The Southeast Alaska Power Agency

Financial Statements, Required Supplementary Information, and Government Auditing Standards Report

For the Six Months Ended December 31, 2019, and Years Ended June 30, 2019 and June 30, 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

The Southeast Alaska Power Agency

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The Southeast Alaska Power Agency

Contents

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Independent Auditor's Report

The Board of Directors
The Southeast Alaska Power Agency
Ketchikan, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of The Southeast Alaska Power Agency as of and for the six months ended December 31, 2019, and years ended June 30, 2019 and June 30, 2018, and the related notes to the financial statements, which collectively comprise The Southeast Alaska Power Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Southeast Alaska Power Agency as of December 31, 2019, June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the six months and years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13, and the Schedules of Pension Contributions on pages 40-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020 on our consideration of The Southeast Alaska Power Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Southeast Alaska Power Agency's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
July 1, 2020

Management's Discussion and Analysis

This presentation and analysis are intended to serve as an introduction to and discussion of the December 31, 2019 and June 30, 2019 financial statements of The Southeast Alaska Power Agency (SEAPA).

Mission Statement

SEAPA's mission is to provide the lowest wholesale power rate consistent with sound utility planning and business practices. We exist for the long-term benefit of our member utilities and the rate payers, providing unified regional leadership for project development and prudent management of our interconnected power system.

Financial Highlights

- SEAPA elected to change its fiscal year alignment from mid-year (July through June) to a calendar year (January through December) to better align with the company's construction season. This audit includes the six-month transitional fiscal period budgeted from July 1 through December 31, 2019. The fiscal year that began January 1, 2020 will end December 31, 2020.
- Total assets and deferred outflows of resources exceeded total liabilities by $138.5M at December 31, 2019, compared to $138.8M at June 30, 2019 and $142M at June 30, 2018. Of these amounts, $21.6M as of December 2019, $20M as of June 2019 and $21.9M as of June 2018 were unrestricted and available to meet SEAPA's ongoing obligations to customers and creditors.
- SEAPA's total net position decreased $304K during the six-month period ending December 31, 2019, $3.3M in FY2019 and $500K in FY18. The decrease for the period ending June 30, 2019 was primarily due to a $2.9M reduction in hydropower sales caused, in part, by extended but temporary drought conditions, combined with a diesel payment of $842K to member utilities.
- The wholesale power rate was maintained at 6.8 cents/kWh in all of 2019, a rate that has held steady for 22 consecutive years and was approved again for fiscal year 2020.
- No rebate was issued or authorized for the six-month period ending December 31, 2019 or the fiscal year ending June 30, 2019, compared to a rebate of $800K in FY2018. However, a diesel payment of $842K was approved and paid in June 2019. This payment represented diesel generation costs incurred by the member utilities of Petersburg and Wrangell from February 15, 2019 through March 28, 2019.
- The annual levelized payment to the Dedicated R&R Fund of $2.552M, typically transferred from the Revenue Fund at the beginning of each fiscal year did not take place in 2019. This decision reflected depressed revenues caused by the 2018-2019 drought. Since drought conditions subsided and revenues normalized over the fall of 2019, this annual payment has been reinstated in 2020 with plans to transfer the $2.552M in four quarterly installments, the first of which took place in March 2020. Existing reserves in the Dedicated R&R Fund are currently sufficient to support planned improvements during the fiscal year, with the exception of an anticipated submarine cable replacement.

