



Municipality of Skagway, Alaska

Basic Financial Statements, Required
Supplementary Information, and
Supplementary Information
Year Ended December 31, 2021

Municipality of Skagway, Alaska

Basic Financial Statements, Required Supplementary Information, and
Supplementary Information
Year Ended December 31, 2021

Municipality of Skagway, Alaska

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Independent Auditor's Report

Honorable Mayor and Members
of the Borough Assembly
Municipality of Skagway, Alaska

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Skagway, Alaska (the "Borough"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 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.

We did not audit the financial statements of Skagway School District (the "District"), a discretely presented component unit, as of June 30, 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the budgetary comparison schedules, the schedules of the Borough's proportionate share of the net pension and net OPEB liability or asset and schedules of the Borough's contributions on pages 66 through 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Borough as of and for the six months ended December 31, 2020 (not presented herein), and have issued our report thereon dated December 27, 2021, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the six months ended December 31, 2020 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information was subjected to the audit procedures applied in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the six months ended December 31, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2023 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
March 1, 2023

Management's Discussion and Analysis

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

The Municipality of Skagway ("the Borough") Management's Discussion and Analysis ("MD&A") provides the narrative overview and analysis of the financial activities of the Borough for the period ended December 31, 2021.

The Borough Assembly approved the change of its fiscal year end from June 30 to December 31. This change is effective for fiscal year 2021, which resulted in a six (6) month interim period (June 30, 2020 to December 31, 2020).

FINANCIAL HIGHLIGHTS

- Of the amount attributable to the primary government, the Borough's net position decreased by \$5.5 million (5.3%). The governmental net position decreased by \$9.6 million (18.3%). Business-type net position increased by approximately \$4.1 million (8.0%).
- Net capital assets increased by \$4.4 million (5.1%) due to additions exceeding depreciation, primarily due to street utility upgrades and Shoreline Park restrooms. Capital purchases were primarily financed by cash and cash equivalents and capital grants.
- Noncurrent liabilities increased by \$1 million (3.8%) primarily due to issuance of loan of \$2.9 million.
- Operating grants and contributions (on the statement of activities) decreased by \$4.5 million primarily due to the expiration of federal funding for the Coronavirus global pandemic through the CARES Act Relief fund.
- Tax revenues increased by \$3 million due to increased economic activity as the Municipality recovers from the Coronavirus pandemic.
- General government expenses increased by \$1.2 million (48.5%) due primarily to increased services as the Municipality recovers from the pandemic
- Norwegian Cruise Lines provided the Borough with a \$2.0 million donation to assist with economic hardship within the community. These funds were distributed back into the community through small business grants and other public programs.

REPORT FORMAT

The financial report is presented with the MD&A. The report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information.

The report layout is presented in the following order:

MD&A (pages 6-13)

Basic Financial Statements:

Government-Wide Financial Statements (pages 16-18)

Fund Financial Statements (pages 19-28)

Notes to the Basic Financial Statements (pages 29-64)

Required Supplementary Information (pages 66-75)

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

The first statements are highly condensed and present a government-wide view of the Borough's finances. Within this view, all operations are reported as either governmental or business-type activities. Governmental activities include basic services such as general government, public safety (police and fire), public works and streets, education and culture, tourism promotion, recreation, and library. Business-type activities are water, sewer, garbage, small boat harbor, health clinic services, and port operations. The government-wide statements include the statement of net position and statement of activities. The focus is on both the Borough as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the users to focus on the more relevant financial issues and broaden their basis for year-to-year or government-to-government comparisons.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Borough's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the Borough's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the Borough's financial position is improving or deteriorating.

The statement of activities demonstrates how the net position changed during the 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. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions 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).

These financial statements discretely present the financial position and activities of the Skagway School District, which is a component unit.

The government-wide financial statements can be found on pages 16-18 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 Borough, 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 Borough can be divided into two categories: governmental funds and enterprise funds.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

Governmental funds - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs.

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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. A reconciliation is presented to facilitate this comparison between governmental funds and governmental activities.

The Borough maintains eight 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 major governmental funds. The major governmental funds are the general fund, sales tax special revenue fund, excise tax special revenue fund, permanent trust fund, and debt service fund. Data from the remaining special revenue and capital projects funds are presented in aggregate.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

Enterprise funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The enterprise fund financial statements provide separate information for the water and sewer utilities, waste management, small boat harbor operations, health clinic services, and port operations. All but waste management are considered major funds. The waste management fund is reported separately for year to year consistency.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the Borough, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$98.7 million as of December 31, 2021, compared to \$104.2 million as of December 31, 2020.

The largest portion of the Borough's net position (68.6%) reflects its investment in capital assets (e.g., land, buildings, improvements, road network, and equipment), less any related debt that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this outstanding debt must be provided from other sources, as the capital assets themselves cannot be used as a source of funds to liquidate these liabilities. The amount of debt related to the investment in capital assets is \$22.2 million as of December 31, 2021.

**Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021**

The following is a condensed version of the Borough's statements of net position:

	Governmental Activities		Business-Type Activities		Totals	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Current and Other Assets	\$ 36,698,214	\$ 40,074,238	\$ 7,728,921	\$ 8,017,845	\$ 44,427,135	\$ 48,092,083
Restricted Assets	5,269,624	-	-	-	5,269,624	-
Capital Assets, net	38,053,657	38,982,211	52,288,030	46,985,691	90,341,687	85,967,902
Deferred Outflows of Resources	555,541	639,959	264,719	328,638	820,260	968,597
Total assets and deferred outflows of resources	80,577,036	79,696,408	60,281,670	55,332,174	140,858,706	135,028,582
Current and Other Liabilities	8,346,300	2,299,019	817,659	960,036	9,163,959	3,259,055
Long-Term Liabilities	25,949,120	24,513,147	2,032,720	2,457,125	27,981,840	26,970,272
Deferred Inflows of Resources	3,393,190	414,484	1,616,889	209,956	5,010,079	624,440
Total assets and deferred inflows of resources	37,688,610	27,226,650	4,467,268	3,627,117	42,155,878	30,853,767
Net Position						
Net investments in capital assets	15,447,536	18,044,237	52,288,030	46,985,691	67,735,566	65,029,928
Restricted	25,398,924	37,474,048	-	-	25,398,924	37,474,048
Unrestricted	2,041,966	(3,048,527)	3,526,372	4,719,366	5,568,338	1,670,839
Total net position	\$ 42,888,426	\$ 52,469,758	\$ 55,814,402	\$ 51,705,057	\$ 98,702,828	\$ 104,174,815
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

A portion of the Borough's net position (\$25.4 million or 25.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position represents a balance of \$5.6 million. Unrestricted net position is used to meet the government's ongoing obligations to citizens and creditors.

The government's net position decreased by \$5.5 million during the current fiscal year compared to a decrease of \$3.8 million in the prior fiscal year. This change is primarily due to increased services and decreases in capital grants and contributions, and sales tax revenues in the current year.

**Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021**

The following is a condensed version of the Borough's statements of activities:

	Governmental Activities		Business-Type Activities		Totals	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 1,971,353	\$ 67,672	\$ 2,152,030	\$ 869,573	\$ 4,123,383	\$ 937,245
Operating grant and contributions	318,533	5,967,292	2,269,375	1,111,430	2,587,908	7,078,722
Capital grants and contributions	433,298	23,838	1,835,209	102,106	2,268,507	125,944
General revenues						
Taxes	3,392,071	442,727	-	-	3,392,071	442,727
Intergovernmental revenue - unrestricted	538,141	316,489	-	-	538,141	316,489
Earnings on investments	2,499,245	3,395,461	-	-	2,499,245	3,395,461
Other	20,954	(90,194)	-	60,036	20,954	(30,158)
Total revenues	9,173,595	10,123,285	6,256,614	2,143,145	15,430,209	12,266,430
Expenses						
General government	3,593,337	2,419,264	-	-	3,593,337	2,419,264
Public safety	2,966,127	1,559,212	-	-	2,966,127	1,559,212
Public works and streets	1,277,059	384,972	-	-	1,277,059	384,972
Education	2,233,884	1,949,276	-	-	2,233,884	1,949,276
Culture, recreation, and library	3,959,257	6,474,183	-	-	3,959,257	6,474,183
Water and sewer	-	-	1,228,841	680,851	1,228,841	680,851
Garbage	-	-	761,884	358,615	761,884	358,615
Small boat harbor	-	-	1,042,697	530,633	1,042,697	530,633
Health clinic	-	-	3,463,438	1,594,362	3,463,438	1,594,362
Port	-	-	375,672	104,837	375,672	104,837
Total expenses	14,029,664	12,786,907	6,872,532	3,269,298	20,902,196	16,056,205
Increase (Decrease in Net Position Before Transfers)	(4,856,069)	(2,663,622)	(615,918)	(1,126,153)	(5,471,987)	(3,789,775)
Transfers	(4,725,263)	(3,241,208)	4,725,263	3,241,208	-	-
Change in Net Position	\$ (9,581,332)	\$ (5,904,830)	\$ 4,109,345	\$ 2,115,055	\$ (5,471,987)	\$ (3,789,775)
Net Position, beginning of year	\$ 52,469,758	\$ 58,374,588	\$ 51,705,057	\$ 49,590,002	\$ 104,174,815	\$ 107,964,590
Change in Net Position	(9,581,332)	(5,904,830)	4,109,345	2,115,055	(5,471,987)	(3,789,775)
Net Position, end of year	\$ 42,888,426	\$ 52,469,758	\$ 55,814,402	\$ 51,705,057	\$ 98,702,828	\$ 104,174,815

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

Governmental Activities - Governmental activities net position decreased by \$9.6 million as of December 31, 2021 and decreased by \$5.9 million for the year ended December 31, 2020. As noted above, this change is primarily due to decreases in capital grants and contributions, and sales tax revenues in the current year.

Business-Type Activities - Business-type activities increased the Borough's net position by \$4.1 million for the period ended December 31, 2021. For the year ended December 31, 2020, business-type activities net position increased by \$2.1 million. Revenues and expenses of business-type activities have increased significantly from year ended December 31, 2020, the majority of this increase is due to reported December 31, 2021 balances reporting twelve months of activity versus six months reported year ended December 31, 2020.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the Borough's governmental funds reported a combined ending fund balance of \$31.9 million. This is a decrease of \$6.1 million (16.0%) from the prior year, primarily due to an excess of expenditures over revenues of \$4.5 million with net transfers out to other funds of \$4.7 million. Of this amount, \$5.3 million is nonspendable, as it is for the purpose of the permanent trust fund, \$20.1 million is restricted for general purposes of the sales tax fund and excise tax fund; and \$6.2 million is assigned for the purpose of debt service and transfers to other funds. The remaining fund balance of \$0.3 million is unassigned.

The general fund is the primary operating fund of the Borough. At the end of the current fiscal year, the unassigned fund balance of the general fund had a \$0.3 million surplus.

Significant changes in governmental funds are as follows:

- Sales tax revenues increased by \$0.9 million due to increased commerce within the Borough while recovering from the Coronavirus global pandemic.
- Intergovernmental revenues decreased \$5.1 million (80.5%) primarily due to the expiration of federal funding for the Coronavirus global pandemic through the CARES Act Relief fund.

Other governmental funds (with the exclusion of the general fund) have a combined fund balance of \$31.3 million, which is \$6.1 million lower than year ended December 31, 2020.

Enterprise funds - The Borough's enterprise funds encompass the business-type activities presented in the government-wide financial statements.

As of the end of the current fiscal year, enterprise funds' total combined net position was \$55.8 million, which increased 7.9% from the year ended December 31, 2020. Of this amount, \$3.5 million represented unrestricted net position.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

There were no significant changes in enterprise fund operations from six-month period ended December 30, 2020 to year ended December 31, 2021.

The Borough continues to assess insufficient user fees to cover the cost of depreciation in all enterprise funds. In light of the fact that major replacement costs for needed infrastructure in these areas will most likely come from sales tax or other outside agency sources, this is not an immediate concern. However, fees that more accurately reflect the cost associated with these business-type activities should certainly be a consideration in the future.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were minimal differences between the original budgeted revenues and expenditures and the final amended budgeted revenues and expenditures.

Actual revenues, excluding transfers in and out, were higher than budgeted by \$1.0 million (21.2%), while actual expenditures were under budgeted expenditures by \$.7 million (7.2%).

Actual revenues in the general operating budget, as reflected in the financial statements, do not include transfers from other funds. For purposes of establishing the municipal budget, the Borough considers dollars transferred from all other funds (most importantly the sales tax and excise tax funds) into the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Borough's investment in capital assets for its governmental and business-type activities as of December 30, 2021, amounted to \$90.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, road networks, and water/sewer systems. The total increase in the Borough's investment in capital assets for the current fiscal year was \$4.4 million (5.1%). Governmental capital assets decreased by \$.9 million (2.4%), while business-type capital assets increased by \$5.3 million (11.3%).

The increase in capital assets for the current year came due to capital outlays exceeding depreciation in the enterprise funds.

Debt administration - As of December 31, 2021, the Borough had a total of \$22.2 million in bonds and loans payable, which consisted of five general obligation bond issues, four loans payable to the State of Alaska, and one loan payable to the Corporation of the Catholic Bishop of Juneau. The general obligation bonds accounted for \$16.7 million, and the loans accounted for \$5.5 million. As of December 31, 2021, the Borough also had \$.4 million of unamortized bond premiums.

The total debt (\$22.2 million) increased by \$1.8 million from the previous year (\$20.4 million). This included issuances of \$2.9 million, offset by repayments of principal in the current year of \$1.1 million.

The Borough's borrowing limit for long-term debt is 25.0% of the assessed value of the taxable real property in the Borough. The noncurrent portion of long-term debt is approximately 5.0% of the current assessed value of the taxable real property.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Economic Forecast for the Municipality of Skagway (MOS) in 2021 is uncertain. With the continued coronavirus pandemic, it is expected that the MOS will receive less than 10% of its normal cruise passengers for the 2021 season. This means that the MOS expects to lose an estimated 10 million dollars in Commercial Passenger Vessel (CPV) excise tax shared revenues from cruise ships and 15 million dollars in sales tax revenue over the 2020 & 2021 seasons. However, with the introduction of the American Rescue Act Plan (ARPA) the MOS is scheduled to receive \$10 million (\$5M in 2021 and another \$5M in 2022) that can be used as revenue replacement. With the addition of the ARPA funds the MOS anticipates that it will have 11 million dollars in CPV excise tax shared revenue reserves and 10 million dollars in sales tax reserves at the conclusion of 2021.

On a positive note, both the State and the Yukon Territorial government are showing interest in Skagway's port. Both entities are completing transportation improvements to and from Skagway, one of which is the rehabilitation of the Klondike Highway State Street, which facilitates the transportation of commodities and passengers between the Port of Skagway and Canada. In preparation for taking over the waterfront after a 55 year lease, the Municipality is developing and implementing a \$70 million dock redevelopment project that will increase efficiency, improve both onshore and vessel safety, and increase reliability for Port users. Port operations revert back to Municipal control in March 2023.

The Assembly continues to keep operational and capital expenditures low, focusing on necessary infrastructure improvements and programs. The Assembly takes a rational approach to capital expenditures, proceeding only when the revenues for the project are first identified. The Assembly has recently raised water, wastewater, and garbage service fees to reduce the subsidy needed for these services.

The Coronavirus global pandemic had a tremendous impact on the Municipality of Skagway's economy, which continues to recover. With the gradual increase in the number of cruise vessels to port and the US/Canada border opening, most seasonal businesses generated more revenue in 2021 than they did in 2020. As a result, sales tax revenues have increased in 2021 but were still less than the amount typically generated pre-covid. With the utilization of federal ARPA funding and steady sales tax revenue growth, the MOS remains confident it can remain financially viable until the return of tourist in 2023.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the Municipality of Skagway, P.O. Box 415, Skagway, AK 99840, or please call (907) 983-2297.

