	-	(205,000)		205,000	-	-
Change in net position	2,721,725	384,209	(634,212)	(367,987)	2,087,513	16,222
Net position, beginning	41,694,995	41,310,786	19,638,666	20,006,653	61,333,661	61,317,439
Net position, ending	\$ 44,416,720	\$ 41,694,995	\$ 19,004,454	\$ 19,638,666	\$ 63,421,174	\$ 61,333,661

REVENUE BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENDITURES BY DEPARTMENT GOVERNMENTAL ACTIVITIES

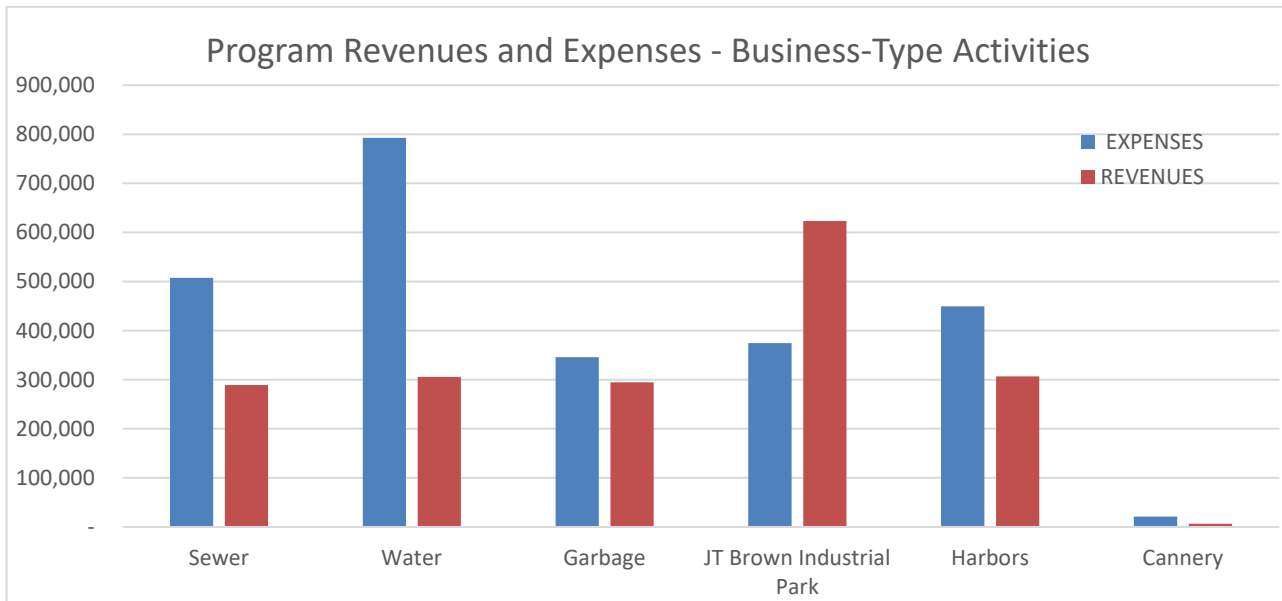


Business-type activities

Business-type activities decreased the City of Craig net position by \$634,212. Key elements of this decrease are as follows.

- Revenue increased by 13%, due to higher lease earnings in the JT Brown Industrial Park
- Expenses for business-type activities increased 12% in FY21 as a result of higher personnel and utility costs.
- Depreciation is a non-cash expense that is recorded to reflect the approximate devaluation of property and equipment over time. The concept is designed to match the cost of assets more accurately with the revenues that are generated by the assets. Most of the City’s main capital improvement projects have been and will continue to be funded through grant projects. Readers can expect that the business-type activities do not generate enough revenue to offset the non-cash expense of depreciation.
- In order to replace capital assets in the future, the City Council and management intend to seek external funding for large capital projects. The City Council authorized any surplus funds to be put aside in a reserve fund for future projects.

The following graph shows the comparison of the revenues to expenses of the business-type activities.



Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the City of Craig’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Craig’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources

available for spending at the end of the fiscal year. The primary sources of revenue for the governmental funds are:

Property Tax	\$	670,329
Sales Tax		2,142,676
State and federal sources		1,266,838
General services		539,879

Property taxes and sales taxes support general fund operations. Property and sales taxes are also available to support school funding. Twenty-one percent of sales tax is used to operate the Craig Aquatic Center and Recreation Department. In recent history, National Forest Receipts funding has provided a significant portion of local school support.

Proprietary (Enterprise) Funds. The Enterprise fund for the City of Craig is the same as the business-type activities. A detailed combining statement for the various departments within the fund is presented on page 75 of the financial statements.

General Fund Budgetary Highlights

The City of Craig’s budget was amended during FY21 to recognize increased federal revenue from the CARES Act. There were small increases in some department’s expenditures budgets as a result of increased activity as the negative effects of the pandemic decreased.

Capital Asset and Debt Administration

City of Craig Net Capital Assets

As of June 30, 2021

	Governmental Funds		Business-Type Funds		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 90,864	\$ 90,864	\$ 3,954,896	\$ 3,954,898	\$ 4,045,760	\$ 4,045,762
Buildings	31,206,787	31,206,787	7,994,634	7,994,634	39,201,421	39,201,421
Equipment	2,518,160	2,472,347	1,138,464	1,138,464	3,656,624	3,610,811
Infrastructure	7,143,562	7,143,562	-	-	7,143,562	7,143,562
Harbors	-	-	4,134,051	4,134,051	4,134,051	4,134,051
Water and						
Sewer System	-	-	18,850,046	18,850,046	18,850,046	18,850,046
Sewer Plant	-	-	4,246,636	4,246,636	4,246,636	4,246,636
Construction in Progress	220,650	220,650	470,697	400,000	691,347	620,650
Total Assets	41,180,023	41,134,210	40,789,424	40,718,729	81,969,447	81,852,939
Accumulated						
Depreciation	(17,374,123)	(16,099,629)	(20,743,046)	(19,850,807)	(38,117,169)	(35,950,436)
Net Capital Assets	\$ 23,805,900	\$ 25,034,581	\$ 20,046,378	\$ 20,867,922	\$ 43,852,278	\$ 45,902,503

Additional information on the City of Craig's capital assets is found in Note 3.C of the notes to the financial statements starting on page 38 of this report.

Long-term debt.

Bonds. In March, 2016 the City of Craig issued General Obligation Bond for \$1,810,000 with a premium of \$205,368. At the end of the current fiscal year, the City of Craig had total bonded debt outstanding of \$1,435,000 backed by the full faith and credit of the government.

Notes Payable. The City has two loans (\$92,498, \$194,391) with the Alaska Drinking Water Fund for water line improvements which are due in 2031 and 2033, respectively. Additional information on the City of Craig's long-term debt is found in note 3.E starting on page 41 of this report.

Economic Factors and Rates for Next Fiscal Year

The following factors affect the finances of the City of Craig and have been addressed in adopting the FY2022 governmental budget:

- A smaller, but continued cash infusion to stimulate the economy to mitigate the economic effects of the Coronavirus pandemic will provide funding opportunities for the City to offset costs related to police, administration emergency medical services and general governmental operations.
- The City's used the majority of the \$353,000 awarded to it by the ARPA Act in FY 2022. Another \$353,000 in ARPA funds will be transferred to the city in FY2023.
- There is an upward trend in sales tax receipts as new online vendors are added to those registered with the Alaska Remote Sellers Sales Tax Commission, and as new local businesses contribute to retail activity in Craig. Most businesses in the hospitality industry experienced a fully booked year as Coronavirus restrictions are lifted and travel resumes. We anticipate that FY2023 will have a similarly large number of visitors.
- The City's insurance broker advised staff to expect the cost of liability insurance to increase an average of five percent. The adopted budget for FY 2023 includes that increase.
- Infrastructure will need repairs such as the pool, water treatment plant and parks.

Sales tax returns for all quarters of FY 2022 saw a significant increase in sales tax receipts compared to the prior fiscal year. This is likely due to continued infusion of cash in the economy from Covid relief funds and increased business as Coronavirus restrictions were lifted. FY 2022 financial statements will show anomalous revenues attributable to the \$353,000 in CARES funds received in FY 2022.

The market value of the Craig Endowment Fund benefits from general appreciation in equity and bond markets. The increase in market value over a five-year average permits the

annual four percent cap on withdraws from the fund to increase as a means to meet capital project needs.

The City also established a capital reserve account in FY2022 to allow for better management of future capital budget and expenditures and includes use of the capital reserve account for FY2023 Budget. The capital reserve account will allow the city to better managed set aside funds for future large capital expenditures. The account was capitalized with funds from savings accounts held by the city for the same purposes.

It is likely that the city will see significant increases to capital improvement projects funded in FY2023, FY2024, and FY2025 through federal infrastructure funding. Increased oil prices have also created room for capital expenditures for communities through the State of Alaska Operating and Capital budget. Craig received \$150,000 in project funding in FY2023 and is likely to receive significant funding for the Craig Harbor Project in FY2024.

Costs for commodities and freight continued to increase significantly in FY 2022, which pushed up costs to operate the water treatment and pool facilities. Staff anticipates that shipping and the general cost of goods and services will continue to increase through FY2023.

Requests for Information

This financial report is designed to provide a general overview of the City of Craig's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 500 Third Street, PO Box 725, Craig, Alaska 99921.