- SEAPA experienced a fault on the Stikine submarine cable crossing between Woronkofski Island and Vank Island on September 29, 2019. This crossing has three cables in service and one spare. SEAPA was able to isolate the faulted cable and switch over to the spare cable within 24 hours, restoring energy deliveries to Petersburg. A request for proposals (RFP) for cable replacement is in-progress and bids are due by June 15, 2020. The estimated cost of replacement is $5-8 million and SEAPA will likely have to initially cover the full cost of replacement. SEAPA maintains $5 million insurance coverage with a $250 thousand deductible, and also maintains a self-insured risk fund of $8 million dollars to cover costs if necessary. A root cause analysis and insurance coverage determination are not possible prior to recovery of the faulted cable and subsequent inspection. The schedule for removal and replacement will depend on cable manufacturers' production timelines, transportation to the west coast, and mobilization to Alaska.
- SEAPA amended its expiring office space lease in September 2019, extending it to January 2022. The company also made a purchase of property in Ketchikan in June 2019, intending to construct warehouse and office space at the new location.
- In May 2019, $5.59M in Series 2009 Bonds were refinanced through the Alaska Municipal Bond Bank, resulting in net present value savings of $325K over the remaining five-year term.
- SEAPA's capitalization threshold was lowered from $25K to $10K effective July 1, 2019 to capture the cost of improvements and additions to company assets more effectively.
- SEAPA assumed operations at its Swan Lake plant effective July 1, 2019. New SEAPA employees are now conducting operations and maintenance responsibilities formerly provided by a contractor. This was an important change that allows SEAPA to standardize operations, maintenance, and training across all facilities.
- The COVID-19 pandemic forced SEAPA's headquarters to temporarily close and administrative staff were transitioned to a work-from-home contingency plan. Hydroelectric power plants continued to operate without interruption and non-critical scheduled contractor maintenance work was deferred until later in the year. Power sales have remained in-line with historical averages.

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Statement of Net Position

Total assets, total liabilities and total net assets at June 30, 2019, 2018 and 2017 follows:

	December 31, 2019	June 30, 2019	June 30, 2018
Assets:			
Current assets	$ 18,459,520	$ 18,018,533	$ 21,438,570
Capital assets	129,693,061	130,994,881	134,078,720
Noncurrent assets	8,182,537	8,264,177	6,549,288
Total Assets	$ 156,335,118	$ 157,277,591	$ 162,066,578
Liabilities:			
Current liabilities	$ 1,622,490	$ 2,145,234	$ 2,702,769
Noncurrent liabilities	16,205,176	16,320,829	17,272,338
Total liabilities	17,827,666	18,466,063	19,975,107
Net position			
Net investment in capital assets	114,172,481	115,404,715	117,506,743
Restricted for debt service	1,469,099	1,469,349	1,587,894
Restricted under agreements with external parties	1,212,104	1,203,349	1,108,568
Unrestricted	21,653,768	20,734,115	21,888,266
Total net position	138,507,452	138,811,528	142,091,471
Total Liabilities and Net Position	$ 156,335,118	$ 157,277,591	$ 162,066,578

Discussion of Financial Position

Financial Position – FYE December 31, 2019

Drought conditions abated and power sales normalized during the six-month fiscal year ending December 31, 2019. No rebates or diesel payments were authorized or paid during this period.

Capital assets decreased by $1.3M as $2.4M in depreciation outweighed the $1.1M of assets that were developed. Projects of note that were completed during this period include the replacement of a pier and ramp and the Swan Lake hydro facility and replacement of marker balls on the transmission lines near both Swan Lake and Tyee Lake.

Noncurrent assets consist primarily of investments held in SEAPA's Self-Insured Risk Fund that mature after June 2020 and the $1.7M increase in this balance reflects a shift in the portion of investments that mature after one year. The Self-Insured Risk Fund is maintained at $8M.

Current liabilities consist of accounts payable plus the current portion of long-term liabilities, which are bond debt and the PERS liability for former Thomas Bay Power Authority employees. The PERS liability accompanied SEAPA's assumption of operations at the Tyee Lake facility in FY2015 (see note 5).

Noncurrent liabilities include $10.295M in Series 2015 Bonds and $4.245M in Series 2019 Bonds. Payments on the 2015 series bonds are interest-only until 2025, when principal payments begin one year after the Series 2019 bonds expire. The Series 2019 Bonds refinanced the former Series 2009 Bonds in May 2019. Noncurrent liabilities also include $837K in PERS Unfunded Liability, a reduction of $39K during the six-month fiscal period.

Net investment in capital assets makes up the largest component (82%) of SEAPA's Net Position. The capital assets consist of buildings, transmission lines, infrastructure, equipment and vehicles, less any outstanding related debt.

The $1.47M restricted for debt service reflects P&I bond payments scheduled in FY2020. $1.2M is restricted with external parties under agreements with the USFS and Alaska DNR.

Total Net Position as of December 31, 2019 decreased $304K during the six-month fiscal period.