The Borough's component unit issues its own separate audited financial statements. These statements may be obtained by directly contacting the Skagway School District, P.O. Box 497, Skagway, AK 99840.

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Basic Financial Statements

Municipality of Skagway, Alaska

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Skagway School District
<i>December 31, 2021</i>				
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 32,054,489	\$ 5,764,635	\$ 37,819,124	\$1,859,971
Internal balances	278,334	(278,334)	-	-
Receivables, net of allowance for doubtful accounts	1,047,657	534,412	1,582,069	129,957
Prepaid items	211,310	-	211,310	12,589
Inventory	-	227,965	227,965	3,377
Restricted assets:				
Cash and investments	5,153,204	-	5,153,204	-
Receivables	116,420	-	116,420	-
Capital assets not being depreciated - land, land improvements and construction in progress	7,315,517	11,801,708	19,117,225	-
Other capital assets, net of accumulated depreciation	30,738,140	40,486,322	71,224,462	50,650
Net other postemployment benefits asset	3,106,424	1,480,243	4,586,667	224,971
Total Assets	80,021,495	60,016,951	140,038,446	2,281,515
Deferred Outflows of Resources				
Pension related	501,280	238,863	740,143	176,223
Other postemployment benefits related	54,261	25,856	80,117	122,155
Total Deferred Outflows of Resources	555,541	264,719	820,260	298,378
Total Assets and Deferred Outflows of Resources	\$ 80,577,036	\$60,281,670	\$140,858,706	\$2,579,893

Municipality of Skagway, Alaska

Statement of Net Position, continued

December 31, 2021	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Skagway School District
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 726,765	\$ 682,604	\$ 1,409,369	\$ 14,442
Unearned revenue	6,017,189	-	6,017,189	11,378
Payroll accruals and liabilities	-	-	-	48,427
Interest payable	227,527	-	227,527	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	451,971	135,055	587,026	-
Long-term debt	922,848	-	922,848	-
Due in more than one year:				
Long-term debt	21,683,273	-	21,683,273	-
Net pension liability	4,265,847	2,032,720	6,298,567	1,452,804
Net other postemployment benefits liability	-	-	-	1,116
Total Liabilities	34,295,420	2,850,379	37,145,799	1,528,167
Deferred Inflows of Resources				
Pension related	1,701,125	810,603	2,511,728	62,571
Other postemployment benefits related	1,692,065	806,286	2,498,351	112,080
Total Deferred Inflows of Resources	3,393,190	1,616,889	5,010,079	174,651
Net Position				
Net investment in capital assets	15,447,536	52,288,030	67,735,566	50,650
Restricted	25,398,924	-	25,398,924	948,205
Unrestricted (deficit)	2,041,966	3,526,372	5,568,338	(121,780)
Total Net Position	42,888,426	55,814,402	98,702,828	877,075
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 80,577,036	\$ 60,281,670	\$ 140,858,706	\$ 2,579,893

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Statement of Activities

Year Ended December 31, 2021	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Skagway School District
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government			
					Govern- mental Activities	Business- type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 3,593,337	\$ 277,494	\$ (31,354)	\$ -	\$ (3,347,197)	\$ -	\$ (3,347,197)	
Public safety	2,966,127	36,994	66,747	128,653	(2,733,733)	-	(2,733,733)	
Public works	1,277,059	619	72,347	304,645	(899,448)	-	(899,448)	
Culture, recreation and library	3,959,257	1,656,246	210,793	-	(2,092,218)	-	(2,092,218)	
Education	2,233,884	-	-	-	(2,233,884)	-	(2,233,884)	
Total governmental activities	14,029,664	1,971,353	318,533	433,298	(11,306,480)	-	(11,306,480)	
Business-type activities:								
Water and sewer	1,228,841	307,855	47,881	1,599,108	-	726,003	726,003	
Garbage	761,884	354,690	20	-	-	(407,174)	(407,174)	
Small boat harbor	1,042,697	247,343	27	17,298	-	(778,029)	(778,029)	
Health clinic	3,463,438	1,051,342	2,221,434	-	-	(190,662)	(190,662)	
Port	375,672	190,800	13	218,803	-	33,944	33,944	
Total business-type activities	6,872,532	2,152,030	2,269,375	1,835,209	-	(615,918)	(615,918)	
Total Primary Government	\$20,902,196	\$4,123,383	\$2,587,908	\$2,268,507	(11,306,480)	(615,918)	(11,922,398)	
Component Unit - School District -								
education	\$ 3,312,375	\$ 20,533	\$ 923,538	\$ -				\$ (2,368,304)
General Revenues								
Taxes					3,392,071	-	3,392,071	-
Grants and entitlements not restricted to a specific purpose					538,141	-	538,141	1,436,005
E-rate revenue					-	-	-	25,819
Investment income					2,499,245	-	2,499,245	-
Contributions from primary government					-	-	-	1,612,852
Other					20,954	-	20,954	1,994
Transfers					(4,725,263)	4,725,263	-	-
Total General Revenues and Transfers					1,725,148	4,725,263	6,450,411	3,076,670
Change in Net Position					(9,581,332)	4,109,345	(5,471,987)	708,366
Net Position, beginning					52,469,758	51,705,057	104,174,815	168,709
Net Position, ending					\$42,888,426	\$55,814,402	\$ 98,702,828	\$ 877,075

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit B-1

Governmental Funds
Balance Sheet

	Major Funds						Total Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	Permanent Trust	Debt Service	Nonmajor Funds	
<i>December 31, 2021</i>							
Assets							
Cash and investments	\$ 5,906,675	\$ 9,437,158	\$ 16,552,467	\$ -	\$ -	\$ 158,189	\$ 32,054,489
Receivables:							
Accounts	60,128	3,294	-	-	-	-	63,422
Sales taxes	-	103,508	-	-	-	5,654	109,162
Property taxes	119,455	-	-	-	-	-	119,455
Grants	18,085	-	-	-	-	128,653	146,738
Loan proceeds	-	-	-	-	648,727	-	648,727
Allowance for doubtful accounts	(39,599)	(248)	-	-	-	-	(39,847)
Total receivables, net	158,069	106,554	-	-	648,727	134,307	1,047,657
Prepays	211,310	-	-	-	-	-	211,310
Due from other funds	807,347	-	-	-	-	-	807,347
Restricted assets:							
Cash and investments	-	-	-	5,153,204	-	-	5,153,204
Receivables:							
Land sales contracts	-	-	-	109,935	-	-	109,935
Interest	-	-	-	6,485	-	-	6,485
Total restricted assets	-	-	-	5,269,624	-	-	5,269,624
Total Assets	\$ 7,083,401	\$ 9,543,712	\$ 16,552,467	\$ 5,269,624	\$ 648,727	\$ 292,496	\$ 39,390,427

Municipality of Skagway, Alaska

Exhibit B-1, continued

Governmental Funds
Balance Sheet, continued

	Major Funds						Total Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	Permanent Trust	Debt Service	Nonmajor Funds	
<i>December 31, 2021</i>							
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 401,668	\$ -	\$ -	\$ 45,862	\$ -	\$ 279,235	\$ 726,765
Due to other funds	-	-	-	-	529,013	-	529,013
Unearned revenue	6,017,189	-	-	-	-	-	6,017,189
Total Liabilities	6,418,857	-	-	45,862	529,013	279,235	7,272,967
Deferred Inflows of Resources							
Deferred land sales	-	-	-	109,935	-	-	109,935
Unavailable property taxes	113,744	-	-	-	-	-	113,744
Total Deferred Inflows of Resources	113,744	-	-	109,935	-	-	223,679
Fund Balances (Deficit)							
Nonspendable	211,310	-	-	5,113,827	-	-	5,325,137
Restricted	-	9,543,712	10,530,075	-	-	-	20,073,787
Assigned	-	-	6,022,392	-	119,714	13,261	6,155,367
Unassigned (Deficit)	339,490	-	-	-	-	-	339,490
Total Fund Balances (Deficit)	550,800	9,543,712	16,552,467	5,113,827	119,714	13,261	31,893,781
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,083,401	\$ 9,543,712	\$ 16,552,467	\$ 5,269,624	\$ 648,727	\$ 292,496	\$ 39,390,427

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit B-2

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

December 31, 2021

Total fund balances for governmental funds		\$ 31,893,781
Total net position reported for governmental activities in the Statement of Net Position 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:		
Construction in progress	\$ 1,572,801	
Land and land improvements	5,742,716	
Buildings	36,921,644	
Improvements other than buildings	8,458,941	
Furniture and equipment	8,887,666	
Infrastructure	<u>12,460,839</u>	
Total capital assets	74,044,607	
Less accumulated depreciation	<u>(35,990,950)</u>	
Total capital assets, net		38,053,657
The PERS OPEB plans have been funded in excess of required contributions. This asset is not a financial resource and therefore is not reported in the funds		
		3,106,424
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:		
Deferred land sales receivable	109,935	
Delinquent property taxes receivable	<u>113,744</u>	
Total long-term assets		223,679
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued leave	(451,971)	
Bonds payable	(16,745,000)	
Bond premium, net of accumulated amortization	(430,436)	
Loans payable	(5,430,685)	
Interest payable	(227,527)	
Net pension liability	<u>(4,265,847)</u>	
Total long-term liabilities		(27,551,466)
Certain changes in net pension and OPEB liabilities (assets) are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	501,280	
Deferred inflows of resources related to pensions	(1,701,125)	
Deferred outflows of resources related to other postemployment benefits	54,261	
Deferred inflows of resources related to other postemployment benefits	<u>(1,692,065)</u>	
Total deferred pension and other postemployment benefits items		<u>(2,837,649)</u>
Total Net Position of Governmental Activities		<u>\$ 42,888,426</u>

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year Ended December 31, 2021	Major Funds						Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	Permanent Trust	Debt Service	Nonmajor Funds	
Revenues							
Taxes	\$ 2,708,273	\$ 1,350,885	\$ -	\$ -	\$ -	\$ -	\$ 4,059,158
Federal government	523,028	-	-	-	-	128,653	651,681
State of Alaska	570,565	-	-	-	-	6,084	576,649
Private grants	-	-	-	-	-	2,000	2,000
Investment income (loss)	(19,916)	739,074	1,396,053	384,034	-	-	2,499,245
Charges for services	-	-	-	40,750	-	9,537	50,287
Short-term rentals	-	-	-	-	-	47,861	47,861
Other revenues	1,740,963	-	-	-	-	3,054	1,744,017
Total Revenues	5,522,913	2,089,959	1,396,053	424,784	-	197,189	9,630,898
Expenditures							
Current:							
General government	2,554,933	159,353	83,223	74,308	-	620,783	3,492,600
Public safety	2,546,742	-	-	-	-	-	2,546,742
Public works	991,830	-	-	-	-	-	991,830
Culture, recreation and library	2,873,380	-	-	-	-	-	2,873,380
Education	-	2,031,542	-	-	-	-	2,031,542
Debt service:							
Principal	-	-	-	-	885,203	-	885,203
Interest	-	-	-	-	798,865	-	798,865
Capital outlay	-	-	-	-	-	495,134	495,134
Total Expenditures	8,966,885	2,190,895	83,223	74,308	1,684,068	1,115,917	14,115,296
Excess (Deficiency) of Revenues							
Over Expenditures	(3,443,972)	(100,936)	1,312,830	350,476	(1,684,068)	(918,728)	(4,484,398)
Other Financing Sources (Uses)							
Transfers in	3,477,326	-	-	-	1,684,068	1,019,850	6,181,244
Transfers out	(30,300)	(2,394,071)	(5,433,271)	-	(2,947,743)	(101,122)	(10,906,507)
Proceeds from issuance of long-term debt	-	-	-	-	2,947,743	-	2,947,743
Sale of capital assets	-	-	-	204,680	-	-	204,680
Net Other Financing Sources (Uses)	3,447,026	(2,394,071)	(5,433,271)	204,680	1,684,068	918,728	(1,572,840)
Net Change in Fund Balances	3,054	(2,495,007)	(4,120,441)	555,156	-	-	(6,057,238)
Fund Balances, beginning	547,746	12,038,719	20,672,908	4,558,671	119,714	13,261	37,951,019
Fund Balances (Deficit), ending	\$ 550,800	\$ 9,543,712	\$16,552,467	\$5,113,827	\$ 119,714	\$ 13,261	\$ 31,893,781

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities Year Ended December 31, 2021

Net change in fund balances - total governmental funds		\$ (6,057,238)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$1,480,827) exceeded capital outlay (\$552,273).		
	(928,554)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in the deferred property tax and deferred land sales.		
	(732,268)	
The issuance of long-term debt (e.g. bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount of the effect of:		
Repayment of principal on bonds and loans	\$ 889,847	
Loan forgiveness program	300,000	
Issuance of loans payable	(2,947,743)	
Decrease in unamortized bond premium	89,749	
		(1,668,147)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of the (increase) decrease in:		
Accrued leave	(47,648)	
Interest payable	9,219	
		(38,429)
Changes related to net pension and other postemployment benefits liabilities (assets) and related accounts can increase or decrease net position. This is the (increase) decrease in net position due to changes in:		
Net pension liability and deferred outflows and inflows of resources	(1,315,602)	
Net other postemployment benefits liability (asset) and deferred outflows and inflows of resources	1,158,906	
		(156,696)
Change in Net Position of Governmental Activities		\$ (9,581,332)

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit C-1

Enterprise Funds
Statement of Net Position

	Major Enterprise Funds					Total Enterprise Funds
	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	
<i>December 31, 2021</i>						
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and investments	\$ -	\$ -	\$ 1,667,040	\$ 141,470	\$ 3,956,125	\$ 5,764,635
Receivables, net of allowance for doubtful accounts	72,269	27,667	47,812	353,251	33,413	534,412
Inventory	152,006	-	-	75,959	-	227,965
Total Current Assets	224,275	27,667	1,714,852	570,680	3,989,538	6,527,012
Capital assets	29,153,045	6,507,909	30,030,569	9,699,691	5,393,067	80,784,281
Less accumulated depreciation	(10,997,082)	(3,969,445)	(10,146,844)	(3,303,940)	(78,940)	(28,496,251)
Net Capital Assets	18,155,963	2,538,464	19,883,725	6,395,751	5,314,127	52,288,030
Net OPEB asset	178,085	75,075	102,511	1,076,928	47,644	1,480,243
Total Assets	18,558,323	2,641,206	21,701,088	8,043,359	9,351,309	60,295,285
Deferred Outflows of Resources						
Pension related	28,737	12,115	16,542	173,781	7,688	238,863
Other postemployment benefits related	3,111	1,311	1,791	18,811	832	25,856
Total Deferred Outflows of Resources	31,848	13,426	18,333	192,592	8,520	264,719
Total Assets and Deferred Outflows of Resources	\$ 18,590,171	\$ 2,654,632	\$ 21,719,421	\$ 8,235,951	\$ 9,359,829	\$ 60,560,004

Municipality of Skagway, Alaska

Exhibit C-1, continued

Enterprise Funds
Statement of Net Position, continued

	Major Enterprise Funds					Total Enterprise Funds
	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	
<i>December 31, 2021</i>						
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accounts payable	\$ 166,499	\$ 32,644	\$ 32,310	\$ 184,858	\$ 266,293	\$ 682,604
Compensated absences	10,625	8,842	24,897	66,870	23,821	135,055
Due to other funds	16,249	262,085	-	-	-	278,334
Total Current Liabilities	193,373	303,571	57,207	251,728	290,114	1,095,993
Noncurrent Liabilities						
Net pension liability	244,552	103,096	140,772	1,478,874	65,426	2,032,720
Total Liabilities	437,925	406,667	197,979	1,730,602	355,540	3,128,713
Deferred Inflows of Resources						
Pension related	97,522	41,112	56,137	589,742	26,090	810,603
Other postemployment benefits related	97,002	40,893	55,838	586,601	25,952	806,286
Total Deferred Inflows of Resources	194,524	82,005	111,975	1,176,343	52,042	1,616,889
Net Position						
Investment in capital assets	18,155,963	2,538,464	19,883,725	6,395,751	5,314,127	52,288,030
Unrestricted (deficit)	(198,241)	(372,504)	1,525,742	(1,066,745)	3,638,120	3,526,372
Total Net Position	17,957,722	2,165,960	21,409,467	5,329,006	8,952,247	55,814,402
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,590,171	\$ 2,654,632	\$21,719,421	\$ 8,235,951	\$ 9,359,829	\$ 60,560,004