BASIC FINANCIAL STATEMENTS

CITY OF CRAIG, ALASKA

STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	Craig City School District
ASSETS				
Cash and investments	\$ 3,245,370	\$ -	\$ 3,245,370	\$ 4,942,814
Receivables (net of allowance for uncollectibles)	627,004	227,683	854,687	340,625
Internal balances	243,416	(243,416)	-	-
Prepaid items	14,066	-	14,066	4,958
Inventories	-	-	-	40,404
Restricted assets:				
Temporarily restricted:				
Cash and investments	20,284,905	8,500	20,293,405	-
Receivables	8,281	-	8,281	-
Interest receivable	23,577	-	23,577	-
Capital assets not being depreciated	311,514	4,354,898	4,666,412	-
Other capital assets, net of accumulated depreciation	23,494,387	15,691,480	39,185,867	193,469
Net OPEB asset	186,661	75,763	262,424	574,780
Total assets	48,439,181	20,114,908	68,554,089	6,097,050
DEFERRED OUTFLOWS				
Deferred outflows related to pension	240,543	75,303	315,846	447,843
Deferred outflows related to OPEB	147,701	47,198	194,899	322,795
Total deferred outflows	388,244	122,501	510,745	770,638
Total assets and deferred outflows	\$ 48,827,425	\$ 20,237,409	\$ 69,064,834	\$ 6,867,688
LIABILITIES				
Accounts payable and other current liabilities	\$ 278,734	\$ 116,458	\$ 395,192	\$ 369,642
Liabilities payable from restricted assets	6,049	-	6,049	-
Noncurrent liabilities:				
Due within one year				
Bonds and notes payable, including unamortized premium	80,268	20,309	100,577	-
Due in more than one year				
Bonds and notes payable, including unamortized premium	1,498,492	266,580	1,765,072	-
Net pension obligation	2,390,278	774,487	3,164,765	4,068,819
Total liabilities	4,253,821	1,177,834	5,431,655	4,438,461
DEFERRED INFLOWS				
Deferred inflows related to pension	17,131	6,019	23,150	38,597
Deferred inflows related to OPEB	139,753	49,102	188,855	285,649
Total deferred inflows	156,884	55,121	212,005	324,246
NET POSITION				
Invested in capital assets, net of related debt	22,227,141	19,759,489	41,986,630	193,469
Restricted for:				
Public safety	12,666	-	12,666	-
Rural schools	1,664,305	-	1,664,305	-
Unrestricted	20,512,608	(755,035)	19,757,573	1,911,512
Total net position	44,416,720	19,004,454	63,421,174	2,104,981
Total liabilities, deferred inflows and net position	\$ 48,827,425	\$ 20,237,409	\$ 69,064,834	\$ 6,867,688

CITY OF CRAIG, ALASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Component Units Craig City School District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Government activities:								
Administration	\$ 735,702	\$ 53,153	\$ 96,729	\$ -	\$ (585,820)	\$ -	\$ (585,820)	\$ -
Council	32,516	-	-	-	(32,516)	-	(32,516)	-
Fire	42,331	-	-	-	(42,331)	-	(42,331)	-
Parks and Recreation	1,369,849	60,600	-	-	(1,309,249)	-	(1,309,249)	-
Library	137,173	447	15,566	-	(121,160)	-	(121,160)	-
Public Safety	1,888,470	503,896	1,428,626	-	44,052	-	44,052	-
Public Works	1,035,008	20,470	31,053	-	(983,485)	-	(983,485)	-
Planning	88,703	15,733	-	-	(72,970)	-	(72,970)	-
Medical Services	325,935	39,457	-	-	(286,478)	-	(286,478)	-
Support	910,639	-	348,189	-	(562,450)	-	(562,450)	-
Total governmental activities	6,566,326	693,756	1,920,163	-	(3,952,407)	-	(3,952,407)	-
Business-type activities:								
Sewer	507,471	289,117	-	-	-	(218,354)	(218,354)	-
Water	792,635	305,890	-	-	-	(486,745)	(486,745)	-
Garbage	345,760	294,770	-	-	-	(50,990)	(50,990)	-
Harbor	374,600	306,605	-	-	-	(67,995)	(67,995)	-
Marine Industrial Park	449,624	623,122	-	-	-	173,498	173,498	-
Cannery Property	21,331	6,612	-	-	-	(14,719)	(14,719)	-
Total business type activities	2,491,421	1,826,116	-	-	-	(665,305)	(665,305)	-
Total primary government	\$ 9,057,747	\$ 2,519,872	\$ 1,920,163	\$ -	(3,952,407)	(665,305)	(4,617,712)	
Component Units:								
Craig City School District	\$ 8,115,224	\$ 7,107	\$ 1,323,614	\$ -				(6,784,503)
Total component units	\$ 8,115,224	\$ 7,107	\$ 1,323,614	\$ -				(6,784,503)
General revenues:								
Property taxes					670,329	-	670,329	-
Sales and other taxes					2,142,676	-	2,142,676	-
Grants and contributions not restricted to specific programs					541,721	31,093	572,814	7,614,467
Unrestricted investment earnings					3,264,846	-	3,264,846	2,785
Other					54,560	-	54,560	100,626
Total general revenues and transfers					6,674,132	31,093	6,705,225	7,717,878
Change in net position					2,721,725	(634,212)	2,087,513	933,375
Net position - beginning					41,694,995	19,638,666	61,333,661	1,171,606
Net position - end					\$ 44,416,720	\$ 19,004,454	\$ 63,421,174	\$ 2,104,981

See notes to financial statements.

CITY OF CRAIG, ALASKA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General</u>	<u>Endowment</u>	<u>National Forest Receipts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in central treasury	\$ 3,245,370	\$ -	\$ -	\$ -	\$ 3,245,370
Receivables:					
Customer	139,827	-	-	-	139,827
Taxes	555,753	-	-	-	555,753
Less allowance for doubtful accounts	(68,576)	-	-	-	(68,576)
Due from other funds	303,899	-	-	-	303,899
Prepaid items	14,067	-	-	-	14,067
Restricted assets:					
Equity in central treasury	-	-	-	134,351	134,351
Cash and cash equivalents	-	197,769	61,568	1,294,624	1,553,961
Investments	-	15,695,156	2,901,437	-	18,596,593
Receivables	-	-	-	8,281	8,281
Interest receivable	-	17,310	6,267	-	23,577
Total assets	<u>\$ 4,190,340</u>	<u>\$ 15,910,235</u>	<u>\$ 2,969,272</u>	<u>\$ 1,437,256</u>	<u>\$ 24,507,103</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 103,506	\$ -	\$ -	\$ -	\$ 103,506
Accrued payroll and related	82,342	-	-	-	82,342
Accrued leave	92,887	-	-	-	92,887
Liabilities payable from restricted assets:					
Accounts payable	-	2,964	-	1,437	4,401
Deferred revenue	-	-	-	1,648	1,648
Due to other funds	-	897	19,483	40,103	60,483
Total liabilities	<u>278,735</u>	<u>3,861</u>	<u>19,483</u>	<u>43,188</u>	<u>345,267</u>
Fund balances:					
Nonspendable	14,067	-	-	-	14,067
Restricted	-	-	1,664,305	12,666	1,676,971
Committed	-	15,906,374	1,285,484	1,381,402	18,573,260
Unassigned	3,897,538	-	-	-	3,897,538
Total fund balances	<u>3,911,605</u>	<u>15,906,374</u>	<u>2,949,789</u>	<u>1,394,068</u>	<u>24,161,836</u>
Total liabilities and fund balances	<u>\$ 4,190,340</u>	<u>\$ 15,910,235</u>	<u>\$ 2,969,272</u>	<u>\$ 1,437,256</u>	<u>\$ 24,507,103</u>

CITY OF CRAIG, ALASKA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2021

Total fund balances of governmental funds \$ 24,161,836

Total net assets reported for the governmental activities
in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of the following

Land	\$	90,864
Buildings		31,206,787
Equipment		2,528,423
Infrastructure		7,143,562
Construction in progress		220,650

		41,190,286
Accumulated depreciation		(17,384,385)

Total capital assets, net 23,805,901

Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.

Long-term liabilities reported in these statements are:

Long-term debt		(1,435,000)
Unamortized bond premiums		(143,760)
Net pension and OPEB liabilities (assets)		(2,223,073)

Total long-term liabilities (3,801,833)

Certain changes in net pension liabilities and net OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time.

250,816

Total net position of governmental funds \$ 44,416,720

CITY OF CRAIG, ALASKA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	General	Endowment	National Forest Receipts	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Real and personal	\$ 670,329	\$ -	\$ -	\$ -	\$ 670,329
Sales and bed	2,142,676	-	-	-	2,142,676
State sources	361,823	-	-	23,007	384,830
Federal sources	905,015	-	348,189	852,624	2,105,828
Charges for services	539,879	-	-	-	539,879
Fines, forfeitures and penalties	9,287	-	-	-	9,287
Investment income	1,996	3,257,667	4,085	1,098	3,264,846
Uses of property	52,123	-	-	-	52,123
Licenses and permits	92,467	-	-	-	92,467
Other	31,870	-	-	22,690	54,560
Total revenue	4,807,465	3,257,667	352,274	899,419	9,316,825
EXPENDITURES					
Current:					
Administration	750,030	42,508	-	-	792,538
Council	31,807	-	-	-	31,807
Planning	98,514	-	-	-	98,514
Parks and facilities	329,745	-	-	-	329,745
Public works	529,980	-	-	16,007	545,987
Public safety	1,077,303	-	-	851,755	1,929,058
Emergency medical services	241,058	-	-	-	241,058
Fire	27,234	-	-	-	27,234
Library	119,659	-	-	16,438	136,097
Recreation	101,877	-	-	-	101,877
Aquatic facilities	341,042	-	-	256,500	597,542
Hatchery	8,381	-	-	13,914	22,295
Support	-	-	559,416	-	559,416
Debt service	137,988	-	-	-	137,988
Capital outlay	45,813	-	-	-	45,813
Total expenditures	3,840,431	42,508	559,416	1,154,614	5,596,969
Excess (deficit) of revenues over (under) expenditures	967,034	3,215,159	(207,142)	(255,195)	3,719,856
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	1,541	103,115	104,656
Transfers out	(104,656)	-	-	-	(104,656)
Total other financing sources (uses)	(104,656)	-	1,541	103,115	-
Net change in fund balances	862,378	3,215,159	(205,601)	(152,080)	3,719,856
Fund balances, beginning of year	3,049,227	12,691,215	3,155,390	1,546,148	20,441,980
Fund balances, end of year	\$ 3,911,605	\$ 15,906,374	\$ 2,949,789	\$ 1,394,068	\$ 24,161,836

CITY OF CRAIG, ALASKA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances -- total governmental funds	\$	3,719,856
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Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and should be reported as depreciation. This is the amount by which depreciation exceeds capital outlay and other capital activities.