Financial Position – FYE June 30, 2019

Current assets decreased $3.4M from last year. Operating cash was $2.4M lower as temporary drought conditions dramatically reduced sales and both the FY18 Rebate and the FY19 Diesel payments were issued to SEAPA's member utilities. SEAPA also performed risk assessments on its submarine cables and the Tyee power tunnel, incurring one-time costs of over $700K.

Capital assets as of June 30, 2019 decreased $3M compared to June 30, 2018 as the capitalization of $1.94M in newly commissioned assets was outpaced by $4.8M in depreciation. Improvements to the Swan Lake facility's marine bulkhead, wastewater system and governors were completed this fiscal year. At the Tyee Lake facility, the turbine shutoff valves were replaced, and the first phase of the intake gate refurbishment was completed. New storage structures to protect rolling stock and inventory stores were added at both sites.

Noncurrent assets consist primarily of investments held in SEAPA's Self-Insured Risk Fund that mature after June 2020 and the $1.7M increase in this balance reflects a shift in the portion of investments that mature after one year. The Self-Insured Risk Fund is maintained at $8M.

Current liabilities consist of accounts payable and the current portion of long-term liabilities, which are bond debt and the PERS liability for former Thomas Bay Power Authority employees. The PERS liability accompanied SEAPA's assumption of operations at the Tyee Lake facility in FY2015. No rebate was issued to member utilities in FY19, compared to $800K that was part of accounts payable in FY18.

Noncurrent liabilities included $10.295M in Series 2015 Bonds and $4.245M in Series 2019 Bonds. The Series 2019 Bonds refinanced the former Series 2009 Bonds in May 2019. Refinancing through the Alaska Municipal Bond Bank resulted in a net present value savings of $325K. Noncurrent liabilities also included $876K in PERS Unfunded Liability.

Net investment in capital assets makes up the largest component (83%) of SEAPA's Net Position. The capital assets consist of buildings, transmission lines, infrastructure, equipment and vehicles, less any outstanding related debt. Net investment in capital assets decreased $2.1M in FY2019.

The $1.47M restricted for debt service reflects P&I bond payments in FY2020. $1.2M is restricted with external parties under agreements with the USFS and Alaska DNR.

Total Net Position for the year ending June 30, 2019 decreased $3.28M compared to the previous year.

Financial Position – FYE June 30, 2018

Current assets increased $659K over the previous year, primarily due to an increase in cash and investments.

Capital assets as of June 30, 2018 decreased $2.3M compared to June 30, 2017. Numerous smaller capital projects enhancing safety and reliability were completed in FY2018, including new marker balls on the Tyee transmission line, replacement of three power poles, and the addition of new current transformers and protection-control relays on the Wrangell transmission line. $2.4M in new assets were added in FY2018 and were offset by accumulated depreciation.

Noncurrent assets consist primarily of investments held in SEAPA's Self-Insured Risk Fund that mature after June 2019 and shifts in this balance reflects changes to the proportion of investments that mature after one year. The Self-Insured Risk Fund is maintained at $8M.

Current liabilities included an $800K rebate to the member utilities for FY2018, paid in December 2018, as well as the current portion of long-term debt.

Noncurrent liabilities included $5.590M in Series 2009 Bonds and $10.295M in Series 2015 Bonds. (Series 2009 bonds were refunded in May 2019.) Noncurrent liabilities also included $950K in PERS Unfunded Liability. The PERS liability accompanied SEAPA's assumption of operations at the Tyee Lake facility in FY2015.

Net investment in capital assets made up the largest component (82%) of SEAPA's Net Position. The capital assets consist of buildings, transmission lines, infrastructure, equipment and vehicles, less any outstanding related debt. Net investment in capital assets decreased $1.5M in FY2018.

The $1.59M restricted for debt service reflects P&I bond payments in FY2019. $1.109M is restricted under agreements with the USFS and Alaska DNR.

Total Net Position for the year ending June 30, 2018 decreased $500K compared to the previous year.

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A summary of SEAPA's operational cash, investment and trustee funds follows:

Operating Funds

Revenue Fund - All revenues from all sources are deposited to the Revenue Fund as required by bond indenture. Withdrawals from the Revenue Fund cover operational costs and fund other accounts as needed.

Commercial Checking - Monies are transferred from the Revenue Fund and corresponding dedicated funds to cover all expenditures, which are issued from this account.