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended December 31, 2021</i>	Major Enterprise Funds					Total Enterprise Funds
	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	
Operating Revenues						
Charges for services	\$ 307,855	\$ 354,690	\$ 247,343	\$ 1,051,342	\$ 190,800	\$ 2,152,030
Grant revenue	47,833	-	-	2,220,137	-	2,267,970
Contributions	-	-	-	1,010	-	1,010
Total Operating Revenues	355,688	354,690	247,343	3,272,489	190,800	4,421,010
Operating Expenses						
Payroll and payroll benefits	97,575	285,455	208,301	1,668,258	114,522	2,374,111
Materials and supplies	-	-	-	177,978	270	178,248
Utilities	167,668	107,476	32,977	115,136	829	424,086
Administration	4,210	4,819	17,457	155,878	16,297	198,661
Contracted services	32,439	60,896	-	583,725	159,325	836,385
Insurance	24,230	24,617	22,284	86,757	-	157,888
Travel and training	-	-	-	29,071	2,637	31,708
Repairs and maintenance	114,976	36,918	12,808	342,077	2,852	509,631
Recycling	-	53,392	-	-	-	53,392
Depreciation	777,485	72,241	740,119	262,382	78,940	1,931,167
Other	10,258	53,192	8,751	42,176	-	114,377
Total Operating Expenses	1,228,841	699,006	1,042,697	3,463,438	375,672	6,809,654
Loss from Operations	(873,153)	(344,316)	(795,354)	(190,949)	(184,872)	(2,388,644)
Nonoperating Revenues						
PERS relief	48	20	27	287	13	395
Loss on disposal of asset	-	(62,878)	-	-	-	(62,878)
Loss Before						
Contributions and Transfers	(873,105)	(407,174)	(795,327)	(190,662)	(184,859)	(2,451,127)
Capital contributions	1,599,108	-	17,298	-	218,803	1,835,209
Transfers in	4,645,291	319,992	58,795	82,843	44,616	5,151,537
Transfers out	-	-	-	-	(426,274)	(426,274)
Change in Net Position	5,371,294	(87,182)	(719,234)	(107,819)	(347,714)	4,109,345
Net Position, beginning	12,586,428	2,253,142	22,128,701	5,436,825	9,299,961	51,705,057
Net Position, ending	\$ 17,957,722	\$ 2,165,960	\$ 21,409,467	\$ 5,329,006	\$ 8,952,247	\$ 55,814,402

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Enterprise Funds
Statement of Cash Flows

Year Ended December 31, 2021	Major Enterprise Funds					Total Enterprise Funds
	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	
Cash Flows from (for) Operating Activities						
Receipts from customers and users	\$ 373,184	\$ 365,006	\$ 276,220	\$ 1,042,786	\$ 201,400	\$ 2,258,596
Operating grants received	-	-	-	3,034,411	-	3,034,411
Payments to suppliers	(831,239)	(426,854)	(95,430)	(1,384,693)	(245,671)	(2,983,887)
Payments to employees	(301,753)	(272,116)	(190,836)	(1,840,880)	(29,384)	(2,634,969)
Net cash flows from (for) operating activities	(759,808)	(333,964)	(10,046)	851,624	(73,655)	(325,849)
Cash Flows from (for) Noncapital Financing Activities						
Transfers from other funds	378,818	310,354	43,120	82,843	44,616	859,751
Transfers to other funds	-	-	-	-	(426,274)	(426,274)
Increase (decrease) in due to other funds	16,249	49,596	-	(762,714)	-	(696,869)
Net cash flows from (for) noncapital financing activities	395,067	359,950	43,120	(679,871)	(381,658)	(263,392)
Cash Flows from (for) Capital and Related Financing Activities						
Additions to property, plant and equipment	(5,802,272)	(50,624)	(4,180)	(30,283)	(1,016,792)	(6,904,151)
Capital contributions received	1,577,281	-	-	-	287,496	1,864,777
Proceeds from sale of property, plant and equipment	-	15,000	-	-	-	15,000
Transfers from other funds	4,266,473	9,638	15,675	-	-	4,291,786
Net cash flows from (for) capital and related financing activities	41,482	(25,986)	11,495	(30,283)	(729,296)	(732,588)
Increase (Decrease) in Cash and Investments	(323,259)	-	44,569	141,470	(1,184,609)	(1,321,829)
Cash and Investments, beginning of year	323,259	-	1,622,471	-	5,140,734	7,086,464
Cash and Investments, end of year	\$ -	\$ -	\$ 1,667,040	\$ 141,470	\$ 3,956,125	\$ 5,764,635

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Enterprise Funds
Statement of Cash Flows, continued

Year Ended December 31, 2021	Major Enterprise Funds					Total Enterprise Funds
	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities						
Loss from operations	\$ (873,153)	\$ (344,316)	\$ (795,354)	\$ (190,949)	\$ (184,872)	\$ (2,388,644)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:						
Depreciation	777,485	72,241	740,119	262,382	78,940	1,931,167
Noncash expense - PERS relief	48	20	27	287	13	395
(Increase) decrease in assets and deferred outflows of resources:						
Accounts receivable, net	17,496	10,316	28,877	(9,566)	74,200	121,323
Operating grants receivable	-	-	-	814,274	-	814,274
Net OPEB asset	(144,527)	(66,219)	(90,273)	(928,209)	(47,644)	(1,276,872)
Inventory	(30,849)	-	-	8,849	-	(22,000)
Deferred outflows of resources related to pensions	13,176	(3,744)	(4,039)	(26,910)	(7,688)	(29,205)
Deferred outflows of resources related to other postemployment benefits	19,602	5,196	6,235	62,923	(832)	93,124
Increase (decrease) in liabilities and deferred inflows of resources:						
Accounts payable	(446,609)	(85,544)	(1,153)	139,256	(63,461)	(457,511)
Unearned revenue	-	-	-	-	(63,600)	(63,600)
Compensated absences	(16,777)	995	12,091	(48,629)	23,821	(28,499)
Net pension liability	(230,512)	5,414	(5,028)	(259,635)	65,426	(424,335)
Net other postemployment benefits liability	(1,397)	(617)	(385)	-	-	(2,399)
Deferred inflows of resources related to pensions	87,137	39,003	53,069	554,964	26,090	760,263
Deferred inflows of resources related to other postemployment benefits	69,072	33,291	45,768	472,587	25,952	646,670
Net Cash Flows from (for) Operating Activities	\$ (759,808)	\$ (333,964)	\$ (10,046)	\$ 851,624	\$ (73,655)	\$ (325,849)
Noncash Capital and Related Financing Activities						
Capital assets purchased on account	\$ 111,316	\$ 9,638	\$ 28,793	\$ -	\$ 257,486	\$ 407,233

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2021

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Skagway ("the City") was incorporated on June 26, 1900, under Federal Statute 31 and U.S. Statute at Large 321, as a city in Alaska. On June 20, 2007, the City formally dissolved in conjunction with the incorporation of the Municipality of Skagway ("the Borough"), a first-class borough of Alaska. The corporate boundaries of the Borough are identical to those of the former City. The Borough also succeeded to all rights, powers, duties, assets, and liabilities of the former City. The Borough operates under an Assembly-Manager form of government and provides the following services: public safety (police and fire), streets and sidewalks, water and sanitation (garbage and waste treatment), health, culture-recreation, tourism promotion, port authority, public improvements, planning and zoning, and general administrative services.

The Borough Assembly approved the change of its fiscal year end from June 30 to December 31. This change is effective for fiscal year 2020, which resulted in a six (6) month interim period (June 30, 2020 to December 31, 2020).

Discretely Presented Component Unit

The accompanying financial statements present the Borough and its component unit, the Skagway School District ("the District"), for which the Borough is considered to be financially accountable. Information about the District, a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Borough.

The District is responsible for elementary and secondary education within the Borough's jurisdiction. The members of the District's governing board are elected by the voters. However, the Borough is financially accountable for the District because the Borough Assembly approves the District's budget, levies taxes (if necessary), and must approve any debt issuances.

Complete financial statements of Skagway School District can be obtained from the administrative office as follows: Skagway School District P.O Box 497 Skagway, AK 99840

The accounting policies of the Municipality of Skagway conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities display information about the primary government (the Borough) and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Borough. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits, and claims and judgments (if any), are recorded only when payment is due.

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

The Borough reports the following major governmental funds:

Major governmental funds:

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

The *Sales Tax Special Revenue Fund* accounts for the revenue received from the Borough's sales tax. Sales tax is collected at a rate of 3% from October through March and 5% from April through September. The sales tax ordinance requires that at the beginning of each fiscal year, a sum sufficient to pay installments on general obligation bonds for that year be set aside. Any sales tax proceeds in excess of the amount set aside are available for funding school operations, capital improvements, and services, including emergency care, clinic, and museum.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

The *Excise Tax Special Revenue Fund* accounts for excise tax appropriations from the State of Alaska and other sources. The purpose of these funds is to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

The *Permanent Trust Fund* accounts for assets held in a trustee capacity. The fund represents the proceeds from the sale of land conveyed by the State of Alaska under the Municipal Entitlement Act. The principal balance of the fund (nonexpendable portion) cannot be spent and must be held in trust for the benefit of future residents of the Borough. Earnings (expendable portion) can be spent under certain guidelines.

The *Debt Service Fund* accounts for assets set aside to make debt service payments.

Major proprietary funds:

The *Water and Sewer Enterprise Fund* accounts for activities including operating the sewage treatment plant, sewage pumping stations and collection systems, and the water storage and water distribution systems.

The *Garbage Enterprise Fund* accounts for activities including collection of solid waste, operating the incinerator plant, and the shipment of nonburnable waste and recyclable materials. The Borough elected to report the Garbage Enterprise Fund as a major fund in FY2021 for reporting consistency.

The *Small Boat Harbor Enterprise Fund* accounts for activities including operating the small boat harbor and the Borough's freight ramp.

The *Health Clinic Enterprise Fund* accounts for the activities of operating the health clinic.

The *Port Enterprise Fund* accounts for the activities of developing the port commission, with the anticipation of future service fees.

Nonmajor governmental funds:

The *Visitor Special Revenue Fund* accounts for the revenue from the Borough's 8% hotel tax. All tax collected is to be used for tourism promotion.

The *Capital Project Funds* account for financial resources received primarily through state and federal agencies and allocations from the Sales Tax Fund, Excise Tax Fund, and General Fund to be used for the acquisition and construction of major capital facilities.

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

Proprietary funds (water and sewer/garbage/small boat harbor/health clinic/port) distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise funds are charges to customers for sales and services. The water and sewer fund also recognizes fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources as budgeted by the Borough Assembly ("the Assembly") first and then unrestricted resources as they are needed.

A. Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all cash and investments to be cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

B. Inventory

Inventories in proprietary funds consist of water and sewer parts and medical supplies and are stated at the lower of cost (first-in, first-out basis) or market.

C. Receivables

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

D. Due to and due from Other Funds

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

E. Restricted Assets

Certain cash, investments, and receivables are classified as restricted assets on the statement of net position because they are either permanently held for the benefit of current and future residents of the Borough or restricted in use by creditors or legislation (including the municipal code).

F. 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 in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. All significant capital assets, including infrastructure assets, are capitalized and reported by the Borough.

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

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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

	Years
Buildings, structures, and other improvements	50
Furniture and equipment	5-15
Roads and bridges	20-30

G. Compensated Absences

It is the Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits (if the Borough expects to pay unused sick leave when employees separate from service with the Borough). All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured (for example, as a result of employee resignations and retirements).

H. Long-term Debt

On the government-wide and proprietary fund type 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 financial statements.

I. Debt Premiums and Discounts

On the government-wide and proprietary fund type statements of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. 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.

J. Unearned Revenue

Amounts received from grants and other sources but not yet spent for their restricted purpose are shown on the statement of net position and balance sheet as unearned revenue in both the government-wide and fund financial statements. Excise tax appropriations are shown as revenue on the Statement of Activities when amounts are appropriated by the State of Alaska.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to liabilities, the statement net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element "Deferred inflows of resources" represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes and land sales financed with long-term receivable contracts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. A deferred outflow represents the consumption of the government's net position that is applicable to a future reporting period. In the government-wide financial statements, deferred inflows and outflows include certain pension and OPEB-related transactions only.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

L. Governmental Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The remaining four classifications - restricted, committed, assigned, and unassigned - comprise the spendable portion of the fund balances:

Restricted fund balance. These amounts are constrained by external parties or legislation (including the municipal code, grantors, or higher levels of government).

Committed fund balance. These amounts are constrained to a specific purpose by the Borough itself using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest-level action to remove or change the constraint.

Assigned fund balance. These amounts are intended for a particular purpose. Intent can be expressed by the Borough Assembly, Mayor, or the Borough Manager.

Unassigned fund balance. These amounts are available for any purpose.

The five categories of fund balance place varying strength of spending constraints on available resources in a descending order as listed. Nonspendable fund balance is the most restrictive classification, and unassigned fund balance is the least restrictive.

When an expenditure has been duly authorized and funding to pay for the expenditure is available within multiple fund balance classifications, the Borough's policy is to utilize the funding available in the most restrictive classification first.

M. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

N. Interfund Transactions

During the course of normal operations, the Borough has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies, advances, or transfers is determined by the Borough Assembly.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

O. Property Taxes

Property taxes have a lien date of January 1, a levy date of July 1, and are due by August 31. The Borough bills and collects taxes for both its own purposes and school purposes. The Borough's property tax revenues are recognized when they become measurable and available, which is generally when levied.

P. Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Q. Pension Plan and Other Postemployment Benefits (OPEB) Plan

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

R. Use of Accounting Estimates

The preparation of financial statements in accordance 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, deferred outflows, liabilities, and deferred inflows as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The appropriated budget is prepared by fund and function, and department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Assembly. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

3. Interfund Receivables, Payables, and Transfers

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of December 31, 2021, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 529,013
General Fund	Garbage Enterprise Fund	262,085
General Fund	Water and Sewer Enterprise Fund	16,249
Total Due from Other Funds		\$ 807,347

A schedule of transfers for the period ended December 31, 2021 follows:

Transfers

From General Fund to:		
Nonmajor governmental funds to cover operating costs		\$ 30,300
From Sales Tax Fund to:		
General Fund to cover operating costs		464,878
Debt Service Fund to cover debt service costs		1,511,085
Nonmajor governmental funds to cover capital costs		180,628
Nonmajor governmental funds to cover operating costs		25,000
Water and Sewer Fund to cover capital costs		129,637
Health Clinic Fund to cover operating costs		82,843
Total transfers from Sales Tax Fund		2,394,071
From Excise Tax Fund to:		
General Fund to cover operating costs		3,012,448
Debt Service Fund to cover debt service costs		71,861
Nonmajor governmental funds to cover capital costs		155,553
Nonmajor governmental funds to cover operating costs		628,369
Water and Sewer Fund to cover capital costs		378,818
Water and Sewer Fund to cover operating costs		762,819
Garbage Fund to cover capital costs		9,638
Garbage Fund to cover operating costs		310,354
Small Boat Harbor Fund to cover capital costs		43,120
Small Boat Harbor Fund to cover operating costs		15,675
Port Fund to cover operating costs		44,616
Total transfers from Excise Tax Fund		5,433,271
From nonmajor governmental funds to -		
Debt Service Fund to cover debt service costs		101,122
From Debt Service Fund to -		
Water and Sewer Fund to cover capital costs		2,947,743
From Port Fund to -		
Water and Sewer Fund to cover capital costs		426,274
Total Transfers to Other Funds		\$ 11,332,781

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

4. Cash and Investments

The Borough utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet or statement of net position as "cash and investments" or in the case of "negative cash," is included in "due to other funds."