Expenditures for capital outlay	\$	45,813	
Less current year depreciation		<u>(1,274,493)</u>	(1,228,680)

The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond and loan payments		70,000	
Amortization of bond premium		<u>10,268</u>	80,268

Changes in net pension liability, net OPEB liability and related accounts can increase or decrease net position. This is the net increase in equity due to changes in net pension liability, net OPEB liability, and the related deferred outflows and inflows

		<u>150,281</u>
Change in net position of governmental activities	\$	<u><u>2,721,725</u></u>

CITY OF CRAIG, ALASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,500	\$ 8,500
Receivables:		
Accounts	<u>227,683</u>	<u>227,683</u>
Total current assets	<u>236,183</u>	<u>236,183</u>
Noncurrent assets:		
Capital assets:		
Property, plant and equipment	40,318,729	40,318,729
Less accumulated depreciation	<u>(20,743,048)</u>	<u>(20,743,048)</u>
	19,575,681	19,575,681
Construction work-in-progress	470,697	470,697
Net OPEB asset	<u>75,763</u>	<u>75,763</u>
Total noncurrent assets	<u>20,122,141</u>	<u>20,122,141</u>
Total assets	<u>20,358,324</u>	<u>20,358,324</u>
Deferred outflows of resources		
Pension related	75,303	75,303
OPEB related	<u>47,198</u>	<u>47,198</u>
Total deferred outflows	<u>122,501</u>	<u>122,501</u>
Total assets and deferred outflows	<u>\$ 20,480,825</u>	<u>\$ 20,480,825</u>

CITY OF CRAIG, ALASKA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021
(continued)

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES		
Current liabilities:		
Due to other funds	\$ 243,416	\$ 243,416
Accounts payable and accrued liabilities	116,458	116,458
Current portion of:		
Long-term notes payable	20,309	20,309
Total current liabilities	380,183	380,183
Noncurrent liabilities:		
Notes payable, net of current portion	266,580	266,580
Net pension obligation	774,487	774,487
Total noncurrent liabilities	1,041,067	1,041,067
Total liabilities	1,421,250	1,421,250
Deferred inflows of resources		
Pension related	6,019	6,019
OPEB related	49,102	49,102
Total deferred inflows	55,121	55,121
NET POSITION		
Investment in capital assets, net of related debt	19,759,489	19,759,489
Unrestricted	(755,035)	(755,035)
Total net position	19,004,454	19,004,454
Total liabilities, deferred inflows and net position	\$ 20,480,825	\$ 20,480,825

CITY OF CRAIG, ALASKA

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Fund	Total Proprietary Funds
	<u> </u>	<u> </u>
Operating revenue:		
Charges for services	\$ 1,826,116	\$ 1,826,116
Operating expenses:		
Salaries and benefits	755,806	755,806
Insurance	96,874	96,874
Utilities	197,629	197,629
Contractual services	261,455	261,455
Repairs and maintenance	42,156	42,156
Materials and supplies	163,803	163,803
Travel and per diem	2,026	2,026
Small equipment	59,346	59,346
Other	15,484	15,484
Depreciation	892,239	892,239
	<u>2,486,818</u>	<u>2,486,818</u>
Total operating expenses		
Operating loss	(660,702)	(660,702)
Nonoperating revenues		
(expenses):		
Investment income		-
Interest expense	(4,603)	(4,603)
Noncapital grants	31,093	31,093
	<u>26,490</u>	<u>26,490</u>
Total nonoperating revenue (expenses)		
Change in net position	(634,212)	(634,212)
Net position - beginning	<u>19,638,666</u>	<u>19,638,666</u>
Total net assets - end	<u>\$ 19,004,454</u>	<u>\$ 19,004,454</u>

CITY OF CRAIG, ALASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,776,093	\$ 1,776,093
Payments to suppliers	(835,300)	(835,300)
Payments to employees	<u>(764,882)</u>	<u>(764,882)</u>
Net cash provided by operating activities	<u>175,911</u>	<u>175,911</u>
Cash flows from noncapital financing activities:		
Repayments to the General Fund	<u>(80,406)</u>	<u>(80,406)</u>
Net cash used by noncapital financing activities	<u>(80,406)</u>	<u>(80,406)</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(70,697)	(70,697)
Interest paid	(4,603)	(4,603)
Repayment of notes payable	<u>(20,205)</u>	<u>(20,205)</u>
Net cash used by capital and related financing activities	<u>(95,505)</u>	<u>(95,505)</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of the year	<u>8,500</u>	<u>8,500</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,500</u></u>	<u><u>\$ 8,500</u></u>

CITY OF CRAIG, ALASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

	Enterprise Fund	Total Proprietary Funds
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (660,702)	\$ (660,702)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	892,239	892,239
On-behalf of pension expense	31,093	31,093
Changes in assets and liabilities		
Increase in accounts receivable	(50,023)	(50,023)
Increase in accounts payable	3,473	3,473
Decrease in accrued salaries	(7,255)	(7,255)
Increase in accrued leave	3,080	3,080
Decrease in OPEB liability	65,401	65,401
Decrease in pension liability	(101,395)	(101,395)
Total adjustments	836,613	836,613
Net cash provided by operating activities	\$ 175,911	\$ 175,911

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Craig, Alaska ("City") is a first-class city incorporated March 1, 1922. The City operates under a Council-Mayor form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The City has no blended component units.

Discretely presented component units. The Craig City School District (District) is responsible for elementary and secondary education within the government's jurisdiction. The members of the District's governing board are elected by the voters. However, the District is fiscally dependent upon the City because the City's Council approves the District's budget. The City provides operating support from real and personal property tax assessments and other sources. The funds are used for the operation of the school system. Complete financial statements for the District may be obtained at the administrative office.

Craig City School District
P.O. Box 800
Craig, Alaska 99921

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus

The government-wide financial statements are reported using the *economic resources measurement focus*. All assets and all liabilities of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

Governmental fund financial statements are reported using the *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transaction" means expected to be received within sixty days of year-end.

Revenues - Non-exchange Transactions - Nonexchange transactions, in which the City receives value without directly, giving equal value, in return, include sales taxes, property taxes, grants, and donations. On an accrual basis, revenues from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions also must be available (i.e., collected within sixty days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual, property taxes, sales taxes, interest, and federal and state grants.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

Financial Statement Presentation

The City reports the following major governmental funds:

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

The Endowment Fund was established with monies from the federal Southeast Alaska Disaster Fund and federal payments in lieu of entitlement lands. The principal and interest are being retained in the fund for future use.

The National Forest Receipts Fund accounts for Federal funds passed-through the State of Alaska. Receipts are based upon timber sales on Federal lands in Alaska. The funds are used for schools, roads, search and rescue, and fire suppression.

The City has only one proprietary fund which combines the operations of the sewer, water, garbage, harbor, marine industrial park, and cannery property.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Equity in Central Treasury

Equity in central treasury represents a fund's equity in cash and investments of the central treasury of the City. For funds with a negative equity in the central treasury, the amount is shown as an interfund payable to the General Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary funds, the City has defined cash and cash equivalents as the equity maintained in the central treasury since the various funds use the central treasury essentially as a demand deposit account and the cash accounts maintained within the enterprise fund.

Investments

Craig Municipal Code 3.14.030 authorizes the City to invest its operating funds in the following securities:

1. Federally insured or fully collateralized certificates of deposit of bank and credit unions maturing within two years;
2. U.S. Government treasury, agency and instrumentality securities;
3. Notes or bonds issued by the State of Alaska or its political subdivisions or other states of the United States, maturing within two years, with a credit rating of A-/A3 or better from two national rating agencies, maturing within two years;
4. Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market. If repurchase agreements are overnight investments or if securities are collateralized in excess of 102%, marked-to-market is not necessary;
5. A state investment pool formed within the State of Alaska and comprised of agencies of the state and/or its political subdivisions;
6. Money market mutual funds whose portfolios consist entirely of U.S. Government securities.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

Craig Municipal Code 3.15.050 authorizes the City to invest its endowment funds in the following securities:

1. U.S. Government treasury, agency and instrumentality securities;
2. Notes or bonds issued by the State of Alaska or its political subdivisions or other states of the United States, maturing within two years, with a credit rating of A-/A3 or better from two national rating agencies;
3. Federally insured or fully collateralized certificates of deposit of banks and credit unions, maturing within two years;
4. Repurchase agreements collateralized by U.S. Treasury securities and marked-to-market. If repurchase agreements are overnight investments or if securities are collateralized in excess of 102%, marked-to-market is not necessary;
5. A state investment pool formed within the State of Alaska and comprised of agencies of the State and/or its political subdivisions;
6. Money market mutual funds whose portfolios consist entirely of U.S. government securities;
7. Any of the following:
 - a. Mortgage-backed and asset-backed obligations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national ratings agencies;
 - b. Corporate debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a rating of A-/A3 or better from at least two national rating agencies;
 - c. Convertible debt obligations of U.S. domiciled corporations denominated in U.S. dollars with a credit rating of A-/A3 or better from two national rating agencies;
 - d. Common and preferred stock of U.S. domiciled corporations listed on a national exchange or NASDAQ with a minimum capitalization of five hundred million dollars or a mutual fund that invests in these stocks.

Investments are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All of the City's investments have established market values. As a result, fair value and market value are the same.

Receivables

All trades and property tax receivables are shown net of an allowance for uncollectible accounts. Property taxes are levied and statements are mailed on July 1 of each year. Amounts under \$50 are payable in one installment on September 30. Larger amounts can be paid in two installments, one-half on September 30 and the remaining balance on December 31. Property taxes attach as an enforceable lien on the property when assessed. Property tax revenue is recognized when levied to the extent that it results in current receivables.

Prepaid Items

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

Restricted Assets

Assets in the Endowment Fund are reported as restricted. These assets can only be expended with the consent of the City Council. The City's municipal code allows the Council to appropriate up to four percent of the endowment fund's five-year average market value to specific projects each year.

Assets in other non-major governmental funds are restricted by grant agreements, bond covenants or by the City's municipal code.