Dedicated Funds

R&R Fund - R&R (Renewal and Replacement) funds are dedicated to Board-approved capital projects. A $1M minimum balance required by bond indenture is maintained in the Required R&R Fund. The R&R Fund is capitalized by an annual levelized payment of $2.552M from the Revenue Fund. The levelized payment amount is established by the R&R Plan and updated every five years. Project balances in the R&R Fund are typically carried forward through project completion.

New Generation Fund – Dedicated to funding new energy projects, monies are currently being used to investigate the feasibility of wind energy.

Self-Insured Risk Fund – This is a risk management fund established as coverage for uninsured portions of SEAPA's transmission lines and to pay insurance deductibles and operational costs in the event of a catastrophic event. The fund balance of $8M was established by the Board and is based upon a risk assessment performed in 2014. Any excess earnings from this account are transferred to the R&R Fund at the beginning of each fiscal year.

Rate Stabilization Fund – Established in 2018 to reserve a portion of excess revenues to supplement revenue in case of a catastrophic shortfall in income, ensure bond covenants and fund balance minimums are met, reduce the amount of future bond issuances, and to supplement the Dedicated R&R Fund to finance extraordinary capital expenditures. Withdrawals from this fund are authorized by the Board and are ultimately intended to avoid drastic adjustments to the wholesale power rate.

Restricted Funds

Trustee Funds – This includes all bond-related funds: interest, principal, reserve and escrow funds.

USFS Certificate of Deposit – This CD is required by the US Forest Service as a land remediation deposit related to the Burnett Peak communication site established during construction of the Swan-Tyee Intertie.

DNR Reclamation Funds – This is a reclamation contingency fund established in 2005 and required by the Alaska Department of Natural Resources. SEAPA maintains this trustee account which requires an annual deposit of $75K, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association.

Changes in Net Position

Components of the Agency's operating revenues, operating expenses, and non-operating revenues/expenses for the fiscal periods ended December 31, 2019; June 30, 2019; and June 30, 2018 are as follows:

	December 31, 2019	June 30, 2019	June 30, 2018
Operating revenues:			
Power sales revenue	$ 5,189,643	$ 9,341,738	$ 12,239,368
Rate rebate	—	—	(800,000)
Member diesel	—	(841,786)	
Net operating revenues	5,189,643	8,499,952	11,439,368
Operating expenses:			
Operating and maintenance	1,238,262	2,552,620	2,226,304
Transmission operations and maintenance	314,550	1,406,598	1,240,825
General and administrative	1,378,286	2,580,831	2,910,967
Depreciation expense	2,413,573	4,829,220	4,775,039
Total operating expenses	5,344,671	11,369,269	11,153,135
Operating income	(155,028)	(2,869,317)	286,233
Non-operating revenues (expenses):			
Investment income	121,480	370,392	49,767
Grant revenue	87,572	62,614	282,099
Grant expense	(77,337)	(83,351)	(282,099)
Interest expense	(257,281)	(735,522)	(724,552)
Other income (expense)	(27,482)	(24,759)	(111,859
Net non-operating revenues (expenses)	(149,048)	(410,626)	(786,644)
Change in net position	(304,076)	(3,279,943)	(500,411)
Net Position - beginning of year	138,811,528	142,091,471	142,591,883
Net Position - end of year	$138,507,452	$ 138,811,528	$142,091,471

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Discussion of Operations

Operating revenues are derived from power generated at SEAPA's two hydroelectric facilities and sold to its three member-utility customers. Revenues and expenses presented for the period ending December 31, 2019 represent only six months of activity, compared to 12 months during the previous two periods, as SEAPA shifted its fiscal year schedule.

Operations – July 1, 2019 through December 31, 2019

SEAPA assumed formerly contracted operations and maintenance at its Swan Lake hydroelectric plant in July 2019, denoting the first time the organization has had all its facilities under management.

Firm power sales of nearly $5.2M were recorded as drought conditions that limited prior year's sales dissipated going into the fall of 2019. Rent from electric property represents nominal income from a new pole attachment agreement. No rebate or diesel reimbursement payments took place.

Net operating income was ($155K) for the period and includes $2.4M in depreciation expense.