Deposits and Investments

All cash deposits are in a single financial institution and are carried at cost. Certificates of deposit are stated at cost plus accrued interest and are held in various financial institutions covered by federal depository insurance.

Securities are stated at fair value determined by established trading market prices, and any gains and losses are included in the Borough's financial activities. Security transactions are recorded on the trade date.

Reconciliation of Deposit and Investment Balances

The Borough follows the practice of pooling the cash equivalents of its various funds. Investment income from pooled cash equivalents is allocated ratably over the various funds. Cash equivalents are held by an outside custodian. Certain cash equivalents are held with investments for long-term purposes and, therefore, are classified as investments.

The following is a reconciliation of the Borough's deposit and investment balances to the financial statements as of December 31, 2021:

Bank deposits and petty cash	\$ 9,281,884
Investments	33,690,444
Total Cash and Investments	\$ 42,972,328

The Borough's unrestricted cash and investments was \$37,819,124 and restricted cash and investments was \$5,153,204 as of December 31, 2021.

Investment Policy

The Borough may invest up to 80% of Permanent Trust Fund investments in certain equities. The Permanent Trust Fund investments may also include the following securities listed on a national exchange: master limited partnerships, real estate investment trusts with a market capitalization in excess of \$500 million, closed-end stock mutual funds with a minimum total net asset value in excess of \$200 million, open-end stock mutual funds with a minimum four-year track record and at least \$500 million in asset value, and bond mutual funds investing primarily in investment grade corporate and government bonds with a minimum of a five-year track record and at least \$500 million in asset value.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Portfolio maturities must be staggered to avoid undue concentration of assets in a specific maturity sector. The average portfolio maturity must not exceed eight years.

Credit Risk

Statutes authorize the Borough to invest in obligations insured or guaranteed by the United States Government or its agencies, as well as obligations of the State of Alaska or municipalities of the State, obligations of other states, certificates of deposit, and domestic corporate and asset-backed obligations with a credit rating of A2/A3 or better as recognized by two nationally recognized rating organizations. Up to 40% of nonpermanent trust fund investments may be invested in bond mutual funds investing primarily in investment grade corporate and government bonds with a minimum of a five-year track record and at least \$1 billion in asset value.

Custodial Credit Risk

The Borough does not have a formal investment policy related to custodial credit risk, but management does not believe there is significant risk with respect to uncollateralized funds based on the nature and size of the custodian. The Borough's bank accounts were uninsured and uncollateralized by \$1,689,463 as of December 31, 2021.

Investments made by the Borough are summarized below:

<i>Investment Type</i>	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	5-10
Investments held by agent in the name of the Municipality of Skagway:				
Money market funds	\$ 605,624	\$ 605,624	\$ -	\$ -
Certificates of deposit	100,000	100,000	-	-
Total subject to interest rate risk	705,624	\$ 705,624	\$ -	\$ -
Bond mutual funds	3,148,628			
Bond exchange-traded funds	7,623,913			
Equity mutual funds	4,646,897			
Equity exchange-traded funds	17,117,708			
Domestic common stock	447,674			
Total Investments	\$ 33,690,444			

Concentration of Credit Risk

The Borough's investment policy places limits on the amount that can be invested in any one issuer. More than 5% of the Borough's domestic common stock is invested in common stock issued by Goldman Sachs Group, Inc. (83%) and US Bancorp (17%).

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

The Borough has the following recurring fair value measurements as of December 31, 2021:

<i>Investment Type</i>	Level 1	Level 2	Level 3	Fair Value
Equity securities	\$ 24,741,621	\$ -	\$ -	\$ 24,741,621
Mutual funds	7,795,525	-	-	7,795,525
Domestic common stock	447,674	-	-	447,674
Total Investments at Fair Value	\$ 32,984,820	\$ -	\$ -	32,984,820

Investments at Amortized Cost

Money market funds	605,624
Certificates of deposit	100,000

Total Investments at Amortized Cost 705,624

Total Investments \$ 33,690,444

The Borough's investments in money market funds and certificate of deposits are not held at fair value, but instead are recorded at amortized cost, as of December 31, 2021.

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

5. Accounts Receivable and Valuation Allowances

The Borough maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2021, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for doubtful accounts, are as follows:

Governmental Funds	General	Sales Tax Special Revenue	Permanent Trust	Debt Service	Nonmajor Govern- mental	Totals
Accounts	\$ 60,128	\$ 3,294	\$ -	\$ -	\$ -	\$ 63,422
Grants	18,085	-	-	-	128,653	146,738
Loan proceeds	-	-	-	648,727	-	648,727
Taxes	119,455	103,508	-	-	5,654	228,617
Land sales contracts	-	-	109,935	-	-	109,935
Other	-	-	6,485	-	-	6,485
Total receivables	197,668	106,802	116,420	648,727	134,307	1,203,924
Less allowance for doubtful accounts	(39,599)	(248)	-	-	-	(39,847)
Total Net Receivables	\$ 158,069	\$ 106,554	\$ 116,420	\$ 648,727	\$ 134,307	\$ 1,164,077

Enterprise Funds	Water and Sewer	Garbage	Small Boat Harbor	Health Clinic	Port	Total
Accounts	\$ 26,931	\$ 29,468	\$ 31,803	\$ 165,702	\$ -	\$ 253,904
Grants	47,833	-	17,298	263,203	33,413	361,747
Total receivables	74,764	29,468	49,101	428,905	33,413	615,651
Less allowance for doubtful accounts	(2,495)	(1,801)	(1,289)	(75,654)	-	(81,239)
Total Net Receivables	\$ 72,269	\$ 27,667	\$ 47,812	\$ 353,251	\$ 33,413	\$ 534,412

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

6. Capital Assets

Capital asset activity for the period ended December 31, 2021 was as follows:

Governmental Activities	Balance December 31, 2020	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2021
Capital assets not being depreciated:				
Land and improvements	\$ 5,742,716	\$ -	\$ -	\$ 5,742,716
Construction in progress	2,526,270	495,134	1,448,603	1,572,801
Total capital assets not being depreciated	8,268,986	495,134	1,448,603	7,315,517
Capital assets being depreciated:				
Buildings	36,604,613	317,031	-	36,921,644
Other improvements	8,352,669	106,272	-	8,458,941
Furniture and equipment	8,554,814	332,852	-	8,887,666
Infrastructure	11,711,252	749,587	-	12,460,839
Total capital assets being depreciated	65,223,348	1,505,742	-	66,729,090
Less accumulated depreciation for:				
Buildings	12,585,060	852,811	-	13,437,871
Other improvements	4,572,103	255,977	-	4,828,080
Furniture and equipment	6,689,607	264,679	-	6,954,286
Infrastructure	10,663,353	107,360	-	10,770,713
Total accumulated depreciation	34,510,123	1,480,827	-	35,990,950
Total capital assets being depreciated, net	30,713,225	24,915	-	30,738,140
Governmental Activity Capital Assets, net	\$ 38,982,211	\$ 520,049	\$ 1,448,603	\$ 38,053,657

The cost of the school building is included in buildings and amounted to \$8,100,000 at both December 31, 2021 and December 31, 2020. Accumulated depreciation on the school building was \$5,913,000 and \$5,751,000 at December 30, 2021 and December 31, 2020, respectively.

During 1985 and 1986, the Borough received provisional title from the State of Alaska to certain parcels of land. As the Borough sells this land, the proceeds are recorded in the Permanent Trust Fund. The value of the land will be determined when the Borough receives final title. Accordingly, no value has been recorded in the accompanying financial statements.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance December 31, 2020	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 271,314	\$ -	\$ -	\$ 271,314
Construction in progress	7,443,523	7,182,769	3,095,898	11,530,394
Total capital not assets being depreciated	7,714,837	7,182,769	3,095,898	11,801,708
Capital assets being depreciated:				
Distribution and collection systems (water/sewer)	7,680,154	172,447	-	7,852,601
Buildings	21,706,192	-	-	21,706,192
Harbor seawall	7,014,362	-	-	7,014,362
Harbor seawalk	5,905,264	-	-	5,905,264
Harbor infrastructure	12,617,706	-	-	12,617,706
Other improvements	5,184,977	845,888	-	6,030,865
Equipment	5,849,886	2,206,178	200,481	7,855,583
Total capital assets being depreciated	65,958,541	3,224,513	200,481	68,982,573
Less accumulated depreciation for:				
Distribution and collection systems (water/sewer)	5,804,456	157,035	-	5,961,491
Buildings	8,222,879	646,939	-	8,869,818
Harbor seawall	2,365,231	187,079	-	2,552,310
Harbor seawalk	2,425,951	196,842	-	2,622,793
Harbor infrastructure	1,921,904	271,481	-	2,193,385
Other improvements	3,076,312	187,659	-	3,263,971
Equipment	2,870,954	284,132	122,603	3,032,483
Total accumulated depreciation	26,687,687	1,931,167	122,603	28,496,251
Total capital assets being depreciated, net	39,270,854	1,293,346	77,878	40,486,322
Business-type Activity Capital Assets, net	\$ 46,985,691	\$ 8,476,115	\$ 3,173,776	\$ 52,288,030

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows for the period ended December 31, 2021:

Governmental Activities

General government	\$	107,474
Public safety		487,660
Public works and streets, including depreciation of general infrastructure assets		290,671
Education		392,681
Culture, recreation, and library		202,341
Total Depreciation Expense - Governmental Activities	\$	1,480,827

Business-type Activities

Water and sewer	\$	777,485
Garbage		72,241
Small boat harbor		740,119
Health clinic		262,382
Port		78,940
Total Depreciation Expense - Business-type Activities	\$	1,931,167

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

7. Long-term Liabilities

The following is a summary of long-term liabilities transactions for the period ended December 31, 2021:

Governmental Activities	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Bonds and loan payable:					
General obligation bonds	\$ 17,485,000	\$ -	\$ 740,000	\$ 16,745,000	\$ 775,000
Private loan	689,276	-	79,417	609,859	82,063
State of Alaska loans	2,243,513	2,947,743	370,430	4,820,826	65,785
Unamortized bond premium	520,185	-	89,749	430,436	-
Total bonds and loans payable	20,937,974	2,947,743	1,279,596	22,606,121	922,848
Other liabilities -					
compensated absences	404,323	120,034	72,386	451,971	451,971
Total Governmental Activities	\$ 21,342,297	\$ 3,067,777	\$ 1,351,982	\$ 23,058,092	\$ 1,374,819

Business-Type Activities	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Compensated absences	\$ 163,554	\$ 72,348	\$ 100,847	\$ 135,055	\$ 135,055
Total Business-Type Activities	\$ 163,554	\$ 72,348	\$ 100,847	\$ 135,055	\$ 135,055

Other long-term liabilities related to governmental activities such as compensated absences is generally liquidated by the General Fund.

Bonds and notes payable at December 31, 2021, are comprised of the following individual issues:

General Obligation Bonds

\$11,715,000 2015 general obligation bonds used for a public safety building; due in annual principal installments of \$250,000 to \$655,000 through March 2045; interest at 4% to 5%.	\$ 10,295,000
\$4,735,000 2015 general obligation bonds used for port development; due in annual principal installments of \$190,000 to \$345,000 through March 2035; interest at 4.25% to 5%.	3,695,000
\$890,000 2014 general obligation bonds used for small boat harbor upgrades; due in annual principal installments of \$40,000 to \$65,000 through June 2033; interest at 4% to 5%.	620,000
\$460,000 2011 general obligation bonds used for library expansion; due in annual principal installments of \$25,000 to \$35,000 through September 2031; interest at 4% to 5%.	285,000
\$2,875,000 2016 general obligation refunding bonds used for health clinic construction; due in annual principal installments of \$270,000 to \$350,000 through December 2027; interest at 5%.	\$ 1,850,000
Total General Obligation Bonds	\$ 16,745,000

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Loans Payable

Loan from the Corporation of the Catholic Bishop of Juneau used for the purchase of land for a new public safety building; due in quarterly installments of \$25,281, including interest at 3.29%; due in full in September 2028.	\$ 609,859
Loan from the State of Alaska Department of Environmental Conservation used for the wastewater treatment plant upgrades; due in annual installments of \$8,758, plus interest at 1.5%; due in full in October 2033.	113,850
Loan from the State of Alaska Department of Environmental Conservation used for the construction of a water well; due in annual principal installments of \$37,500, plus interest at 1.5%; due in full in October 2037.	600,000
Loan from the State of Alaska Department of Environmental Conservation used for the construction of a water tank; due in annual principal installments of \$19,527, plus interest at 1.5%; due in full in October 2038.	331,951
Loan from the State of Alaska Department of Environmental Conservation used for the upgrade to water and wastewater utilities along State Street, to be repaid over a 20-year amortization to begin upon completion of construction, including interest at 1.5%; maximum borrowing of \$4,803,331.	3,775,025
Total Loans Payable	\$ 5,430,685

The annual debt service requirements to amortize bonds and notes payable outstanding as of December 31, 2021, are as follows:

<i>Year Ending December 31,</i>	Principal	Interest	Total
2022	\$ 922,848	\$ 760,734	\$ 1,683,582
2023	965,582	722,013	1,687,595
2024	1,003,406	681,127	1,684,533
2025	1,046,325	634,349	1,680,674
2026	1,084,340	585,595	1,669,935
2027-2031	4,350,205	2,242,174	6,592,379
2032-2036	3,876,404	1,374,223	5,250,627
2037-2041	2,676,550	764,442	3,440,992
2042-2045	2,475,000	202,700	2,677,700
Loans not yet in repayment status	3,775,025	-	3,775,025
	\$ 22,175,685	\$ 7,967,357	\$ 30,143,042

The amount of long-term debt the Borough can incur is limited to 25% of the assessed value of the taxable real property in the Borough at December 31, 2021. The amount of outstanding long-term debt was approximately 5% of property assessments as of January 1, 2021 (the lien date).

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

8. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints at December 31, 2021:

	Major Funds						Totals
	General Fund	Sales Tax Special Revenue Fund	Excise Tax Special Revenue Fund	Permanent Trust Fund	Debt Service Fund	Nonmajor Funds	
Nonspendable:							
Prepaid items	\$211,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,310
Permanent Fund	-	-	-	5,113,827	-	-	5,113,827
Total nonspendable	211,310	-	-	5,113,827	-	-	5,325,137
Restricted:							
Bond indebtedness	-	9,543,712	-	-	-	-	9,543,712
Cruise ship tourism	-	-	10,530,075	-	-	-	10,530,075
Total restricted	-	9,543,712	10,530,075	-	-	-	20,073,787
Assigned:							
Debt service	-	-	-	-	119,714	-	119,714
Tourism	-	-	6,022,392	-	-	13,261	6,035,653
Total assigned	-	-	6,022,392	-	119,714	13,261	6,155,367
Unassigned	339,490	-	-	-	-	-	339,490
Total Fund Balances	\$550,800	\$9,543,712	\$16,552,467	\$5,113,827	\$119,714	\$ 13,261	\$31,893,781

The Permanent Trust Fund was established to hold amounts received from the sale of lands received under the Municipal Entitlement Act, which restricts the use of the proceeds of the sale of related lands. The amounts held in the Sales Tax Special Revenue Fund are restricted by vote of the people to be used first for principal and interest payments on general obligation bond indebtedness. As of December 31, 2021, the amount held in this fund does not exceed the total bond indebtedness; therefore, the entire amount is still considered restricted. Amounts received under the Commercial Passenger Vessel Tax program of the State of Alaska are held in the Excise Tax Special Revenue Fund as restricted until they are spent on eligible projects. Related interest earned on these funds is not considered restricted.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

9. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The Borough 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 Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in an annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

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

The PERS DB Plan was closed to new entrants effective July 1, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

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

Alaska Statute 39.35.280 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board (ARM Board). As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Borough recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Peace officers and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

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

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the DC plan. Contributions derived from the DC employee payroll is referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

State Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the proprietary funds and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates are actuarially determined. The Borough's contribution rates for the year ended December 31, 2021 were as follows:

<i>January 1, 2021 to June 30, 2021</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment healthcare (ARHCT)	7.43%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

<i>July 1, 2021 to December 31, 2021</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.54%	26.99%	8.11%
Postemployment healthcare (ARHCT)	6.46%	3.12%	-%
Total Contribution Rates	22.00%	30.11%	8.11%

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

	Measurement Period July 1, 2020 to June 30, 2021	Borough Fiscal Year January 1, 2021 to December 31, 2021
Employer contributions (including DBUL)	\$ 558,181	\$ 550,305
Nonemployer contributions (on-behalf)	373,677	347,255
Total Contributions	\$ 931,858	\$ 897,560

In addition, employee contributions to the Plan totaled \$61,824 during the Borough's fiscal year.