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 \$10,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City did not have any projects requiring interest capitalization in 2019.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer and Water systems	40-50
Harbor improvements	16
Buildings	50
Machinery and equipment	5-10
Furnishings	5
Docks	40
Infrastructure	20

Infrastructure acquired before June 30, 2003 has not been capitalized.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discounts on the government-wide Statement of Net Position.

Bond issuance costs are amortized and recognized as an outflow of resources over the term of the underlying bonds.

At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

Pensions and Other Postemployment Benefits

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

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred inflow of resources represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflow and inflow of resources consist of certain pension and OPEB related accounts.

Fund Balances

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

Nonspendable

The portion of a fund balance that cannot be spent because it is either: (a) not in a spendable form, such as prepaid items, inventories of supplies, or loans receivable; or (b) legally or contractually required to be maintained intact, such as the principal portion of an endowment.

Restricted

The portion of fund balance that has constraints placed on the use of resources that are either: (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

The portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, such as an ordinance, of the City Council and remain binding unless removed by ordinance or resolution. Commitments may be changed or lifted only by the City Council taking formal action.

Assigned

The portion of a fund balance that includes amounts that are constrained by the government's intent to be used for specific purposes that are neither restricted or committed.

Unassigned

The portion of fund balance that includes amounts that do not fall into one of the above four categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balances are depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets and deferred outflows less liabilities and deferred inflows.

Net Investment in Capital Assets

Net investment in capital assets, net of accumulated depreciation, reduced by the expended and outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted Net Position

This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 1. - continued

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management 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. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Prior to June 15, the City Administrator submits a proposed operating budget for the fiscal year beginning July 1 to the City Council. The operating budget includes proposed expenditures and the means to finance them. Annual appropriated budgets are adopted for the general fund: municipal land sales, police drug forfeiture and national forest receipts, special revenue funds, and each of the enterprise fund departments. Public hearings are conducted and prior to June 30, the budget is legally adopted as a non-permanent ordinance by the City Council.

Authority to transfer appropriated expenditures within and between departments and between funds is held by the City Council. Transfers of up to \$10,000 of expenditures annually to different budgeted line items within a department can be made by the City Administrator. Other transfers require an amendment to the budget ordinance.

All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects. Special revenue fund budgets are approved when the Council accepts grant funds from the State of Alaska.

The operating budget for the Craig City School District is approved by the Craig School Board. The budget is then submitted to the City Council for final approval.

B. Differences Between Actual Revenues and Expenditures and Actual on a Budgetary Basis for the General Fund

The General Fund revenues and expenditures reported on page 23 of the basic financial statements differ from the amounts reported on page 58 in the column headed "actual amounts budgetary basis" due to timing differences in the recognition of sales tax revenue, on-behalf of payment made by the State of Alaska into PERS for the City of Craig and the recognition of uncollectible receivables which are not budgeted.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

As of June 30, 2021, the City had the following deposits and investments:

Cash on hand	\$	1,840
Carrying amount of deposits		4,742,573
Carrying amount of investments		<u>18,794,362</u>
	\$	<u>23,538,775</u>

Deposits and investments were reported in the Statement of Net Assets as follows:

Cash and investments	\$	3,245,370
Cash and investments – Restricted		<u>20,293,405</u>
	\$	<u>23,538,775</u>

Custodial Credit Risk - Investments

For an investment, this is the risk that in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of outside parties. All of the City's investments subject to custodial credit risk are held by the City's agent in its name.

The credit quality ratings of the City's investments subject to custodial credit risk as of June 30, 2021, as described by the nationally recognized statistical rating organization Standard & Poor's are shown below:

	<u>Credit Rating</u>	<u>Investment Fair Value</u>	<u>% of Total</u>
U.S. Treasury	Aaa	\$ 6,725,273	35.78%
U.S. Agency Securities	Aaa	182,141	.97
Corporate securities	A1 to A3	556,932	2.96
Money market funds	not rated	215,156	1.14
Exchange Traded Funds	not rated	<u>11,114,860</u>	<u>59.15</u>
		<u>\$ 18,794,362</u>	<u>100.00%</u>

Concentration of Credit Risk. The City's investment policy states that one of the general objectives of investing will be to diversify the portfolio so that potential losses on individual securities will be minimized. The policy does not limit the investment in any one security to a percentage of the total portfolio.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy to mitigate this risk by requiring that all demand deposits be fully collateralized by securities pledged but not held in the City's name by an agent of the financial institution holding the demand deposits. Of the bank balance at June 30, 2021, \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$4,249,347 was subject to collateral agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has a formal investment policy that limits certain investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City currently hold no investments to which the limit applies. Certificates of deposit are limited to two-year maturities. They are included with deposits rather than investments.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

As of June 30, 2021, investments subject to interest rate risk had the following maturities:

Investment Type	<u>Less than 1 year</u>	<u>1 – 2 Years</u>	<u>2 – 5 Years</u>	<u>Greater than 5 Years</u>
Corporate securities	\$ 101,133	\$ 51,790	\$ 271,583	\$ 132,426
U.S. Treasury securities	3,514,321	401,352	1,470,602	1,338,998
U.S. Agency securities	<u>49,675</u>	<u>-</u>	<u>91,252</u>	<u>41,214</u>
Total Investments Subject to Interest Rate Risk	<u>\$ 3,665,129</u>	<u>\$ 453,142</u>	<u>\$ 1,833,437</u>	<u>\$ 1,512,638</u>

B. RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregate columns. Below is the detail of receivables including the applicable allowance for uncollectible accounts:

	<u>General</u>	<u>Enterprise</u>	<u>Nonmajor and other funds</u>	<u>Total</u>
Taxes	\$ 555,753	\$ -	\$ -	\$ 555,753
Federal	-	-	7,981	7,981
Customer	139,827	255,476	300	395,603
Interest	<u>-</u>	<u>-</u>	<u>23,577</u>	<u>23,577</u>
Total receivables	695,580	255,476	31,858	982,914
Less allowance for doubtful accounts	<u>(68,576)</u>	<u>(27,793)</u>	<u>-</u>	<u>(96,369)</u>
Total net receivables	<u>\$ 627,004</u>	<u>\$ 227,683</u>	<u>\$ 31,858</u>	<u>\$ 886,545</u>

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

C. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$ 90,864	\$ -	\$ -	\$ 90,864
Construction-in-progress	220,650	-	-	220,650
Total capital assets not being depreciated	311,514	-	-	311,514
Capital assets, being depreciated				
Buildings	31,206,787	-	-	31,206,787
Infrastructure	7,143,562	-	-	7,143,562
Equipment	2,472,347	45,814	-	2,518,161
Total capital assets, being depreciated	40,822,696	45,814	-	40,868,510
Less accumulated depreciation for				
Buildings	(12,590,581)	(807,425)	-	(13,398,006)
Infrastructure	(1,990,462)	(357,176)	-	(2,347,638)
Equipment	(1,518,586)	(109,893)	-	(1,628,479)
Total accumulated depreciation	(16,099,629)	(1,274,494)	-	(17,374,123)
Total capital assets, being depreciated, net	24,723,067	(1,228,680)	-	23,494,387
Governmental activities capital assets, net	\$ 25,034,581	\$ (1,228,680)	\$ -	\$ 23,805,901

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

C. CAPITAL ASSETS - continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,954,896	\$ -	\$ -	\$ 3,954,896
Construction-in-progress	400,000	70,697	-	470,697
Total capital assets not being depreciated	4,354,896	70,697	-	4,425,593
Capital assets, being depreciated				
Buildings	7,994,634	-	-	7,994,634
Equipment	1,138,464	-	-	1,138,464
Harbors	4,134,051	-	-	4,134,051
Water and sewer system	18,850,046	-	-	18,850,046
Sewer plant	4,246,636	-	-	4,246,636
Total capital assets, being depreciated	36,363,831	-	-	36,363,831
Less accumulated depreciation for				
Buildings	(2,505,183)	(241,676)	-	(2,746,859)
Equipment	(915,209)	(44,596)	-	(959,805)
Harbors	(3,191,355)	(66,708)	-	(3,258,063)
Water and sewer system	(10,093,372)	(397,705)	-	(10,491,077)
Sewer plant	(3,145,688)	(141,554)	-	(3,287,242)
Total accumulated depreciation	(19,850,807)	(892,239)	-	(20,743,046)
Total capital assets, being depreciated, net	16,513,024	(892,239)	-	15,620,785
Business-type activities capital assets, net	\$ 20,867,920	\$ (821,542)	\$ -	\$ 20,046,378

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

C. CAPITAL ASSETS - continued

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

Governmental activities:

Administration	\$ 11,900
Fire	15,097
Library	3,426
Police	16,574
Public works	501,087
Parks and recreation	280,483
Planning	515
School support	351,223
Medical services	<u>94,189</u>
Total depreciation expense - governmental activities	<u>\$ 1,274,494</u>

Business - type activities:

Sewer	\$ 242,510
Water	302,326
Garbage	25,025
Harbor	65,675
Marine industrial park	241,381
Cannery property	<u>15,322</u>
Total depreciation expense -business type activities	<u>\$ 892,239</u>

Construction commitments

The City has no active construction projects as of June 30, 2021.

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
General Fund	Nonmajor Governmental Funds	\$ 40,103
General Fund	Enterprise Fund	243,416
General Fund	National Forest Receipts	19,483
General Fund	Endowment	<u>897</u>
		<u>\$ 303,899</u>

Amounts due between the General Fund and nonmajor governmental funds result from negative equity in central treasury because expenditures are made prior to the receipt of revenue, as in the case of funds that account for the activity of noncapital grants. In addition, some of the funds have not reimbursed the General Fund for expenditures made for the Police Drug Forfeitures, Land Development and Library Funds.

CITY OF CRAIG, ALASKA
NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

Amounts due from the Enterprise Fund result from inadequate revenue to cover operating and capital expenses in prior years.