Grant revenue totaled $87K during the period. Funding from the State of Alaska FY13 Alaska DCCED grant was applied to work on regional hydro-site analysis. A balance of $388K is still available, and the grant has been extended through June 2021.

The change in net position for the six-month period was ($304K).

Operations – July 1, 2018 through June 30, 2019

Firm power sales decreased by $2.898M compared to FY2018, and no displaced power sales were recorded in FY2019. No rebate was declared in FY2019, however, a diesel reimbursement payment of $841,785 was paid to Member Utilities.

Total operating expenses, less depreciation, increased $162K over the previous year. Notably, over $750K was spent on risk assessments for the Tyee power tunnel and electrical transmission submarine cables, both of which underwent ROV surveys this year.

Investment income rose by $320K year-over-year.

Grant revenue totaled $60K this year. Funding from the State of Alaska FY13 Alaska DCCED grant was applied to work on regional hydro-site analysis.

Operations – July 1, 2017 through June 30, 2018

Firm power sales decreased by $650K from the record high in FY2017 and no displaced power sales were recorded in FY2018. Net operating revenues still increased by $1.2M due to allocation of revenues to a new Rate Stabilization Fund and a reduced FY18 rebate of $800K.

Operating expenses increased $799K over the previous year and include increased maintenance at the Swan Lake plant, a large brushing project along the Swan-Tyee Intertie (STI) transmission line, increased regulatory expense to complete surveying of the STI right-of-way, and the Swan Lake reservoir expansion project that was completed at the end of FY2017.

Investment income rose by $40K year-over-year.

Grant revenue decreased by $573K, and no grant funds were applied towards capital projects this year, compared to $797K during the previous year. Funding from the State of Alaska FY13 Alaska DCCED was applied to work on regional hydro-site analysis.

Economic Factors in Next Year's Budgets, Rates and Revenues

SEAPA has fully transitioned to a calendar-based fiscal year, previously July 1 through June 30, effective January 1, 2020. SEAPA's Board approved this change to better align business processes and construction season activities, allowing for greater efficiencies.

SEAPA's hydroelectric projects began 2020 with a robust snowpack, suggesting a potential recovery from previous drought conditions. Coupled with inflows from precipitation, reservoirs have returned to average levels and will support consistent sales into summer.

Revenues during the first quarter of 2020 were above average due to higher heating loads during extended cooler ambient temperature periods. Weather continues to have the largest impact on revenues as it dictates reservoir inflows (energy to sell) and demand (heating loads).

SEAPA's Wholesale Power Rate (WPR) for FY2020 was set at 6.8 cents/kWh. This rate has remained consistent for 23 years, but small incremental increases may be necessary in the future to address rising overhead costs and aging infrastructure.

Economic factors impacting fiscal year 2020 are varied. Ketchikan was expecting approximately 1.3 million cruise ship visitors during the 2020 season, but that industry has essentially shut down due to the worldwide COVID-19 pandemic. Many related seasonal commercial enterprises are expected to stay shuttered until next year and this will likely result in moderately lower power sales during the summer months. On a positive note, dockage to accommodate two additional births has been added in Ward Cove near Ketchikan. This will enhance cruise ship capacity when sailings resume. The two new births may also present an opportunity for future interruptible power sales.

The Ketchikan Shipyard reduced personnel over the last two years and there is no indication that those vacant positions will be filled in 2020. Shipyard activities are currently focused on maintenance of existing vessels and no new major ship builds have been announced.

There continues to be consolidation of fish processors in the region driven by economics and declines in various fisheries. Markets for seafood products have also been negatively impacted by tariffs and reduced demand due to the worldwide pandemic. Several processors are quarantining their seasonal workforce this summer, which will limit the broader economic impact to the region. Power sales associated with fish processors may be slightly down in 2020.

In addition to weather, population trends have a strong correlation to energy sales. Outmigration due to erosion of employment opportunities in the region may result in lower demand in one or more of the communities that SEAPA serves. The impact to 2020 revenue is not anticipated to be significant, but a prolonged downward trend will erode overall demand for power.

The economics of the State of Alaska have deteriorated further, coinciding with the decline in oil prices. Revenue shortfalls are significant and some of these costs will be shifted down to local municipalities. This may result in higher property tax rates, reductions in local public works projects, and further increases in the cost of core services. The COVID-19 pandemic will certainly have a negative impact on local sales tax revenue. Additionally, it is anticipated the State will need to implement alternative revenue streams to achieve long-term fiscal stability. This will likely include a State income tax which will add further downward pressure to the economy.