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

At December 31, 2021, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Borough were as follows:

	2021
Borough proportionate share of NPL	\$ 6,298,567
State's proportionate share of NPL associated with the Borough	851,280
Total Net Pension Liability	\$ 7,149,847

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2021 measurement date, the Borough's proportion was 0.17169 percent, which was an increase of 0.05489 from its proportion measured as of December 31, 2020.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

For the year ended December 31, 2021, the Borough recognized pension expense of \$2,680,643 and on-behalf revenue of \$373,677 for support provided by the State. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (27,904)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	461,492	(2,483,824)
Borough contributions subsequent to the measurement date	278,651	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 740,143	\$ (2,511,728)

The \$278,651 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,

2022		\$ (143,620)
2023		(568,947)
2024		(615,443)
2025		(722,226)
Total Amortization		\$ (2,050,236)

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2021 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039. 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 2.50% 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 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2020 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, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 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 pension plan assets.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	28%	6.63%
Global equity (non-U.S.)	19%	5.41%
Aggregate bonds	22%	0.76%
Opportunistic	6%	4.39%
Real assets	13%	3.16%
Private equity	12%	9.29%
Cash equivalents	-%	0.13%

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

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Borough's proportionate share of the net pension liability	0.17169%	\$ 9,329,055	\$ 6,298,567	\$ 3,752,568

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted 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 are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted 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 were applied in the year ended December 31, 2021 to cover a portion of the Borough's employer match contributions. For the year ended December 31, 2021, forfeitures reduced pension expense by \$24,020.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2021, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended December 31, 2021 were \$163,469 and \$261,551, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in PERS, the Borough participates in the following cost-sharing multiple-employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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 provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. 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 Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/dr/pers>.

Employer Contribution Rates

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

Employer contribution rates for the year ended December 31, 2021 were as follows:

<i>January 1, 2021 to June 30, 2021</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	7.43%	7.43%
Retiree Medical Plan	1.27%	1.27%
Occupational Death and Disability Benefits	0.31%	0.70%
Total Contribution Rates	9.01%	9.40%
<i>July 1, 2021 to December 31, 2021</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	6.46%	6.46%
Retiree Medical Plan	1.07%	1.07%
Occupational Death and Disability Benefits	0.31%	0.68%
Total Contribution Rates	7.84%	8.21%

In 2021, the Borough was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2020 to June 30, 2021	Borough Fiscal Year January 1, 2021 to December 31, 2021
Employer contributions - ARHCT	\$ 68,856	\$ 61,888
Employer contributions - RMP	42,678	38,292
Employer contributions - ODD	12,190	11,791
Total Contributions	\$ 123,724	\$ 111,971

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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

At December 31, 2021, the Borough reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

Borough's proportionate share of NOA - ARHCT	\$ 4,424,221
Borough's proportionate share of NOA - RMP	61,725
Borough's proportionate share of NOA - ODD	100,721
<hr/>	
Total Borough's Proportionate Share of NOA	\$ 4,586,667
State's proportionate share of the ARHCT NOA associated with the Borough	580,065
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Total Net OPEB Asset	\$ 5,166,732

The total OPEB asset for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 to calculate the net OPEB asset as of that date. The Borough's proportion of the net OPEB asset was based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2020 Measurement Date Employer Proportion	June 30, 2021 Measurement Date Employer Proportion	Change
<hr/>			
Borough's proportionate share of the net OPEB asset:			
ARHCT	0.11680%	0.17246%	0.05566%
RMP	0.22463%	0.22996%	0.00533%
ODD	0.21225%	0.22853%	0.01628%

For the year ended December 31, 2021, the Borough recognized OPEB expense (benefit) of \$(1,725,772). Of this amount, \$(201,261) was recorded as on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

<i>Plan</i>	OPEB Expense (Benefit)	On-behalf Revenue
ARHCT	\$ (1,794,356)	\$ (201,261)
RMP	58,893	-
ODD	9,691	-
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Total	\$ (1,725,772)	\$ (201,261)

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ 4,589	\$ -	\$ 4,589
Changes in assumptions	-	19,185	-	19,185
Changes in proportion and differences between Borough contributions and proportionate share of contributions	-	1,596	2,274	3,870
Borough contributions subsequent to the measurement date	29,396	17,277	5,800	52,473

Total Deferred Outflows of Resources Related to OPEB Plans	\$ 29,396	\$ 42,647	\$ 8,074	\$ 80,117
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<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ (46,461)	\$ (2,935)	\$ (27,510)	\$ (76,906)
Changes in assumptions	(167,192)	(36,683)	(765)	(204,640)
Difference between projected and actual investment earnings	(2,070,299)	(55,221)	(16,151)	(2,141,671)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	(68,716)	(211)	(6,207)	(75,134)

Total Deferred Inflows of Resources Related to OPEB Plans	\$ (2,352,668)	\$ (95,050)	\$ (50,633)	\$ (2,498,351)
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Amounts reported as deferred outflows of resources related to OPEB plans resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 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:

<i>Year Ending December 31,</i>	ARHCT	RMP	ODD	Total
2022	\$ (767,377)	\$ (14,921)	\$ (9,222)	\$ (791,520)
2023	(476,783)	(14,947)	(9,211)	(500,941)
2024	(511,965)	(15,504)	(9,381)	(536,850)
2025	(596,543)	(17,264)	(9,920)	(623,727)
2026	-	(2,018)	(4,994)	(7,012)
Thereafter	-	(5,026)	(5,631)	(10,657)
Total Amortization	\$ (2,352,668)	\$ (69,680)	\$ (48,359)	\$ (2,470,707)

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB asset for each plan was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2021:

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter. Graded by service from 6.75% to 2.75% for all others.
Allocation methodology	Amounts for the June 30, 2021 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2023 to 2039.
Investment rate of return	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%
Mortality (ARHCT, RMP and ODD Plans)	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
(ODD Plan)	Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. Disability mortality in accordance with the RP-2014 Disabled Table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
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 nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 and CY 21.
3. 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	28%	6.63%
Global equity (non-U.S.)	19%	5.41%
Aggregate bonds	22%	0.76%
Opportunistic	6%	4.39%
Real assets	13%	3.16%
Private equity	12%	9.29%
Cash equivalents	-%	0.13%

Discount Rate

The discount rate used to measure the total OPEB asset for each plan as of June 30, 2021 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 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 asset for each plan.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the Borough's proportionate share of the net OPEB asset calculated using the discount rate of 7.38%, as well as what the Borough's proportionate share of the respective plan's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Borough's proportionate share of the net OPEB asset:				
ARHCT	0.17246%	\$ (2,893,374)	\$ (4,424,221)	\$ (5,695,476)
RMP	0.22996%	\$ 40,286	\$ (61,725)	\$ (138,773)
ODD	0.22853%	\$ (96,445)	\$ (100,721)	\$ (104,126)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the Borough's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2020 actuarial valuation reports as well as what the Borough's proportionate share of the respective plan's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate)	1% Increase
Borough's proportionate share of the net OPEB asset:				
ARHCT	0.17246%	\$ (5,844,292)	\$ (4,424,221)	\$ (2,710,566)
RMP	0.22996%	\$ (149,802)	\$ (61,725)	\$ 58,287
ODD	0.22853%	\$ n/a	\$ n/a)	\$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

PERS DC Pension Plan participants (PERS Tier IV) also participate in the Health Reimbursement Arrangement Plan (HRA Plan). The HRA Plan allows for medical care expense to be reimbursed from individual savings accounts established for eligible persons. The HRA Plan became effective July 1, 2006 at which time contributions by employers began.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2021, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,168 per year for each full-time employee, and \$1.39 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2021, the Borough contributed \$89,833 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

10. Risk Management

The Borough 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 Borough purchases commercial insurance coverage to mitigate such risks.

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

11. Future Rental Revenue

The Borough leases land to commercial tenants under standard leases. Terms of the leases are up to 15 years. Most commercial leases are adjusted periodically based on the appraised value of the land. Future minimum rental payments are approximately as follows for the years ending December 31:

2022	\$ 165,785
2023	75,897
2024	30,741
2025	29,373
2026	28,917
Thereafter	112,989
<hr/>	
Total	\$ 443,702

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

12. COVID-19 Pandemic

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Borough’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Borough is not able to estimate the full effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity in future years. The Borough is dependent upon its workforce to deliver its services, and local businesses are dependent on economic factors in order to continue operations. Prolonged shutdowns or limited economic activity may negatively impact the Borough’s services and taxes collected and the Borough’s overall liquidity. Furthermore, adverse economic effects of the COVID-19 outbreak may decrease demand for the Borough’s services based on restrictions in place to curb the outbreak or changes in consumer behavior.

Although the Borough cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Borough’s results of future operations, financial position, and liquidity in fiscal year 2022.

On March 27, 2020 President Trump signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. It also appropriated certain relief funds, for which the Borough may be eligible. At the time of this report, \$7,475,032 has been awarded to the Borough through the State of Alaska Department of Commerce, Community and Economic Development Coronavirus Relief Fund. As of December 31, 2021, the Borough has spent all of these monies.

In addition, the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 were signed into law on December 27, 2020 and March 11, 2021, respectively. Both Acts appropriated funds for States and certain local governments. At the time of this report, \$5,319,010 has been awarded to the Borough. As of December 31, 2021, the Borough had spent \$48,339 of these monies.

13. Subsequent Events

On June 23, 2022, a rockslide occurred on the eastern mountainside over the Railroad Dock. Following the rockslide, the Borough contracted Shannon & Wilson to do a site visit to observe slope conditions along the White Pass & Yukon Route Railway. The report from this visit detailed that the slide mass on the mountain is moving at 2.5 inches per year and has the potential to cause significant damage to the railroad dock and collateral damage to the small boat harbor. Following the report, the Assembly passed a motion recommending the Railroad Dock’s front berth be shut down. On August 3, 2022, a second landslide occurred. On August 4, 2022, the Borough declared a state of emergency related to the rockslide, projecting costs in the tens of millions of dollars.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

On October 20, 2022, a resolution was passed to approve an early access and transition agreement between the Borough and Pacific and Arctic Railway and Navigation Company (PARN/WPYR). The 55-year lease between PARN (WPYR) and the Borough of the tidelands lease area is scheduled to expire in March 2023. To facilitate the transition out of this lease, the Borough has agreed to enter into a written agreement with WPYR, where WPYR will transfer permanently any tidelands improvements in place, as-is with no compensation from the Borough. These assets are estimated by WPYR to have a replacement cost of \$40,000,000. Additionally, WPYR is allowing early access to the leased area to continue improvements. In return, the Borough agrees to release WPYR from obligations with respect to any additional remediation that may be deemed to be required for ore contamination within the tidelands lease area prior to the execution of the written agreement, up to \$15,000,000.

On December 15, 2022, the Borough entered a \$4,300,000 Note Purchase Agreement with Wells Fargo Bank in order to meet on-going capital expenses, including but not limited to costs related to Port improvements and rockslide emergency measures. This note has a maturity date of December 14, 2023 and carries an annual interest rate of 4.25%.

On October 4, 2022, voters of the Borough approved the issuance and sale of Port Revenue Bonds not to exceed \$65,000,000 to pay for various improvements to be made to the dock, wharf, and public facilities of the Port. On February 15, 2023, the Borough issued \$29,880,000 of Port Revenue Bonds that are due in annual installments of \$435,000 to \$1,910,000, plus interest rates from 5.00% to 5.25%, through December 1, 2052.

14. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance). The following new accounting standards were implemented by the Borough for 2021 reporting:

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end December 31, 2021, 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 statements prepared using the economic resources measurement focus. There was no change for the Borough for the year ended December 31, 2021 from implementation of this standard.

GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - Effective for year-end December 31, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end December 31, 2021. This Statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. There was no change for the Borough for the year ended December 31, 2021 from implementation of this standard.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

The GASB has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB Statement No. 95). Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 87 - Leases - Effective for year-end December 31, 2022, with earlier application encouraged - This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 91 - Conduit Debt Obligations - Effective for year-end December 31, 2022, with earlier application encouraged - This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

GASB Statement No. 92 - Omnibus 2020 - Provisions of this Statement related 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 for all other provisions of the Statement are to be implemented for year-end December 31, 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 benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements 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 No. 93 - Replacement of Interbank Offered Rates - The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end December 31, 2022. The requirements in paragraph 11b are required to be implemented for year-end December 31, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements - Effective for year-end December 31, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements - Effective for year-end December 31, 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.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

GASB Statement No. 98 - The Annual Comprehensive Financial Report - Effective for year-end June 30, 2022. Earlier application is encouraged. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99 - Omnibus 2022 - Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end December 31, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end December 31, 2024.