Interfund Transfers:

<u>Transfer in</u>			
Transfer out	National Forest Receipts Fund	Non Major Govern- mental Funds	Total
General Fund	\$ 1,541	\$ 103,115	\$ 104,656
	<u>\$ 1,541</u>	<u>\$ 103,115</u>	<u>\$ 104,656</u>

E. LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In FY15, the City issued bonds to renovate the aquatic center. The bonds were issued at a premium of \$205,368. The premium is being amortized over the life of the bonds at \$10,268 each year.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. This State of Alaska agency purchases bonds from municipalities within the state, while simultaneously selling its own bonds to third parties in order fund the bond purchases.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities: Renovation of Aquatic Center		
\$1,810,000 2015 Series One, final payment due October 1, 2034	3.25 to 5.0%	<u>\$ 1,435,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 70,000	\$ 62,737
2023	75,000	59,112
2024	80,000	55,237
2025	85,000	51,113
2026	90,000	46,738
2027-2031	525,000	159,890
2032-2035	<u>510,000</u>	<u>38,258</u>
Total	<u>\$ 1,435,000</u>	<u>\$ 473,085</u>

Business-Type Activities

State of Alaska, Department of Environmental Conservation Loan Program

The City borrowed funds from the State of Alaska to upgrade the wastewater and water distribution systems.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
\$150,000 note payable for water distribution improvement system through the Alaska Drinking Water Fund; \$8,737 (except for the first payment of \$7,403) due annually on August 1 of each year.	1.5%	\$ 92,498
\$259,193 note payable for water distribution improvements system through the Alaska Drinking Water Fund; \$15,097 due annually on June 24 of each year	1.5%	<u>194,391</u>
		<u>\$ 286,889</u>

Annual debt service requirements to maturity for all business type notes payable is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2022	\$ 20,309	\$ 4,303
2023	20,420	3,999
2024	20,532	3,692
2025	20,645	3,385
2026	20,761	3,074
2027-2031	105,591	10,668
2032-2036	<u>78,631</u>	<u>3,124</u>
Total	<u>\$ 286,889</u>	<u>\$ 32,245</u>

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities:					
Bonds payable:					
GO Bonds	\$ 1,505,000	\$ -	\$ (70,000)	\$ 1,435,000	\$ 70,000
Issuance premiums	<u>154,028</u>	<u>-</u>	<u>(10,268)</u>	<u>143,760</u>	<u>10,268</u>
Total bonds payable	<u>1,659,028</u>	<u>-</u>	<u>(80,268)</u>	<u>1,578,760</u>	<u>80,268</u>
Net OPEB liability (asset)	76,612	-	(263,273)	(186,661)	-
Net pension liability	<u>2,261,211</u>	<u>129,067</u>	<u>-</u>	<u>2,390,278</u>	<u>-</u>
Government activities Long-term liabilities	<u>\$ 3,996,851</u>	<u>\$ 129,067</u>	<u>\$ (343,541)</u>	<u>\$ 3,782,377</u>	<u>\$ 80,268</u>
Business-type activities					
Notes payable					
State of Alaska	<u>\$ 307,092</u>	<u>\$ -</u>	<u>\$ (20,203)</u>	<u>\$ 286,889</u>	<u>\$ 20,309</u>
Total notes payable	307,092	-	(20,203)	286,889	20,309
Net OPEB liability	4,636	-	(80,399)	(75,763)	-
Net pension liability	<u>732,293</u>	<u>42,194</u>	<u>-</u>	<u>774,487</u>	<u>-</u>
Business-type activities Long-term liabilities	<u>\$ 1,044,021</u>	<u>\$ 42,194</u>	<u>\$ (100,602)</u>	<u>\$ 985,613</u>	<u>\$ 20,309</u>

Interest expense on all long-term debt was \$70,843 for the year ended June 30, 2021. The entire amount was charged to expense in the Statement of Activities.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 3. - continued

F. FUND BALANCE

Fund balance, reported in the aggregate on the governmental funds balance sheet, is subject to the following constraints:

	General Fund	Endow- ment Fund	National Forest Receipts Fund	Nonmajor Govern- mental Funds	Total
Nonspendable					
Prepaid items	\$ 14,067	\$ -	\$ -	\$ -	\$ 14,067
Restricted					
Police	-	-	-	12,666	12,666
Schools	-	-	1,664,305	-	1,664,305
Committed					
Library services	-	-	-	1,706	1,706
Hatchery support	-	-	-	134,303	134,303
Operating and capital support	-	15,906,374	-	1,245,393	17,151,767
Schools	-	-	1,285,484	-	1,285,484
Unassigned	3,897,538	-	-	-	3,897,538
Total fund balances	<u>\$ 3,911,605</u>	<u>\$ 15,906,374</u>	<u>\$ 2,949,789</u>	<u>\$ 1,394,068</u>	<u>24,161,836</u>

NOTE 4. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City has not accrued a liability for claims and judgements at June 30, 2019 because the amount of potential claims at year end was determined to be immaterial. The City made no claim payments during FY 2019.

Effective January 1, 1989 the City was self-insured with respect to unemployment claims made by former employees. The City accounts for claims on a pay-as-you-go basis.

B. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Alaska and the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RETIREMENT PLANS

A. Defined Benefit (DB) Pension Plan

Plan descriptions

The City participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The plan was established and is administered by the State of Alaska to provide pension benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska State Legislature closed the plan to new members effective July 1, 2006.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

State of Alaska
Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

or on the internet at <http://doa.alaska.drb>. Actuarial valuations reports, audited financial statements, and additional detailed plan information is also available on this website.

Benefits provided

PERS provides retirement, death and disability, and postemployment health care benefits. Participants are segregated into three tiers for PERS based on the participant's plan entry date. For all tiers within the defined benefits pension plans, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salaries times the number of years of service. The multiplier is dependent upon years of services for most employees. Each tier within the Plan establishes the criteria for normal retirement age, early retirement ages, and the calculation of average monthly salary, COLA adjustments, and other postemployment retirement benefits. A complete benefit comparison chart is available at the website noted above.

Special Funding Situation

In connection with the conversion of the PERS plan in 2008 from an agent-multiple employer plan to a cost-sharing plan, the State of Alaska passed legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including those paid to participants of the PERS Tier IV defined contribution plan.

State of Alaska statute requires the state to contribute an amount equal to the difference between the statutory employer contribution rate and the rate sufficient to pay the past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the plan is considered to be in a special funding situation as defined by GASB. The CITY has recorded the related on-behalf of contribution as both revenue and expense.

Employee Contribution Rates

City employees are required to contribute 6.75% of their annual covered salary for PERS. The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay benefits when due.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

Employer and Other Contribution Rates

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

Employer Effective Rate: This is the rate paid by all participating employers. Under current legislation, this rate is statutorily capped at 22%, subject to a wage floor and other termination events. The rate is applied to all wages attributable to employees participating in the Plan. In addition, the wages of employees participating in the defined contribution plan discussed later are subject to a percentage which is the difference between the required contribution rate and 22%. This amount is referred as the Defined Benefit Unfunded Liability or DBUL contribution to the defined benefit plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements. Prior to July 1, 2015, there were no constraints or restriction on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percentage of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board rates than previously adopted.

On-behalf Contribution Rate: This is the rate normally paid by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Contractual Rate.

GASB Rate: This is the rate used to determine long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. The GASB rate and the ARM Board Adopted Rate differ significantly due to variances in actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2021 were determined in the June 30, 2019 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment healthcare	7.43%	4.27%	-
Total PERS contribution rates	22.00%	30.85%	8.85%

In 2021, the City was credited with the following contributions to the pension plan.

	Measurement Period FY20	FY21
Employer contributions (including DBUL)	\$ 186,000	\$ 177,001
Non-employer contributions (on-behalf)	127,821	161,207
Total PERS contributions	\$ 313,821	\$ 338,208

Participating employees contributed \$37,012 to PERS during the City's fiscal year.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability. 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 associated with the City were as follows:

City's proportionate share of the NPL	\$	3,164,765
State's proportionate share of the NPL associated with the City		<u>1,308,418</u>
Total net pension liability	\$	<u><u>4,473,183</u></u>

The net pension liabilities were measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability of the Plan was determined by an actuarial valuation as of June 20, 2019 rolled forward to June 30, 2020. The City's proportion of the net pension liabilities were based on a projection of the City's long-term contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the measurement date, the City's proportion of the PERS net pension liability was 0.05363 percent, which is a decrease of .00105% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$252,913 for PERS.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflow of Resources

Net difference between projected and and actual investment earnings on pension plan investments	\$	128,806
Difference between actual and Expected experience		10,039
City contributions subsequent to the measurement date		<u>177,001</u>
Total deferred outflow of resources	\$	<u><u>315,846</u></u>

Deferred Inflow of Resources

Changes in proportion and Differences between employer contributions		<u>23,150</u>
Total deferred inflows of resources	\$	<u><u>23,150</u></u>

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

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

Year ended June 30	
2022	(10,834)
2023	45,297
2024	47,876
2025	33,354

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation rate	2.50%
Salary increases	Increase range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation. The liability is expected to go to zero at 2039.
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%
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit weighted, rolled back to 2006, and project with MP-2017 generational improvement. Deaths are assumed to be occupational 40% of the time.

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit plan assets.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

Long-term Expected Rate of Return

The long-term expected rate of return on PERS 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 investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. Best estimates of arithmetic real return, excluding the inflation component of 2.68%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equities	26%	6.24%
Global equity (non-U.S.)	18%	6.67%
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01%
Real assets	13%	3.82%
Private equity	11%	10.00%
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the IFA's proportionate share of the net pension liability calculated using the discount rate of 7.38% as well as what the IFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.38%)	Current Discount rate	1% Increase (8.38%)
City proportional share of the net pension liability	\$ 4,114,863	\$ 3,164,765	\$ 2,367,897

Pension Plan Fiduciary Net Position

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

B. Defined Contribution (DC) Pension Plan

Employees hired on or after July 1, 2006 participate in PERS Tier IV, defined contribution plan. The Plan is

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan described in the notes above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan is an individual pension account, retiree medical insurance, and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. The Plan is included in the comprehensive annual financial reports for PERS at the following website, as noted above. <http://doa.alaska.gov/drj>.