GASB Statement No. 100 - Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62 - Effective for year-end December 31, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101 - Compensated Absences - Effective for year-end December 31, 2024. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Required Supplementary Information

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2021</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,011,000	\$ 2,011,000	\$2,708,273	\$ 697,273
Federal government	214,000	293,347	523,028	229,681
State of Alaska	323,400	323,400	570,565	247,165
Investment income (loss)	400	400	(19,916)	(20,316)
Other revenues	230,466	1,930,466	1,740,963	(189,503)
Total Revenues	2,779,266	4,558,613	5,522,913	964,300
Expenditures				
General government	2,464,703	2,639,703	2,554,933	84,770
Public safety	2,557,280	2,651,627	2,546,742	104,885
Public works	1,000,497	1,105,878	991,830	114,048
Culture, recreation and library	1,545,733	3,265,732	2,873,380	392,352
Total Expenditures	7,568,213	9,662,940	8,966,885	696,055
Excess (Deficiency) of Revenues Over Expenditures	(4,788,947)	(5,104,327)	(3,443,972)	1,660,355
Other Financing Sources (Uses):				
Transfers in	4,788,947	5,104,327	3,477,326	(1,627,001)
Transfers out	-	-	(30,300)	(30,300)
Net Other Financing Sources (Uses)	4,788,947	5,104,327	3,447,026	(1,657,301)
Net Change in Fund Balance	\$ -	\$ -	3,054	\$ 3,054
Fund Balance, beginning			547,746	
Fund Balance, ending			<u>\$ 550,800</u>	

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2021</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 2,325,000	\$ 2,325,000	\$ 1,350,885	\$ (974,115)
Investment income	-	-	739,074	739,074
Total Revenues	2,325,000	2,325,000	2,089,959	(235,041)
Expenditures				
General government	267,200	267,200	159,353	107,847
Education	2,031,542	2,031,542	2,031,542	-
Total Expenditures	2,298,742	2,298,742	2,190,895	107,847
Excess (Deficiency) of Revenues Over Expenditures	26,258	26,258	(100,936)	(127,194)
Other Financing Uses - transfers out	(3,633,764)	(4,624,644)	(2,394,071)	2,230,573
Net Change in Fund Balance	<u>\$ (3,607,506)</u>	<u>\$ (4,598,386)</u>	(2,495,007)	<u>\$ 2,103,379</u>
Fund Balance, beginning			<u>12,038,719</u>	
Fund Balance, ending			<u>\$9,543,712</u>	

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Excise Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2021</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Excise tax	\$7,462,891	\$ -	\$ -	\$ -
Investment income	-	-	1,396,053	1,396,053
Total Revenues	7,462,891	-	1,396,053	1,396,053
Expenditures - general government	86,000	86,000	83,223	2,777
Excess (Deficiency) of Revenues Over Expenditures	7,376,891	(86,000)	1,312,830	1,398,830
Other Financing Uses - transfers out	(7,462,891)	(7,060,014)	(5,433,271)	1,626,743
Net Change in Fund Balance	<u>\$ (86,000)</u>	<u>\$ (7,146,014)</u>	(4,120,441)	<u>\$3,025,573</u>
Fund Balance, beginning			<u>20,672,908</u>	
Fund Balance, ending			<u>\$16,552,467</u>	

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Public Employees' Retirement System - Pension Plan
Schedule of the Borough's Proportionate Share of the Net Pension Liability

<i>Period Ended,</i>	December 31, December 31,							
	2021	2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Borough's Proportion of the Net Pension Liability	0.17169%	0.11680%	0.12764%	0.13305%	0.12849%	0.15346%	0.12261%	0.08601%
Borough's Proportionate Share of the Net Pension Liability	\$ 6,298,567	\$ 6,892,812	\$ 6,987,174	\$ 6,611,314	\$ 6,642,154	\$ 8,577,897	\$ 5,946,382	\$ 4,011,755
State of Alaska Proportionate Share of the Net Pension Liability	851,280	2,853,012	2,774,610	1,913,802	2,474,078	1,082,912	1,589,812	3,437,565
Total Net Pension Liability	\$ 7,149,847	\$ 9,745,824	\$ 9,761,784	\$ 8,525,116	\$ 9,116,232	\$ 9,660,809	\$ 7,536,194	\$ 7,449,320
Borough's Covered Payroll	\$ 3,151,630	\$ 3,163,362	\$ 4,006,166	\$ 3,904,388	\$ 3,770,565	\$ 3,644,188	\$ 3,586,386	\$ 3,437,622
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	199.85%	217.90%	174.41%	169.33%	176.16%	235.39%	165.80%	116.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.46%	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%	62.37%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	December 31, December 31,							
	2021	2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	\$ 550,305	\$ 286,528	\$ 450,798	\$ 409,954	\$ 516,205	\$ 435,700	\$ 385,954	\$ 353,922
Contributions Relative to the Contractually Required Contribution	550,305	286,528	450,798	409,954	516,205	435,700	385,954	353,922
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 4,108,074	\$ 2,195,187	\$ 4,131,536	\$ 4,006,166	\$ 3,904,388	\$ 3,770,565	\$ 3,644,188	\$ 3,586,386
Contributions as a Percentage of Covered Payroll	13.40%	13.05%	10.91%	10.23%	13.22%	11.56%	10.59%	9.87%

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Public Employees' Retirement System - OPEB ARHCT Plan
Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Asset)

<i>Period Ended,</i>	ARHCT				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.17246%	0.11680%	0.12764%	0.13313%	0.12850%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (4,424,221)	\$ (528,948)	\$ 189,397	\$ 1,366,266	\$ 1,085,377
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	(580,065)	(219,444)	75,413	396,953	404,582
Total Net OPEB Liability (Asset)	\$ (5,004,286)	\$ (748,392)	\$ 264,810	\$ 1,763,219	\$ 1,489,959
Borough's Covered Payroll	\$ 688,991	\$ 813,429	\$ 1,225,132	\$ 1,390,699	\$ 1,413,884
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-642.13%	-65.03%	15.46%	98.24%	76.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	135.54%	106.15%	98.13%	88.12%	89.68%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	ARHCT				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 61,888	\$ 86,623	\$ 180,393	\$ 132,178	\$ 143,842
Contributions Relative to the Contractually Required Contribution	61,888	86,623	180,393	132,178	143,842
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 888,569	\$ 489,413	\$ 1,137,445	\$ 1,225,132	\$ 1,390,699
Contributions as a Percentage of Covered Payroll	6.965%	17.699%	15.859%	10.789%	10.343%

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Public Employees' Retirement System - OPEB RMP Plan
Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Asset)

<i>Period Ended,</i>	RMP				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.22996%	0.22463%	0.22479%	0.22220%	0.22632%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (61,725)	\$ 15,931	\$ 53,778	\$ 28,275	\$ 11,802
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (61,725)	\$ 15,931	\$ 53,778	\$ 28,275	\$ 11,802
Borough's Covered Payroll	\$ 2,462,639	\$ 2,370,643	\$ 2,809,275	\$ 2,514,905	\$ 2,354,115
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-2.51%	0.67%	1.91%	1.12%	0.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	115.10%	95.23%	83.17%	88.71%	93.98%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	RMP				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 38,292	\$ 21,663	\$ 40,069	\$ 26,407	\$ 25,903
Contributions Relative to the Contractually Required Contribution	38,292	21,663	40,069	26,407	25,903
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 3,219,505	\$ 1,705,774	\$ 3,035,512	\$ 2,809,275	\$ 2,514,905
Contributions as a Percentage of Covered Payroll	1.189%	1.270%	1.320%	0.940%	1.030%

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Public Employees' Retirement System - OPEB ODD Plan
Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Asset)

<i>Period Ended,</i>	ODD				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.22853%	0.21225%	0.19538%	0.22220%	0.22632%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (100,721)	\$ (57,861)	\$ (47,369)	\$ (43,156)	\$ (32,112)
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (100,721)	\$ (57,861)	\$ (47,369)	\$ (43,156)	\$ (32,112)
Borough's Covered Payroll	\$ 2,462,639	\$ 2,370,643	\$ 2,809,275	\$ 2,514,905	\$ 2,354,115
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-4.09%	-2.44%	-1.69%	-1.72%	-1.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	374.22%	283.80%	297.43%	270.62%	212.97%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	ODD				
	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 11,791	\$ 6,199	\$ 9,307	\$ 7,982	\$ 4,139
Contributions Relative to the Contractually Required Contribution	11,791	6,199	9,307	7,982	4,139
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 3,219,505	\$ 1,705,774	\$ 3,035,512	\$ 2,809,275	\$ 2,514,905
Contributions as a Percentage of Covered Payroll	0.366%	0.363%	0.307%	0.284%	0.165%

See accompanying notes to Required Supplementary Information.

Municipality of Skagway

Notes to Required Supplementary Information December 31, 2021

1. Budgetary Comparison Schedules

The Borough follows these procedures in establishing the budgetary data reflected in the fund financial statements:

- The finance director must submit to the Assembly, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Assembly to obtain comments by citizens.
- By January 1, the budget is legally enacted through passage of an ordinance by Assembly action.
- Amendments to the budget can occur anytime during the fiscal year through action by the Assembly or administration. Generally, the following actions are required at the level of the particular change:
 - All new appropriations are authorized by an appropriating ordinance that amends the annual budget.
 - A resolution of the Assembly is required to appropriate amounts between funds, departments, and projects within the same funds.
- Expenditures may not legally exceed appropriations at the following levels: Capital Projects Funds - project level, all other funds - activity level.
- All funds are budgeted on an annual basis encompassing a fiscal year. Capital Project Funds have project length budgets, which generally are greater than one year.
- Budgets adopted by the Assembly are in accordance with accounting principles generally accepted in the United States of America.
- The Borough publishes a budget document which may be obtained from the Municipality of Skagway, 700 Spring Street, Skagway AK 99840.

2. Public Employees' Retirement System Pension Plan

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

This table is presented based on the Plan measurement date. For December 31, 2021, the Plan measurement date is June 30, 2021.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2020 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, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 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 pension plan assets.

Municipality of Skagway

Notes to Required Supplementary Information, continued December 31, 2021

In 2019, 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 Borough will present only those years for which information is available.

Schedule of the Borough's Contributions

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

For period ended December 31, 2020, the Borough's contributions reported represents a six-month period, while current and preceding contributions are for a twelve-month period.

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

3. Public Employees' Retirement System OPEB Plans

Schedule of the Borough's Proportionate Share of the Net OPEB Asset and Liability

This table is presented based on the Plan measurement date. For December 31, 2021, the Plan measurement date is June 30, 2021.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 to CY 21.
3. 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 2019, the discount rate was lowered from 8% to 7.38%.

Municipality of Skagway

Notes to Required Supplementary Information, continued December 31, 2021

In 2019, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in largest 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 Borough will present only those years for which information is available.

Schedule of the Borough's Contributions

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

For period ended December 31, 2020, the Borough's contributions reported represents a six-month period, while current and preceding contributions are for a twelve-month period.

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

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Supplementary Information

Municipality of Skagway, Alaska

Nonmajor Governmental Funds Combining Balance Sheet

<i>December 31, 2021</i>	Capital Project Funds			Visitor Special Revenue Fund	Total Nonmajor Governmental Funds
	Emergency Equipment	School Kitchen Addition	Environmental Site Assessment		
Assets					
Cash and investments	\$ -	\$ 3,406	\$ 128,000	\$ 26,783	\$ 158,189
Accounts receivable - grants	128,653	-	-	-	128,653
Accounts receivable - sales taxes	-	-	-	5,654	5,654
Total Assets	\$ 128,653	\$ 3,406	\$ 128,000	\$ 32,437	\$ 292,496
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 128,653	\$ 3,406	\$ 128,000	\$ 19,176	\$ 279,235
Fund Balances					
Assigned - tourism	-	-	-	13,261	13,261
Total Liabilities and Fund Balances	\$ 128,653	\$ 3,406	\$ 128,000	\$ 32,437	\$ 292,496

Municipality of Skagway, Alaska
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

	Capital Project Funds							Visitor Special Revenue Fund	Total Nonmajor Govern- mental Funds	
	AB Hall Improve- ments	Train Display Museum	Emergency Equipment	Lost Lake Trail Develop- ments	Lower Lake Trail Develop- ments	School Kitchen Addition	Environmental Site Assessment			
<i>Year Ended December 31, 2021</i>										
Revenues										
Federal government	\$ -	\$ -	\$ 128,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,653
State of Alaska	-	-	-	-	-	-	-	6,084	-	6,084
Private grants	-	-	-	-	-	-	-	2,000	-	2,000
Short-term rentals	-	-	-	-	-	-	-	47,861	-	47,861
Charges for services	-	-	-	-	-	-	-	9,537	-	9,537
Other revenue	-	-	-	-	-	-	-	3,054	-	3,054
Total Revenues	-	-	128,653	-	-	-	-	68,536	-	197,189
Expenditures										
General government	-	-	-	-	-	-	-	620,783	-	620,783
Capital outlay:										
General government	155,553	-	-	-	-	-	-	-	-	155,553
Culture, recreation and library	-	-	-	14,435	25,000	-	-	-	-	39,435
Public safety	-	-	128,653	-	-	-	-	-	-	128,653
Public works	-	3,692	-	-	-	-	-	-	-	3,692
Education	-	-	-	-	-	15,801	152,000	-	-	167,801
Total Expenditures	155,553	3,692	128,653	14,435	25,000	15,801	152,000	620,783	-	1,115,917
Excess (Deficiency) of Revenues Over Expenditures	(155,553)	(3,692)	-	(14,435)	(25,000)	(15,801)	(152,000)	(552,247)	-	(918,728)
Other Financing Sources (Uses)										
Transfers in	155,553	3,692	-	14,435	25,000	15,801	152,000	653,369	-	1,019,850
Transfers out	-	-	-	-	-	-	-	(101,122)	-	(101,122)
Net Other Financing Sources (Uses)	155,553	3,692	-	14,435	25,000	15,801	152,000	552,247	-	918,728
Net Change in Fund Balances	-	-	-	-	-	-	-	-	-	-
Fund Balances, beginning	-	-	-	-	-	-	-	13,261	-	13,261
Fund Balances, ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,261	\$ -	\$ 13,261

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General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the Borough such as administrative services, police and fire protection, public works, planning, etc. Appropriations are made from the fund annually. The fund will continue to exist indefinitely.

General Fund revenues come from a variety of sources such as the State and federal governments, property and sales tax, investment income, etc. The revenues generally are not restricted to fund specific expenditures. General Fund expenditures are made primarily for current day-to-day operating purposes. Capital expenditures for large-scale public improvements, such as buildings, are accounted for elsewhere in the Capital Project Funds or Enterprise Funds.

Municipality of Skagway, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2021	2020
Assets		
Cash and investments	\$ 5,906,675	\$ -
Receivables:		
Accounts	60,128	103,780
Property taxes	119,455	785,767
Grants receivable	18,085	-
Allowance for doubtful accounts	(39,599)	(6,000)
Total receivables	158,069	883,547
Prepays	211,310	203,750
Due from other funds	807,347	946,634
Total Assets	\$ 7,083,401	\$ 2,033,931
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 401,668	\$ 62,588
Unearned revenue	6,017,189	642,766
Total Liabilities	6,418,857	705,354
Deferred Inflows of Resources		
Unavailable property taxes	113,744	780,831
Fund Balance		
Nonspendable	211,310	203,750
Unassigned	339,490	343,996
Total Fund Balance	550,800	547,746
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,083,401	\$ 2,033,931

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

	Year Ended December 31, 2021			Six Months Ended December 31, 2020
	Budget	Actual	Variance	Actual
Revenues				
Property taxes	\$ 2,011,000	\$ 2,708,273	\$ 697,273	\$ 1,230,165
Federal government:				
Payment in lieu of property taxes	198,000	210,375	12,375	-
Federal grants	95,347	312,653	217,306	5,967,293
Total federal government	293,347	523,028	229,681	5,967,293
State of Alaska	323,400	570,565	247,165	327,183
Investment income (loss)	400	(19,916)	(20,316)	666
Other revenues:				
Licenses and fees	37,500	68,088	30,588	22,528
Service and admission fees	92,900	48,819	(44,081)	9,950
Rental income	43,600	59,237	15,637	15,553
Norwegian Cruise Lines Donations	1,700,000	1,550,000	(150,000)	-
Donations and other	56,466	14,819	(41,647)	445
Total other revenues	1,930,466	1,740,963	(189,503)	48,476
Total Revenues	\$ 4,558,613	\$ 5,522,913	\$ 964,300	\$ 7,573,783

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, continued

	Year Ended December 31, 2021			Six Months Ended December 31, 2020
	Budget	Actual	Variance	Actual
Expenditures				
General government:				
Administration:				
Payroll and payroll benefits	\$ 1,031,966	\$ 1,022,087	\$ 9,879	\$ 442,810
Travel and training	20,004	652	19,352	846
Materials and supplies	12,000	8,143	3,857	3,662
Administration	213,063	175,638	37,425	94,531
Utilities	58,000	57,865	135	25,184
Insurance	267,800	258,416	9,384	141,229
Contract services	154,140	266,198	(112,058)	34,901
Repairs and maintenance	56,500	228,192	(171,692)	14,231
Capital outlay	53,500	-	53,500	761
Other	26,815	5,406	21,409	(19,490)
Total administration	1,893,788	2,022,597	(128,809)	738,665
City manager:				
Payroll and payroll benefits	282,656	244,246	38,410	104,912
Travel and training	6,000	2,523	3,477	48
Utilities	1,200	917	283	366
Repairs and maintenance	19,800	19,800	-	9,900
Total city manager	309,656	267,486	42,170	115,226
Assembly:				
Payroll and payroll benefits	39,000	31,780	7,220	16,841
Travel and training	15,000	14,570	430	600
Utilities	800	2,146	(1,346)	-
Administration	287,474	107,850	179,624	103,213
Contract services	-	61,473	(61,473)	-
Repairs and maintenance	45,485	383	45,102	46,910
Other	48,500	46,648	1,852	3,980
Total Assembly	436,259	264,850	171,409	171,544
COVID-19 Response:				
Administration	-	-	-	8,629
Contract services	-	-	-	22,863
Repairs and maintenance	-	-	-	33,901
Total COVID-19 response	-	-	-	65,393
Total general government	2,639,703	2,554,933	84,770	1,090,828