Contributions to the defined contribution plan consists solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, employers are required to contribute 22% of all PERS defined contribution wages. After deducting the required defined contribution pension and OPEB contributions, the remaining amount remitted (the DBUL) is deposited into the defined benefit plan discussed earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures are applied to cover a portion of the City's employer match contributions. For the year ended June 30, 2021 there were no amounts forfeited..

Employee Contribution Rate

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

Employer Contribution Rates

For the year ended June 30, 2021, the City was required to contribute 5% of covered salary into the PERS defined contribution plan.

The City and employee contributions to PERS for pensions for the year ended June 30, 2021 were \$63,390 and \$101,422, respectively. City contributions are recognized as pension expense.

C. Defined Benefit OPEB Plan

As part of its participation in the PERS Defined Benefits Plan (Tiers I, II, III for PERS), the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD).

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plan is administered by the State of Alaska, Department of Administration. The OPEB plans are included in a comprehensive annual financial report for PERS, at the follow website, <http://doa.alaska.gov/drj/pers>.

Employer Contribution Rates

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

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

Employer contribution rates for the year ended June 30, 2021 were as follows

Alaska Retiree Healthcare Trust	-
Retiree Medical Plan	1.27%
Occupational Death and Disability	0.31%
	<hr/>
Total contribution rates	<u>1.58%</u>

In 2021, the City was credited with the following contributions to the other postemployment benefit plans:

	Measurement Period FY20	FY21
	<hr/>	<hr/>
Alaska Retiree Healthcare Trust	\$ 76,219	\$ 90,262
Retiree Medical Plan	16,597	16,161
Occupational Death and Disability	4,192	4,925
	<hr/>	<hr/>
Total contributions	<u>\$ 97,008</u>	<u>\$ 111,348</u>

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

At June 30, 2021, the City reported a liability of for its proportionate share of the net OPEB liability (NOL). The amount recognized by the City as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability associated with the City were as follows:

City's proportionate share of NOL - ARHCT	\$ (242,968)
City's proportionate share of NOL - RMP	6,600
City's proportionate share of NOL – ODD	(26,056)
State's proportionate share of the NOL associated with the City	<hr/> (100,769)
Total net OPEB liability (asset)	<u>\$ (363,193)</u>

The total OPEB liabilities(assets) for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 to calculate the net OPEB liabilities as of that date. The City's proportion of the net OPEB liabilities were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all entities, actuarially determined.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

	June 30, 2019 Measurement Date Employer Proportion	June 30, 2020 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liability			
ARHCT	0.05476%	0.05365%	(0.00111)%
RMP	0.09433%	0.09304%	(0.00129)%
ODD	0.10487%	0.09558%	(0.00929)%

As a result of its requirement to contribute to the Plan, the City recognized OPEB expense of \$(139,659) and no on-behalf of revenue.

At June 30, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflow of Resources

Net difference between projected and and actual investment earnings or pension plan investments	\$ 97,485
Changes in proportion and differences between employer contributions	7,152
City contributions subsequent to the measurement date	<u>\$ 90,262</u>
Total deferred outflow of resources	<u><u>\$ 194,899</u></u>

Deferred Inflow of Resources

Difference between actual and expected experience	\$ 19,492
Change in assumptions	<u>169,363</u>
Total deferred inflows of resources	<u><u>\$ 188,855</u></u>

The amount reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

Year ended June 30		
2022	\$	(182,487)
2023		34,699
2024		37,258
2025		26,312

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation rate	2.50%
Salary increases	Graded by service from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for fiscal years 2022 to 2039 to the Plan, as determined by projections based on the June 30, 2019 valuation.
Investment rate of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.5 % and a real rate of return of 4.88%
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were on 91% of male and 96% of female rates of the RP-2014 health annuitant table, benefit weighted, rolled back to 2006, and project with MP-2017 generational improvement. Deaths are assumed to be occupational 40% of the time.
Participation (ARHCT)	100% of system paid members and their spouses are assumed to elect the healthcare benefits paid 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, 2019 actuarial valuations were based on the results of an experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. – continued

2. Retired member contribution trend rates were updated to reflect the ongoing shift in population from per-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
3. The Further Consolidated Appropriations Act, 2020 that was signed December 2019 made several changes, including repealing the Cadillac Tax.
4. The amounts included in the Normal Cost for administrative expenses were updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

Long-term Expected Rate of Return

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return, excluding the inflation component of 2.36%, for each major asset class included in the Plan’s target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equities	26%	6.24%
Global equity (non-U.S.)	18%	6.67%
Aggregate bonds	24%	(0.16)%
Opportunistic	8%	3.01%
Real assets	13%	3.82%
Private equity	11%	10.00%
Cash equivalents	-%	(1.09)%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2020 was 7.38%. This discount rate did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the fiduciary net position of each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 8% as well as what the Plan net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(6.38%)</u>	Current Discount rate	1% Increase <u>(8.38%)</u>
ARHCT	\$ 253,532	\$ (242,968)	\$ (654,218)
RMP	40,885	6,600	(19,353)
ODD	(24,484)	(26,056)	(27,312)

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 5. - continued

Healthcare Cost Trend Rates Sensitivity

The following presents the IFA's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate as summarized in the 2020 actuarial valuation reports, as well as what the IFA's proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u> (6.38%)	<u>Current</u> <u>Discount rate</u>	<u>1% Increase</u> (8.38%)
ARHCT	\$ (702,436)	\$ (242,968)	\$ 313,421
RMP	(14,445)	6,600	29,365

OPEB Plan Fiduciary Net Position

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

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV), in addition to participating in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan, also participate in the Health Reimbursement Arrangement Plan (HRA). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. Employees do not contribute to the HRA Plan.

Employer Contribution Rates

The HRA contribution amount is "three percent of the average annual employee compensation of all employees for all employers of the plan". As of July 1, 2020, for actual remittance, this amount is calculated as a flat rate for each full time or part time employee per pay period and approximated \$2,159 per year for each full-time employee, and \$1.38 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2020, the City contributed \$53,974 to the DC OPEB plan. These amounts have been recognized as an expense.

Note 6. New Accounting Pronouncements

GASB Statement 87 – Leases – Effective for year-end June 30, 2022. 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 Statement 89 – Accounting for Interest Costs Incurred Before the End of a Construction Period – Effective for year-end June 30, 2022, with earlier application encouraged – 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 statement prepared using the economic resources measurement focus.

CITY OF CRAIG, ALASKA

NOTES TO FINANCIAL STATEMENTS

Note 6. - continued

GASB Statement 91 – Conduit Debt Obligations – Effective for year ended June 30, 2023, with earlier application encouraged – This statement provides for one method of reporting conduit debt, clarifies the definition of conduit debt and improves note disclosures.

GASB Statement 92 – Omnibus 2020 – Provisions of this statement relate to the effective date of Statement No 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date of all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No 73 and Statement No 74 for reporting assets accumulated for postemployment benefit arrangements, the measurement of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement 93 – Replacement of Interbank Offer Rates – Effective for year end June 30, 2022. This statement addresses the accounting and financial reporting issues related to the replacement of an interbank offer rates due to LIBOR changes.

GASB Statement 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective for year-end June 30, 2023. This statement addresses issues related to arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use assets such as infrastructure.

GASB Statement 96 - Subscription-Based Information Technology Arrangements – Effective for year-end June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which was effective for the year-end June 30, 2020. This Statement modified certain guidance contained in Statement 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

Note 7. Coronavirus Pandemic

The Coronavirus pandemic has had a significant impact on the City. The City received Federal (CARES) funding passed through the State of Alaska for operational support to mitigate some of the effect of reduced revenue and provide needed aid to businesses, organizations and individuals negatively impacted by mandated quarantines and closures. The full impact of this funding on financial condition, results of operation, and liquidity is not yet determinable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRAIG, ALASKA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Real and personal	\$ 660,000	\$ 694,200	\$ 670,329	\$ (23,871)
Sales and bed	1,753,250	1,997,000	1,997,155	155
State sources	108,000	300,000	236,320	(63,680)
Federal sources	349,500	963,400	905,015	(58,385)
Charges for services	631,812	630,000	539,879	(90,121)
Fines, forfeitures and penalties	10,000	9,300	9,287	(13)
Investment income	6,000	2,000	1,996	(4)
Uses of property	63,000	55,100	52,123	(2,977)
Licenses and permits	12,100	92,500	92,467	(33)
Other	-	6,500	31,870	25,370
Total revenues	3,593,662	4,750,000	4,536,441	(213,559)
EXPENDITURES				
Current:				
Administration	681,519	680,265	687,216	(6,951)
Council	33,353	30,888	31,141	(253)
Planning	73,756	87,522	91,518	(3,996)
Parks and facilities	291,342	327,447	320,664	6,783
Public works	435,917	597,293	549,908	47,385
Police	1,041,697	1,033,333	1,047,355	(14,022)
Emergency medical services	243,049	227,076	234,297	(7,221)
Fire	30,613	29,465	27,234	2,231
Library	120,922	114,830	117,084	(2,254)
Recreation	86,431	96,834	98,487	(1,653)
Aquatic facilities	477,898	342,891	334,800	8,091
Hatchery	-	-	8,381	(8,381)
Debt service	136,238	136,238	137,988	(1,750)
Total expenditures	3,652,735	3,704,082	3,686,073	18,009
Excess (deficit) of revenues over (under) expenditures	(59,073)	1,045,918	850,368	(195,550)
OTHER FINANCING SOURCES (USES)				
Transfers in	321,339	212,500	-	(212,500)
Transfers out	(150,000)	-	-	-
Total other financing sources (uses)	171,339	212,500	-	(212,500)
Net change in fund balances	\$ 112,266	\$ 1,258,418	850,368	\$ (408,050)
Fund balances, beginning of year			3,049,227	
Fund balances, end of year			\$ 3,899,595	

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Year ended June 30,</u>	<u>City's Proportion of Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>State of Alaska Proportionate Share of the Net Pension Liability</u>	<u>Total Net Pension Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.03545%	\$ 1,653,479	\$ 1,562,450	\$ 3,215,929	\$ 1,530,572	108%	62.37%
2016	0.06072%	2,945,168	791,170	3,736,338	1,584,258	186%	63.96%
2017	0.06438%	3,598,637	454,277	4,052,914	1,660,037	217%	59.55%
2018	0.05809%	3,002,736	1,170,000	4,172,736	1,661,865	181%	63.37%
2019	0.05870%	2,916,817	845,804	3,762,621	1,677,553	174%	65.19%
2020	0.05468%	2,993,505	1,022,000	4,015,505	1,747,376	171%	63.42%
2021	0.05363%	3,164,765	1,308,418	4,473,183	1,837,583	172%	61.61%

CITY OF CRAIG, ALASKA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S CONTRIBUTIONS

Year Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 143,028	\$ 143,028	\$ -	\$ 1,584,258	9.03%
2016	145,754	145,754	-	1,660,037	8.78%
2017	173,706	173,706	-	1,661,865	10.45%
2018	197,107	197,107	-	1,677,553	11.75%
2019	192,294	192,294	-	1,747,376	11.00%
2020	190,985	190,985	-	1,837,583	10.39%
2021	177,001	177,001	-	1,807,533	9.79%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - ARHCT

<u>Year ended June 30,</u>	<u>City's Proportion of Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>State of Alaska Proportionate Share of the Net OPEB Liability</u>	<u>Total Net OPEB Liability (Asset)</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2018	0.05812%	\$ 490,984	\$ 182,679	\$ 673,663	\$ 1,661,865	30%	89.68%
2019	0.05869%	602,298	175,406	777,704	1,677,553	36%	88.12%
2020	0.05476%	81,247	596,000	677,247	1,747,376	5%	98.13%
2021	0.05365%	(242,968)	(100,769)	(343,737)	1,837,583	-19%	106.15%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - RMP

<u>Year ended June 30,</u>	<u>City's Proportion of Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2018	0.10122%	\$ 5,278	\$ 1,053,331	1%	93.98%
2019	0.09961%	12,675	1,087,032	1%	88.71%
2020	0.09433%	22,568	1,177,656	2%	83.17%
2021	0.09304%	6,600	1,257,358	1%	92.23%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE IFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - ODD

<u>Year ended June 30,</u>	<u>City's Proportion of Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB (Asset)</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2018	0.10122%	\$ (14,362)	\$ 1,661,865	-1%	212.97%
2019	0.09961%	(19,346)	1,677,553	-1%	270.62%
2020	0.10487%	(25,426)	1,747,376	-1%	297.43%
2021	0.09558%	(26,056)	1,837,583	-1%	283.80%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - ARHCT

SCHEDULE OF CITY'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 56,185	\$ 56,185	\$ -	\$ 1,677,553	3.35%
2019	69,877	69,877	-	1,747,376	4.00%
2020	76,297	76,297	-	1,837,583	4.15%
2021	90,262	90,262	-	1,807,533	4.99%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - RMP

SCHEDULE OF CITY'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 11,612	\$ 11,612	\$ -	\$ 1,087,032	1.07%
2019	11,070	11,070	-	1,177,656	0.94%
2020	16,597	16,597	-	1,257,358	1.32%
2021	16,161	16,161	-	1,267,814	1.27%

CITY OF CRAIG, ALASKA

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - ODD

SCHEDULE OF CITY'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 2,406	\$ 2,406	\$ -	\$ 1,677,553	0.14%
2019	4,268	4,268	-	1,747,376	0.24%
2020	4,192	4,192	-	1,837,583	0.23%
2021	4,925	4,925	-	1,807,533	0.27%

CITY OF CRAIG, ALASKA

Notes to Required Supplementary Information June 30, 2021

Note 1. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

The schedule is presented on the modified accrual basis with adjustments for timing differences for the recognition of sales tax revenue and the elimination of on-behalf revenues and expenditure for State of Alaska pension and OPEB amounts.

Expenditures exceeded final budget amounts in all departments except Parks and Facilities, Public Works, and Aquatic Facilities.

Note 2. Public Employees' Retirement System Pension Plan

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

This table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of the experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for the defined benefit pension plan.

In 2020, the discount rate was lowered from 8% to 7.38%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the IFA will present only those years for which information is available

Schedule of the City's Contributions

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

Schedule of the City's Contributions

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

GASB requires ten years of information be presented. However, until a full ten years of information is available, the IFA will present only those years for which information is available.

Note 3. Public Employees' Retirement System OPEB Plans (ARHCT, RMP, ODD)

These tables are presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020.

CITY OF CRAIG, ALASKA

Notes to Required Supplementary Information- continued

Schedules of the City's Proportionate Share of the Net OPEB Asset and Liability

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2019 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of the experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience. The assumptions used in the June 30, 2019 actuarial valuation are the same as those used in the June 30, 2018 valuation, except for the following:

1. Per capital claims costs were updated to reflect recent experience
2. Retired member contribution trend rates were updated to reflect the ongoing shift in population from pre-Medicare to Medicare-eligible and a projection of expected future retiree contributions reflecting the 10% decrease from 2019 to 2020.
3. The Further Consolidated Appropriation Act, 2020 that was signed in December 2019 made several changes, including the repeal of the Cadillac Tax.
4. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2020, the discount rate was lowered from 8% to 7.38%.

In 2020, the Employee Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full ten years of information is available, the IFA will present only those years for which information is available.

Schedules of City Contributions

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

GASB requires ten years of information be presented. However, until a full ten years of information is available, the IFA will present only those years for which information is available.

ADDITIONAL SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Facilities Development Fund - This fund accounts for amounts set aside for special projects for facilities that the City is developing. Current projects which are being developed include: a marine memorial park; improvements to the Port St. Nick Hatchery, future maintenance on the medical clinic and a program to acquire fishing quota shares.

Police Drug Forfeiture Fund - This fund accounts for amounts received from the disposal of assets pursuant to drug convictions.

Land Development Fund - This fund accounts for the utility development, appraisal, and platting for City owned lots. The lots will eventually be sold to the general public.

Equipment Fund - This fund accounts for amounts set aside in prior years in various other funds for equipment replacement. Each year, department managers submit requests for equipment upgrades to be paid for by this fund.

Salmon Derby Fund - This fund accounts for proceeds from the annual Salmon Derby and related prize payments. The net proceeds generated by the derby support the Port St. Nicolas Salmon Hatchery.

Local Emergency Planning/Homeland Security - This fund accounts for a grant from the State of Alaska, Division of Homeland Security and Emergency Management. The purpose of the grant is to fund the preparation and maintenance of a local emergency plan.

Fire and EMS Funds – This fund accounts for donations and other revenue for fire and EMS departments enhancements.

POW DAT Team Fund – This fund accounts for monies passed through from the POW Chamber of Commerce to purchase Red Cross Disaster Action Team supplies.

CARES Grant Fund – This fund accounts for federal funds passed through the State of Alaska for the Coronavirus Relief Fund. These monies are for necessary expenditures due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19). Expenditures in this fund are for emergency supplies related to COVID-19. Funding for emergency personnel is accounted for in the General Fund.

Library Funds – This fund accounts for the State of Alaska Library Assistance grant for public library purposes including the purchase of materials and books. It also includes a grant from the Institute of Library and Museum Services passed through Craig Community Association to provide basic library services to Native Americans. In addition, this fund accounts for donations from patrons that wish to have a new library constructed. The project is just in the initial stage of development.

Capital Projects Funds

Craig Pool Refinishing Fund – This fund accounts for monies transferred from the General and Endowment funds to refinish the aquatic center floor.

Craig Floatplane Dock Flooring Fund – This fund accounts for monies from the State of Alaska to replace the floatplane dock flooring.

CITY OF CRAIG, ALASKA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue Funds							Capital Projects Fund	Total Nonmajor Governmental Funds	
	Facilities Development Fund	Police Drug Forfeiture	Land Development Fund	Equipment Fund	Salmon Derby Fund	Fire and EMS Funds	POW DAT Team Fund	Library Funds		Craig Pool Refinishing Fund
ASSETS										
Equity in central treasury	\$ 27,036	\$ -	\$ -	\$ -	\$ 78,936	\$ 18,094	\$ 1,851	\$ 2,940	\$ 5,494	\$ 134,351
Cash and cash equivalents	69,685	44,696	569,133	555,743	55,367	-	-	-	-	1,294,624
Receivables, net of allowance for uncollectibles	300	-	-	-	-	-	-	7,981	-	8,281
Total assets	\$ 97,021	\$ 44,696	\$ 569,133	\$ 555,743	\$ 134,303	\$ 18,094	\$ 1,851	\$ 10,921	\$ 5,494	\$ 1,437,256
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,437	\$ -	\$ -	\$ 1,437
Deferred revenue	-	-	-	-	-	-	414	1,234	-	1,648
Due to other funds	-	32,030	92	-	-	-	-	7,981	-	40,103
Total liabilities	-	32,030	92	-	-	-	1,851	9,215	-	43,188
Fund balances:										
Restricted	-	12,666	-	-	-	-	-	-	-	12,666
Committed	97,021	-	569,041	555,743	134,303	18,094	-	1,706	5,494	1,381,402
Total fund balances	97,021	12,666	569,041	555,743	134,303	18,094	-	1,706	5,494	1,394,068
Total liabilities and fund balances	\$ 97,021	\$ 44,696	\$ 569,133	\$ 555,743	\$ 134,303	\$ 18,094	\$ 1,851	\$ 10,921	\$ 5,494	\$ 1,437,256