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, continued

	Year Ended December 31, 2021			Six Months Ended
	Budget	Actual	Variance	December 31, 2020
Expenditures, continued:				
Public safety:				
Fire department:				
Payroll and payroll benefits	\$ 758,940	\$ 585,736	\$ 173,204	\$ 7,132
Travel and training	12,500	9,414	3,086	12,345
Materials and supplies	8,000	7,120	880	4,246
Utilities	100,000	104,716	(4,716)	47,352
Administration	41,574	30,429	11,145	14,271
Contract services	41,000	41,792	(792)	29,036
Repairs and maintenance	36,676	37,280	(604)	22,322
Capital outlay	120,625	97,986	22,639	-
Other	5,500	64,529	(59,029)	11,343
Total fire department	1,124,815	979,002	145,813	148,047
Police:				
Payroll and payroll benefits	768,477	778,554	(10,077)	467,101
Travel and training	15,000	12,903	2,097	4,099
Utilities	51,000	65,632	(14,632)	26,241
Administration	35,000	32,130	2,870	22,100
Contract services	9,950	9,488	462	4,950
Repairs and maintenance	46,000	26,694	19,306	59,519
Capital outlay	13,200	6,756	6,444	165,855
Other	4,350	1,179	3,171	64,943
Total police	942,977	933,336	9,641	814,808
General public safety:				
Payroll and payroll benefits	484,676	538,536	(53,860)	7,587
Travel and training	1,500	1,443	57	675
Materials and supplies	-	79	(79)	-
Utilities	500	399	101	199
Administration	67,159	64,821	2,338	15,850
Repairs and maintenance	30,000	29,126	874	30,687
Other	-	-	-	387
Total general public safety	583,835	634,404	(50,569)	55,385
COVID-19 response public safety:				
Payroll and payroll benefits	-	-	-	695,103
Materials and supplies	-	-	-	4,884
Utilities	-	-	-	3,908
Total COVID-19 response public safety	-	-	-	703,895
Total public safety	2,651,627	2,546,742	104,885	1,722,135

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, continued

	Year Ended December 31, 2021			Six Months Ended
	Budget	Actual	Variance	December 31, 2020
Expenditures, continued:				
Public works:				
Payroll and payroll benefits	\$ 801,517	\$ 756,417	\$ 45,100	\$ 295,326
Travel and training	3,500	-	3,500	-
Utilities	80,000	82,797	(2,797)	30,347
Administration	3,861	3,861	-	1,878
Capital outlay	217,000	148,755	68,245	61,913
Total public works	1,105,878	991,830	114,048	389,464
Culture, recreation and library:				
Rec center:				
Payroll and payroll benefits	392,305	368,839	23,466	156,676
Travel and training	2,500	3,928	(1,428)	349
Materials and supplies	5,000	2,104	2,896	1,068
Utilities	48,000	38,763	9,237	16,116
Administration	6,000	13,445	(7,445)	4,598
Contract services	17,749	10,159	7,590	2,500
Repairs and maintenance	10,000	9,753	247	11,210
Capital outlay	900	900	-	-
Other	20,000	11,803	8,197	6,316
Total rec center	502,454	459,694	42,760	198,833
Library:				
Payroll and payroll benefits	257,346	229,424	27,922	82,431
Travel and training	300	300	-	-
Utilities	17,000	15,974	1,026	6,364
Administration	11,474	10,546	928	4,825
Contract services	19,000	17,550	1,450	7,327
Repairs and maintenance	8,300	10,707	(2,407)	3,430
Capital outlay	2,200	-	2,200	-
Other	10,900	10,551	349	8,025
Total library	326,520	295,052	31,468	112,402
Museum:				
Payroll and payroll benefits	202,131	155,309	46,822	60,088
Travel and training	500	-	500	-
Utilities	22,000	22,671	(671)	9,502
Administration	2,500	1,775	725	997
Contract services	2,000	1,331	669	-
Repairs and maintenance	5,500	2,434	3,066	33
Other	31,000	21,660	9,340	9,560
Total museum	265,631	205,180	60,451	80,180

Municipality of Skagway, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, continued

	Year Ended December 31, 2021			Six Months Ended December 31, 2020
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Culture, recreation and library, continued:				
Parks and rec:				
Payroll and payroll benefits	\$ 313,627	\$ 227,560	\$ 86,067	\$ 151,417
Utilities	15,000	14,256	744	6,109
Repairs and maintenance	137,500	92,968	44,532	60,085
Capital outlay	-	-	-	17,703
Other	5,000	4,414	586	-
Total parks and rec	471,127	339,198	131,929	235,314
COVID-19 response - economic stimulus and support	1,700,000	1,574,256	125,744	5,112,617
Total culture, recreation and library	3,265,732	2,873,380	392,352	5,739,346
Total Expenditures	9,662,940	8,966,885	696,055	8,941,773
Excess (Deficiency) of Revenues Over Expenditures	(5,104,327)	(3,443,972)	1,660,355	(1,367,990)
Other Financing Sources (Uses):				
Transfers in	5,104,327	3,477,326	(1,627,001)	1,357,360
Transfers out	-	(30,300)	(30,300)	-
Sale of capital assets	-	-	-	10,630
Net Other Financing Sources (Uses)	5,104,327	3,447,026	(1,657,301)	1,367,990
Net Change in Fund Balance	<u>\$ -</u>	<u>3,054</u>	<u>\$ 3,054</u>	<u>-</u>
Fund Balance, beginning		<u>547,746</u>		<u>547,746</u>
Fund Balance, ending		<u>\$ 550,800</u>		<u>\$ 547,746</u>

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Special Revenue Funds

A Special Revenue Fund is established to finance particular activities and is created from receipts of designated revenues.

Municipality of Skagway s Special Revenue Funds are as follows:

Sales Tax

This fund accounts for the revenue received from the Borough's sales tax.

Excise Tax

This fund accounts for excise tax appropriations from the State of Alaska and other sources.

Visitor

This fund accounts for the revenue from the Borough's 8% hotel tax. Taxes collected is to be used for tourism promotion.

Municipality of Skagway, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

	Year Ended December 31, 2021			Six Months Ended December 31, 2020
	Budget	Actual	Variance	Actual
Revenues				
Sales taxes	\$ 2,325,000	\$1,350,885	\$ (974,115)	\$ 433,242
Investment income	-	739,074	739,074	1,112,806
Total Revenues	2,325,000	2,089,959	(235,041)	1,546,048
Expenditures				
General government	267,200	159,353	107,847	1,106,679
Education	2,031,542	2,031,542	-	1,802,127
Total Expenditures	2,298,742	2,190,895	107,847	2,908,806
Excess (Deficiency) of Revenues Over Expenditures	26,258	(100,936)	(127,194)	(1,362,758)
Other Financing Uses - transfers out	(4,624,644)	(2,394,071)	2,230,573	(2,108,049)
Net Change in Fund Balance	<u>\$ (4,598,386)</u>	<u>(2,495,007)</u>	<u>\$2,103,379</u>	<u>(3,470,807)</u>
Fund Balance, beginning		<u>12,038,719</u>		<u>15,509,526</u>
Fund Balance, ending		<u>\$9,543,712</u>		<u>\$ 12,038,719</u>

Municipality of Skagway, Alaska
Excise Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

	Year Ended December 31, 2021			Six Months Ended
	Budget	Actual	Variance	December 31, 2020
Revenues				
Investment income	\$ -	\$ 1,396,053	\$ 1,396,053	\$ 1,861,797
Expenditures - general government	86,000	83,223	2,777	46,293
Excess (Deficiency) of Revenues Over Expenditures	(86,000)	1,312,830	1,398,830	1,815,504
Other Financing Uses - transfers out	(7,060,014)	(5,433,271)	1,626,743	(3,065,885)
Net Change in Fund Balance	<u>\$ (7,146,014)</u>	(4,120,441)	<u>\$ 3,025,573</u>	(1,250,381)
Fund Balance, beginning		<u>20,672,908</u>		<u>21,923,289</u>
Fund Balance, ending		<u>\$ 16,552,467</u>		<u>\$ 20,672,908</u>

Municipality of Skagway, Alaska
Visitor Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

	Year Ended December 31, 2021			Six Months Ended December 31, 2020
	Budget	Actual	Variance	Actual
Revenues				
Short-term rentals	\$ 33,500	\$ 47,861	\$ 14,361	\$ 11,082
State of Alaska	-	6,084	6,084	-
Private grants	-	2,000	2,000	-
Charges for services	116,500	9,537	(106,963)	13,414
Other revenue	24,400	3,054	(21,346)	-
Total Revenues	174,400	68,536	(105,864)	24,496
Expenditures				
General government:				
Salaries and benefits	322,155	262,472	59,683	119,131
Travel and training	15,000	4,489	10,511	-
Materials and supplies	4,000	1,224	2,776	933
Utilities	14,800	16,480	(1,680)	4,662
Insurance	23,000	19,968	3,032	8,885
Administration	290,000	249,747	40,253	152,128
Contracted services	41,174	49,924	(8,750)	7,867
Repairs and maintenance	21,960	9,885	12,075	7,727
Other expenditures	42,275	6,594	35,681	3,122
Total Expenditures	774,364	620,783	153,581	304,455
Excess (Deficiency) of Revenues Over Expenditures	(599,964)	(552,247)	47,717	(279,959)
Other Financing Sources (Uses)				
Transfers in	701,086	653,369	(47,717)	330,519
Transfers out	(101,122)	(101,122)	-	(50,560)
Net Other Financing Sources (Uses)	599,964	552,247	(47,717)	279,959
Net Change in Fund Balance	\$ -	-	\$ -	-
Fund Balance, beginning		13,261		13,261
Fund Balance, ending		\$ 13,261		\$ 13,261

Enterprise Funds

Enterprise Funds (a type of proprietary fund) are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Borough's Enterprise Funds are as follows:

Water and Sewer

This fund accounts for the operations of the water and sewer utilities.

Garbage

This fund accounts for the operations of the waste management.

Small Boat Harbor

This fund accounts for the operations of the boat harbor and the Borough's freight ramp.

Health Clinic

This fund accounts for the operations of the health clinic.

Port

This fund accounts for the operations of the port commission.

Municipality of Skagway, Alaska

Water and Sewer Enterprise Fund Statement of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ -	\$ 323,259
Receivables:		
Accounts	26,931	42,122
Grants	47,833	26,006
Allowance for doubtful accounts	(2,495)	(190)
Net receivables	72,269	67,938
Inventory	152,006	121,157
Total Current Assets	224,275	512,354
Property, Plant and Equipment		
Infrastructure	7,852,601	7,680,154
Buildings	7,455,565	7,455,565
Equipment	5,637,277	3,512,006
Construction in progress	6,403,809	2,787,939
Other improvements	1,803,793	1,803,793
Total property, plant, and equipment	29,153,045	23,239,457
Less accumulated depreciation	(10,997,082)	(10,219,597)
Net Property, Plant and Equipment	18,155,963	13,019,860
Net OPEB asset	178,085	33,558
Total Assets	18,558,323	13,565,772
Deferred Outflows of Resources		
Pension related	28,737	41,913
Other postemployment benefits related	3,111	22,713
Total Deferred Outflows of Resources	31,848	64,626
Total Assets and Deferred Outflows of Resources	\$ 18,590,171	\$ 13,630,398

Municipality of Skagway, Alaska

Water and Sewer Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 166,499	\$ 501,792
Compensated absences	10,625	27,402
Due to other funds	16,249	-
Total Current Liabilities	193,373	529,194
Noncurrent Liabilities		
Net pension liability	244,552	475,064
Net other postemployment benefits liability	-	1,397
Total Noncurrent Liabilities	244,552	476,461
Total Liabilities	437,925	1,005,655
Deferred Inflows of Resources		
Pension related	97,522	10,385
Other postemployment benefits related	97,002	27,930
Total Deferred Inflows of Resources	194,524	38,315
Net Position		
Investment in capital assets	18,155,963	13,019,860
Unrestricted (deficit)	(198,241)	(433,432)
Total Net Position	17,957,722	12,586,428
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,590,171	\$ 13,630,398

Municipality of Skagway, Alaska
Water and Sewer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Operating Revenues		
Charges for services	\$ 307,855	\$ 140,532
Grant revenue	47,833	26,006
Total Operating Revenues	355,688	166,538
Operating Expenses		
Payroll and payroll benefits	97,575	163,678
Utilities	167,668	57,729
Administration	4,210	1,304
Contracted services	32,439	14,288
Insurance	24,230	11,595
Repairs and maintenance	114,976	96,902
Depreciation	777,485	332,852
Other	10,258	2,503
Total Operating Expenses	1,228,841	680,851
Loss from Operations	(873,153)	(514,313)
Nonoperating Revenues - PERS relief	48	9,941
Loss Before Transfers and Contributions	(873,105)	(504,372)
Transfers in	4,645,291	2,741,424
Capital contributions	1,599,108	-
Change in Net Position	5,371,294	2,237,052
Net Position, beginning	12,586,428	10,349,376
Net Position, ending	\$ 17,957,722	\$ 12,586,428

Municipality of Skagway, Alaska

Water and Sewer Enterprise Fund
Statement of Cash Flows

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 373,184	\$ 160,020
Payments to suppliers	(831,239)	172,783
Payments to employees	(301,753)	(171,922)
Net cash flows from (for) operating activities	(759,808)	160,881
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	378,818	228,720
Increase (decrease) in due to other funds	16,249	(23,082)
Net cash flows from noncapital financing activities	395,067	205,638
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(5,802,272)	(2,538,710)
Transfers from other funds	4,266,473	2,512,704
Capital contributions received	1,577,281	(17,254)
Net cash flows from (for) capital and related financing activities	41,482	(43,260)
Increase (Decrease) in Cash and Investments	(323,259)	323,259
Cash and Investments, beginning of year	323,259	-
Cash and Investments, end of year	\$ -	\$ 323,259
Reconciliation of Loss from Operations to Net		
Cash Flows from (for) Operating Activities		
Loss from operations	\$ (873,153)	\$ (514,313)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	777,485	332,852
Noncash expense - PERS relief	48	9,941
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	17,496	(6,518)
Inventory	(30,849)	1,376
Net OPEB asset	(144,527)	(30,762)
Deferred outflows of resources related to pensions	13,176	10,034
Deferred outflows of resources related to other postemployment benefits	19,602	8,502
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(446,609)	355,728
Compensated absences	(16,777)	5,179
Net pension liability	(230,512)	(5,381)
Net other postemployment benefits liability	(1,397)	(12,959)
Deferred inflows of resources related to pensions	87,137	(5,178)
Deferred inflows of resources related to other postemployment benefits	69,072	12,380
Net Cash Flows from (for) Operating Activities	\$ (759,808)	\$ 160,881
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 111,316	\$ -

Municipality of Skagway, Alaska

Garbage Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 29,468	\$ 38,431
Allowance for doubtful accounts	(1,801)	(448)
Total Current Assets	27,667	37,983
Property, Plant and Equipment		
Land improvements	271,314	271,314
Other improvements	368,266	368,266
Buildings	4,252,749	4,252,749
Equipment	1,223,175	1,373,032
Construction in progress	392,405	382,767
Total property, plant, and equipment	6,507,909	6,648,128
Less accumulated depreciation	(3,969,445)	(4,019,807)
Net Property, Plant and Equipment	2,538,464	2,628,321
Net OPEB asset	75,075	8,856
Total Assets	2,641,206	2,675,160
Deferred Outflows of Resources		
Pension related	12,115	8,371
Other postemployment benefits related	1,311	6,507
Total Deferred Outflows of Resources	13,426	14,878
Total Assets and Deferred Outflows of Resources	\$ 2,654,632	\$ 2,690,038