CITY OF CRAIG, ALASKA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds									
	Facilities Special Revenue	Police Drug Forfeiture	Land Development Fund	Equipment Fund	Salmon Derby Fund	Local Emergency Planning/ Homeland Security	Fire and EMS Funds	POW DAT Team Fund	CARES Funding Local Safety Fund	Library Funds
REVENUES										
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000
Federal sources	-	-	-	-	-	150,010	-	-	694,048	8,566
Investment income	-	3	850	205	40	-	-	-	-	-
Other	2,700	-	30	-	13,300	-	3,822	1,753	-	1,085
Total revenues	2,700	3	880	205	13,340	150,010	3,822	1,753	694,048	16,651
EXPENDITURES										
Current:										
Public works	-	-	-	-	-	-	-	-	-	-
Police	-	5,679	-	265	-	150,010	-	1,753	694,048	-
Library	-	-	-	-	-	-	-	-	-	16,438
Hatchery	-	-	-	-	13,914	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	5,679	-	265	13,914	150,010	-	1,753	694,048	16,438
Excess (deficit) of revenues over expenditures	2,700	(5,676)	880	(60)	(574)	-	3,822	-	-	213
Other financing sources(uses):										
Transfers in	-	-	-	103,115	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	103,115	-	-	-	-	-	-
Net change in fund balances	2,700	(5,676)	880	103,055	(574)	-	3,822	-	-	213
Fund balance, beginning of year	94,321	18,342	568,161	452,688	134,877	-	14,272	-	-	1,493
Fund balance, end of year	\$ 97,021	\$ 12,666	\$ 569,041	\$ 555,743	\$ 134,303	\$ -	\$ 18,094	\$ -	\$ -	\$ 1,706

CITY OF CRAIG, ALASKA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS - continued

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Capital Project Funds</u>		
	Craig Pool Refinishing Fund	Craig Floatplane Dock Flooring Fund	Total Nonmajor Governmental Funds
REVENUES			
State sources	\$ -	\$ 16,007	23,007
Federal sources	-	-	852,624
Investment income	-	-	1,098
Other	-	-	22,690
	<u>-</u>	<u>-</u>	<u>22,690</u>
Total revenues	-	16,007	899,419
EXPENDITURES			
Current:			
Public works	-	16,007	16,007
Police	-	-	851,755
Library	-	-	16,438
Hatchery	-	-	13,914
Capital outlay	256,500	-	256,500
	<u>256,500</u>	<u>-</u>	<u>256,500</u>
Total expenditures	256,500	16,007	1,154,614
Excess (deficit) of revenues over expenditures	(256,500)	-	(255,195)
Other financing sources(uses):			
Transfers in	-	-	103,115
	<u>-</u>	<u>-</u>	<u>103,115</u>
Total other financing sources (uses)	-	-	103,115
Net change in fund balances	(256,500)	-	(152,080)
Fund balance, beginning of year	261,994	-	1,546,148
	<u>261,994</u>	<u>-</u>	<u>1,546,148</u>
Fund balance, end of year	<u>\$ 5,494</u>	<u>\$ -</u>	<u>\$ 1,394,068</u>

Enterprise Fund Departments

An enterprise fund is a proprietary fund and is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the costs of providing services to the general public on a continuing basis be financed primarily through user charges.

The Enterprise Fund accounts for the following activities:

1. Sewer, water and garbage service to the residents of Craig,
2. Operation of a municipal boat harbor and dock financed by moorage and storage fees,
3. Operation of a marine industrial park financed by tenant property rental fees,
4. Development of a facility on the site of the former Wards Cove cannery.

CITY OF CRAIG, ALASKA

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN DEPARTMENT NET POSITION

ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Sewer Department</u>	<u>Water Department</u>	<u>Garbage Department</u>	<u>Harbor Department</u>	<u>Marine Industrial Park Department</u>	<u>Cannery Property Department</u>	<u>Total</u>
Operating revenue:							
Charges for services	\$ 289,117	\$ 305,890	\$ 294,770	\$ 306,605	\$ 623,122	\$ 6,612	\$ 1,826,116
Operating expenses:							
Salaries and benefits	133,336	211,572	80,436	202,781	127,681	-	755,806
Insurance	20,081	17,036	6,882	30,274	19,850	2,751	96,874
Utilities	57,801	52,856	-	35,091	49,487	2,394	197,629
Contractual services	22,880	23,618	214,886	65	6	-	261,455
Repairs and maintenance	6,897	10,967	3,928	15,135	4,420	809	42,156
Materials and supplies	7,280	122,102	12,465	16,039	5,862	55	163,803
Travel and per diem	-	1,367	-	659	-	-	2,026
Small equipment	13,278	44,070	-	1,398	600	-	59,346
Other	3,408	2,118	2,138	7,483	337	-	15,484
Depreciation	242,510	302,326	25,025	65,675	241,381	15,322	892,239
Total operating expenses	<u>507,471</u>	<u>788,032</u>	<u>345,760</u>	<u>374,600</u>	<u>449,624</u>	<u>21,331</u>	<u>2,486,818</u>
Operating income (loss)	(218,354)	(482,142)	(50,990)	(67,995)	173,498	(14,719)	(660,702)
Nonoperating revenues (expenses):							
Interest expense	-	(4,603)	-	-	-	-	(4,603)
Noncapital grants	6,277	10,432	3,158	8,356	2,870	-	31,093
Total nonoperating revenue (expenses)	<u>6,277</u>	<u>5,829</u>	<u>3,158</u>	<u>8,356</u>	<u>2,870</u>	<u>-</u>	<u>26,490</u>
Change in net position	<u>\$ (212,077)</u>	<u>\$ (476,313)</u>	<u>\$ (47,832)</u>	<u>\$ (59,639)</u>	<u>\$ 176,368</u>	<u>\$ (14,719)</u>	<u>\$ (634,212)</u>

CITY OF CRAIG, ALASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Grantor and Program Title	Assistance Listing Number	Grant Number or Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture			
Forest Service Schools and Road Cluster			
Passed through the State of Alaska, Department of Commerce Community and Economic Development National Forest Receipts - Municipal & Regional Assistance	10.665	None available	<u>565,646</u>
Total Department of Agriculture			565,646
Department of Homeland Security			
Passed through the State of Alaska, Department of Military and Veterans Affairs			
State Homeland Security Program	97.067	20SHSP-GY18	132,010
Emergency Management Performance Grants	97.042	20EMPG-GY20	<u>18,000</u>
Total Department of Homeland Security			150,010
Department of the Interior			
Passed through the State of Alaska, Department of Commerce Community and Economic Development Payment in Lieu of Taxes	15.226	None available	<u>305,401</u>
Total Department of the Interior			305,401
Department of the Treasury			
Passed through the State of Alaska, Department of Commerce Community and Economic Development Coronavirus Relief Fund	21.019	None available	<u>1,278,616</u>
Total Department of the Treasury			1,278,616
Institute of Museum and Library Services			
National Endowment for the Humanities Pass- Through Programs			
Passed through the Craig Community Association Native American and Native Hawaiian Library Services	45.311	None Available	<u>8,566</u>
Total Institute of Museum and Library Sciences			<u>8,566</u>
Total Federal Financial Assistance			<u><u>\$ 2,308,239</u></u>

See notes to the schedule of expenditures
of federal awards.

CITY OF CRAIG, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "SEFA") includes the federal award activity for the City of Craig, Alaska under programs of the federal government for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City of Craig, Alaska, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Craig, Alaska.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City of Craig, Alaska has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 4. Subrecipients

The City of Craig, Alaska provided no federal awards to subrecipients during the fiscal year.

Note 5. Reconciliation of the Schedule of Expenditures of Federal Awards to Amounts Reported as Grant Income in the Financial Statement

The following is a reconciliation of grant revenue reported in the City of Craig, Alaska's financial statements to the expenditures of federal awards reported in the Schedule of Expenditures of Federal Awards:

From the Statement of Activities:	
Operating grants and contributions	\$ 1,920,163
Grants and contributions not restricted for specific programs	572,814
Adjustments:	
State of Alaska funding	(387,149)
Timing difference in recognition of National Forest Receipts	<u>202,411</u>
Federal expenditures as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 2,308,239</u>

Note 6. National Forest Receipts

National Forest Receipts are recorded directly to revenue and any unspent amounts are reported as restricted fund balance. The National Forest Receipts fund reports \$1,664,305 of restricted fund balance as of June 30, 2021 related to unspent grant funds.

COMPLIANCE REPORTS

CHRISTINE E. HARRINGTON

Certified Public Accountant, LLC

329 Harbor Drive, Suite 210, P.O. Box 1328 Sitka, Alaska 99835 (907) 747-5500

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

Members of the City Council
City of Craig, Alaska

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Craig, Alaska, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City of Craig, Alaska's basic financial statements and have issued my report thereon dated September 23, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Craig, Alaska'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 financial statement. 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*.

Members of the City Council
City of Craig, Alaska

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.

Christine E Harrington

Sitka, Alaska
September 23, 2022

CHRISTINE E. HARRINGTON

Certified Public Accountant, LLC

329 Harbor Drive, Suite 210, P.O. Box 1328 Sitka, Alaska 99835 (907) 747-5500

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the City Council
City of Craig, Alaska

Report on Compliance for Each Major Federal Program

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

The City of Craig, Alaska's basic financial statements include the operations of the Craig City School District, a governmental discretely presented component unit. My audit, described below, did not include the operations of the Craig City School District (District) because the District was subject to a separate audit. Those financial statements reported \$2,022,463 of federal awards subject to Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Members of the City Council
City of Craig, Alaska

Report on Internal Control Over Compliance

Management of the City of Craig, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Craig, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Craig, Alaska's internal control over compliance.

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

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

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

Christine E Harrington

Sitka, Alaska
September 23, 2022

City of Craig, Alaska

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I - Summary of audit results:

Financial Statements:

Type of report issued on financial statements	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	No (none reported)
Noncompliance material to the financial statements noted	No

Federal Financial Assistance:

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No (none reported)

Type of auditor's report issued on compliance for major programs	Unmodified
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Audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)	No
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Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between a major program:	\$750,000
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Auditee qualifies as low risk auditee	No
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City of Craig, Alaska

Schedule of Findings and Questioned Costs, continued

Year Ended June 30, 2021

Section II - Financial Statement Findings Required to be Reported in Accordance with *Governmental Auditing Standards*:

There were no findings required to reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in Section 2CFR 200.516(a)) that are required to be reported.

Section IV - Disposition of Prior Year Findings and Question Costs

Finding 2020-001 – General Ledger Reconciliation has been resolved.

Section V - Corrective Action Plan

No current year findings