Municipality of Skagway, Alaska
Garbage Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 32,644	\$ 108,550
Compensated absences	8,842	7,847
Due to other funds	262,085	212,489
Total Current Liabilities	303,571	328,886
Noncurrent Liabilities		
Net pension liability	103,096	97,682
Net other postemployment benefits liability	-	617
Total Noncurrent Liabilities	103,096	98,299
Total Liabilities	406,667	427,185
Deferred Inflows of Resources		
Pension related	41,112	2,109
Other postemployment benefits related	40,893	7,602
Total Deferred Inflows of Resources	82,005	9,711
Net Position		
Investment in capital assets	2,538,464	2,628,321
Unrestricted (deficit)	(372,504)	(375,179)
Total Net Position	2,165,960	2,253,142
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,654,632	\$ 2,690,038

Municipality of Skagway, Alaska
Garbage Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Operating Revenues		
Charges for services	\$ 354,690	\$ 138,651
Operating Expenses		
Payroll and payroll benefits	285,455	119,653
Utilities	107,476	51,742
Administration	4,819	1,470
Contracted services	60,896	47,249
Insurance	24,617	11,196
Repairs and maintenance	36,918	15,620
Recycling	53,392	15,050
Depreciation	72,241	37,233
Other	53,192	59,402
Total Operating Expenses	699,006	358,615
Loss from Operations	(344,316)	(219,964)
Nonoperating Revenues (Expenses)		
PERS relief	20	2,609
Loss on disposal of asset	(62,878)	-
Net Nonoperating Revenues (Expenses)	(62,858)	2,609
Loss Before Transfers	(407,174)	(217,355)
Transfers in	319,992	420,459
Change in Net Position	(87,182)	203,104
Net Position, beginning	2,253,142	2,050,038
Net Position, ending	\$ 2,165,960	\$ 2,253,142

Municipality of Skagway, Alaska

Garbage Enterprise Fund
Statement of Cash Flows

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 365,006	\$ 154,625
Payments to suppliers	(426,854)	(136,643)
Payments to employees	(272,116)	(120,395)
Net cash flows for operating activities	(333,964)	(102,413)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	310,354	186,267
Increase (decrease) in due to other funds	49,596	(83,854)
Net cash flows from noncapital financing activities	359,950	102,413
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(50,624)	(234,192)
Transfers from other funds	9,638	234,192
Proceeds from sale of property, plant and equipment	15,000	-
Net cash flows for capital and related financing activities	(25,986)	-
Increase in Cash and Investments	-	-
Cash and Investments, beginning of year	-	-
Cash and Investments, end of year	\$ -	\$ -
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (344,316)	\$ (219,964)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation	72,241	37,233
Noncash expense - PERS relief	20	2,609
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	10,316	15,974
Net OPEB asset	(66,219)	(8,073)
Deferred outflows of resources related to pensions	(3,744)	2,633
Deferred outflows of resources related to other postemployment benefits	5,196	2,231
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(85,544)	65,086
Compensated absences	995	2,781
Net pension liability	5,414	(1,412)
Net other postemployment benefits liability	(617)	(3,401)
Deferred inflows of resources related to pensions	39,003	(1,359)
Deferred inflows of resources related to other postemployment benefits	33,291	3,249
Net Cash Flows for Operating Activities	\$ (333,964)	\$ (102,413)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 9,638	\$ -

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,667,040	\$ 1,622,471
Receivables:		
Accounts	31,803	59,948
Grants	17,298	-
Allowance for doubtful accounts	(1,289)	(557)
Net receivables	47,812	59,391
Total Current Assets	1,714,852	1,681,862
Property, Plant and Equipment		
Infrastructure	12,617,706	12,617,706
Seawall	7,014,362	7,014,362
Seawalk	5,905,264	5,905,264
Buildings	1,033,250	1,033,250
Other improvements	2,960,433	2,960,433
Equipment	312,553	312,553
Construction in progress	187,001	154,028
Total property, plant, and equipment	30,030,569	29,997,596
Less accumulated depreciation	(10,146,844)	(9,406,725)
Net Property, Plant and Equipment	19,883,725	20,590,871
Net OPEB asset	102,511	12,238
Total Assets	21,701,088	22,284,971
Deferred Outflows of Resources		
Pension related	16,542	12,503
Other postemployment benefits related	1,791	8,026
Total Deferred Outflows of Resources	18,333	20,529
Total Assets and Deferred Outflows of Resources	\$ 21,719,421	\$ 22,305,500

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 32,310	\$ 4,670
Compensated absences	24,897	12,806
Total Current Liabilities	57,207	17,476
Noncurrent Liabilities		
Net pension liability	140,772	145,800
Net other postemployment benefits liability	-	385
Total Noncurrent Liabilities	140,772	146,185
Total Liabilities	197,979	163,661
Deferred Inflows of Resources		
Pension related	56,137	3,068
Other postemployment benefits related	55,838	10,070
Total Deferred Inflows of Resources	111,975	13,138
Net Position		
Investment in capital assets	19,883,725	20,590,871
Unrestricted	1,525,742	1,537,830
Total Net Position	21,409,467	22,128,701
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,719,421	\$ 22,305,500

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Operating Revenues		
Charges for services	\$ 247,343	\$ 85,616
Operating Expenses		
Payroll and payroll benefits	208,301	103,507
Utilities	32,977	13,278
Administration	17,457	7,564
Insurance	22,284	10,579
Repairs and maintenance	12,808	20,210
Depreciation	740,119	370,790
Other	8,751	4,705
Total Operating Expenses	1,042,697	530,633
Loss from Operations	(795,354)	(445,017)
Nonoperating Revenues - PERS relief	27	3,632
Loss Before Contributions and Transfers	(795,327)	(441,385)
Capital contributions	17,298	-
Transfers in	58,795	79,325
Change in Net Position	(719,234)	(362,060)
Net Position, beginning	22,128,701	22,490,761
Net Position, ending	\$ 21,409,467	\$ 22,128,701

Municipality of Skagway, Alaska

Small Boat Harbor Enterprise Fund

Statement of Cash Flows

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 276,220	\$ 85,492
Payments to suppliers	(95,430)	(62,064)
Payments to employees	(190,836)	(102,114)
Net cash flows for operating activities	(10,046)	(78,686)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	43,120	79,325
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(4,180)	-
Transfers from other funds	15,675	-
Net cash flows from capital and related financing activities	11,495	-
Increase in Cash and Investments	44,569	639
Cash and Investments, beginning of year	1,622,471	1,621,832
Cash and Investments, end of year	\$ 1,667,040	\$ 1,622,471
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities		
Loss from operations	\$ (795,354)	\$ (445,017)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	740,119	370,790
Noncash expense - PERS relief	27	3,632
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	28,877	(124)
Net OPEB asset	(90,273)	(11,241)
Deferred outflows of resources related to pensions	(4,039)	3,667
Deferred outflows of resources related to other postemployment benefits	6,235	3,107
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(1,153)	(5,728)
Compensated absences	12,091	6,297
Net pension liability	(5,028)	(1,966)
Net other postemployment benefits liability	(385)	(4,735)
Deferred inflows of resources related to pensions	53,069	(1,892)
Deferred inflows of resources related to other postemployment benefits	45,768	4,524
Net Cash Flows for Operating Activities	\$ (10,046)	\$ (78,686)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 28,793	\$ -

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 141,470	\$ -
Inventories	75,959	84,808
Receivables:		
Accounts	165,702	146,990
Grants	263,203	1,077,477
Allowance for doubtful accounts	(75,654)	(66,508)
Net receivables	353,251	1,157,959
Total Current Assets	570,680	1,242,767
Property, Plant and Equipment		
Buildings	8,964,628	8,964,628
Other improvements	52,485	52,485
Equipment	682,578	652,295
Total property, plant, and equipment	9,699,691	9,669,408
Less accumulated depreciation	(3,303,940)	(3,041,558)
Net Property, Plant and Equipment	6,395,751	6,627,850
Net OPEB asset	1,076,928	148,719
Total Assets	8,043,359	8,019,336
Deferred Outflows of Resources		
Pension related	173,781	146,871
Other postemployment benefits related	18,811	81,734
Total Deferred Outflows of Resources	192,592	228,605
Total Assets and Deferred Outflows of Resources	\$ 8,235,951	\$ 8,247,941

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 184,858	\$ 45,602
Compensated absences	66,870	115,499
Due to other funds	-	762,714
Total Current Liabilities	251,728	923,815
Noncurrent Liabilities		
Net pension liability	1,478,874	1,738,509
Total Liabilities	1,730,602	2,662,324
Deferred Inflows of Resources		
Pension related	589,742	34,778
Other postemployment benefits related	586,601	114,014
Total Deferred Inflows of Resources	1,176,343	148,792
Net Position		
Investment in capital assets	6,395,751	6,627,850
Unrestricted (deficit)	(1,066,745)	(1,191,025)
Total Net Position	5,329,006	5,436,825
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,235,951	\$ 8,247,941

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Operating Revenues		
Charges for services	\$ 1,051,342	\$ 504,774
Grant revenue	2,220,137	1,084,014
Contributions	1,010	1,410
Total Operating Revenues	3,272,489	1,590,198
Operating Expenses		
Payroll and payroll benefits	1,668,258	973,692
Materials and supplies	177,978	85,877
Utilities	115,136	46,282
Administration	155,878	86,649
Contracted services	583,725	137,802
Insurance	86,757	40,840
Travel and training	29,071	11,132
Repairs and maintenance	342,077	72,901
Depreciation	262,382	132,198
Other	42,176	6,989
Total Operating Expenses	3,463,438	1,594,362
Loss from Operations	(190,949)	(4,164)
Nonoperating Revenues - PERS relief	287	43,854
Income (Loss) Before Transfers	(190,662)	39,690
Transfers in	82,843	-
Change in Net Position	(107,819)	39,690
Net Position, beginning	5,436,825	5,397,135
Net Position, ending	\$ 5,329,006	\$ 5,436,825

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund
Statement of Cash Flows

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 1,042,786	\$ 507,694
Operating grants received	3,034,411	138,413
Payments to suppliers	(1,384,693)	(520,991)
Payments to employees	(1,840,880)	(1,055,585)
Net cash flows from (for) operating activities	851,624	(930,469)
Cash Flows from (for) Noncapital Financing Activities		
Transfers from other funds	82,843	-
Increase (decrease) in due to other funds	(762,714)	762,714
Net cash flows from (for) noncapital financing activities	(679,871)	762,714
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(30,283)	-
Increase (Decrease) in Cash and Investments	141,470	(167,755)
Cash and Investments, beginning of year	-	167,755
Cash and Investments, end of year	\$ 141,470	\$ -
Reconciliation of Loss from Operations to Net		
Cash Flows from (for) Operating Activities		
Loss from operations	\$ (190,949)	\$ (4,164)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	262,382	132,198
Noncash expense - PERS relief	287	43,854
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	(9,566)	1,510
Operating grants receivable	814,274	(989,455)
Inventory	8,849	(22,017)
Net OPEB asset	(928,209)	(135,708)
Deferred outflows of resources related to pensions	(26,910)	44,268
Deferred outflows of resources related to other postemployment benefits	62,923	37,506
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	139,256	(10,502)
Compensated absences	(48,629)	21,177
Net pension liability	(259,635)	(23,739)
Net other postemployment benefits liability	-	(57,168)
Deferred inflows of resources related to pensions	554,964	(22,844)
Deferred inflows of resources related to other postemployment benefits	472,587	54,615
Net Cash Flows from (for) Operating Activities	\$ 851,624	\$ (930,469)

Municipality of Skagway, Alaska

Port Enterprise Fund Statement of Net Position

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 3,956,125	\$ 5,140,734
Receivables:		
Accounts	-	74,200
Grants	33,413	102,106
Net receivables	33,413	176,306
Total Current Assets	3,989,538	5,317,040
Property, Plant and Equipment		
Construction in progress	4,547,179	4,118,789
Other improvements	845,888	-
Total property, plant, and equipment	5,393,067	4,118,789
Less accumulated depreciation	(78,940)	-
Net Property, Plant, and Equipment	5,314,127	4,118,789
Net OPEB asset	47,644	-
Total Assets	9,351,309	9,435,829
Deferred Outflows of Resources		
Pension related	7,688	-
Other postemployment benefits related	832	-
Total Deferred Outflows of Resources	8,520	-
Total Assets and Deferred Outflows of Resources	\$ 9,359,829	\$ 9,435,829

Municipality of Skagway, Alaska
Port Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 266,293	\$ 72,268
Compensated absences	23,821	-
Unearned revenue	-	63,600
Total Current Liabilities	290,114	135,868
Noncurrent Liabilities		
Net pension liability	65,426	-
Total Liabilities	355,540	135,868
Deferred Inflows of Resources		
Pension related	26,090	-
Other postemployment benefits related	25,952	-
Total Deferred Inflows of Resources	52,042	-
Net Position		
Investment in capital assets	5,314,127	4,118,789
Unrestricted	3,638,120	5,181,172
Total Net Position	8,952,247	9,299,961
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 9,359,829	\$ 9,435,829

Municipality of Skagway, Alaska

Port Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Operating Revenues		
Charges for services	\$ 190,800	\$ -
Operating Expenses		
Payroll and payroll benefits	114,522	8,067
Materials and supplies	270	-
Utilities	829	-
Administration	16,297	710
Contracted services	159,325	89,451
Travel and training	2,637	-
Repairs and maintenance	2,852	6,609
Depreciation	78,940	-
Total Operating Expenses	375,672	104,837
Loss from Operations	(184,872)	(104,837)
Nonoperating Revenues - PERS relief	13	-
Loss Before Contributions and Transfers	(184,859)	(104,837)
Capital contributions	218,803	102,106
Transfers in	44,616	-
Transfers out	(426,274)	-
Change in Net Position	(347,714)	(2,731)
Net Position, beginning	9,299,961	9,302,692
Net Position, ending	\$ 8,952,247	\$ 9,299,961

Municipality of Skagway, Alaska, Alaska

Port Enterprise Fund
Statement of Cash Flows

	Year Ended December 31, 2021	Six Months Ended December 31, 2020
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 201,400	\$ -
Payments to suppliers	(245,671)	(36,209)
Payments to employees	(29,384)	-
Net cash flows for operating activities	(73,655)	(36,209)
Cash Flows for Noncapital Financing Activities		
Transfers to other funds	(426,274)	-
Transfers from other funds	44,616	-
Net cash flows for noncapital financing activities	(381,658)	-
Cash Flows for Capital and Related Financing Activities		
Additions to property, plant, and equipment	(1,016,792)	(102,106)
Capital contributions received	287,496	-
Net cash flows for capital and related financing activities	(729,296)	(102,106)
Decrease in Cash and Investments	(1,184,609)	(138,315)
Cash and Investments, beginning of year	5,140,734	5,279,049
Cash and Investments, end of year	\$ 3,956,125	\$ 5,140,734
Reconciliation of Loss from Operations to Net		
Cash Flows for Operating Activities		
Loss from operations	\$ (184,872)	\$ (104,837)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	78,940	-
Noncash expense - PERS relief	13	-
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	74,200	(63,600)
Net OPEB asset	(47,644)	-
Deferred outflows of resources related to pensions	(7,688)	-
Deferred outflows of resources related to other postemployment benefits	(832)	-
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(63,461)	68,628
Unearned revenue	(63,600)	63,600
Compensated absences	23,821	-
Net pension liability	65,426	-
Deferred inflows of resources related to pensions	26,090	-
Deferred inflows of resources related to other postemployment benefits	25,952	-
Net Cash Flows for Operating Activities	\$ (73,655)	\$ (36,209)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 257,486	\$ -