The 2020 budget includes continuation of works in progress and several new Renewal & Replacement (R&R) projects. These projects are forward funded through the Dedicated R&R Fund and focus on safety, reliability, and system availability of generation and transmission assets. SEAPA remains proactive and committed to ensuring the long-term health of the generation and transmission system.

Contacting SEAPA's Financial Management

This financial report is designed to provide SEAPA's customers, creditors, and investors with a general overview of the Joint Action Agency's finances and to demonstrate the Agency's accountability for the money it receives. Questions concerning information provided in this report or requests for additional information should be directed to Controller, 1900 First Ave #318, Ketchikan, AK 99901 or call 907-228-2281. This financial report and prior year financial reports are also available on SEAPA's web site at www.seapahydro.org/SEAPA-financial-Info.php.

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Basic Financial Statements

The Southeast Alaska Power Agency

Statements of Net Position

	December 31, 2019	June 30, 2019	June 30, 2018
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments, including restricted cash and investments of $3,261,455, $2,888,048 and $2,883,058 at December 31, 2019, June 30, 2019 and 2018, respectively	$ 14,472,659	$ 14,999,383	$ 19,142,434
Accounts receivable	1,735,411	1,123,929	833,956
Grants receivable	61,163	-	60,592
Accrued interest receivable	47,863	48,219	31,327
Inventory	1,525,990	1,546,665	1,057,655
Prepaid expenses	616,434	300,337	312,606
Total Current Assets	18,459,520	18,018,533	21,438,570
Noncurrent Assets			
Cash and investments, unrestricted	8,045,143	8,141,489	6,438,781
Deferred charges	37,135	11,079	-
Capital assets, net	129,693,061	130,994,881	134,078,720
Total Noncurrent Assets	137,775,339	139,147,449	140,517,501
Deferred Outflows of Resources - loss on refunding	100,259	111,609	110,507
Total Assets and Deferred Outflows of Resources	$ 156,335,118	$ 157,277,591	$ 162,066,578
Liabilities and Net Position			
Current Liabilities			
Accounts payable and accrued expenses	$ 728,069	$ 1,223,902	$ 935,503
Rebate payable to members	-	-	800,000
Accrued interest payable	46,233	73,144	63,158
Current portion of other long-term liabilities	78,188	78,188	74,108
Current portion of long-term debt	770,000	770,000	830,000
Total Current Liabilities	1,622,490	2,145,234	2,702,769
Noncurrent Liabilities			
Other long-term liabilities, net of current portion	1,354,337	1,389,054	1,419,854
Long-term debt, net of current portion	13,770,000	13,770,000	15,055,000
Bond issue premium, net	1,080,839	1,161,775	797,484
Total Noncurrent Liabilities	16,205,176	16,320,829	17,272,338
Total Liabilities	17,827,666	18,466,063	19,975,107
Net Position			
Net investment in capital assets	114,172,481	115,404,715	117,506,743
Restricted for debt service	1,469,099	1,469,349	1,587,894
Restricted by agreements with external parties	1,212,104	1,203,349	1,108,568
Unrestricted	21,653,768	20,734,115	21,888,266
Total Net Position	138,507,452	138,811,528	142,091,471
Total Liabilities and Net Position	$ 156,335,118	$ 157,277,591	$ 162,066,578

See accompanying notes to basic financial statements.

The Southeast Alaska Power Agency

Statements of Revenues, Expenses, and Changes in Net Position

	Six months ending December 31, 2019	*Year ending* June 30, 2019	June 30, 2018
Operating Revenues			
Revenue from power sales	$ 5,189,643	$ 8,499,952	$ 12,239,368
Rate rebate	-	-	(800,000)
Net Operating Revenues	5,189,643	8,499,952	11,439,368
Operating Expenses			
Operating and maintenance	1,552,812	3,959,218	3,467,129
General and administrative	1,378,286	2,580,831	2,910,967
Depreciation expense	2,413,573	4,829,220	4,775,039
Total Operating Expenses	5,344,671	11,369,269	11,153,135
Operating income (loss)	(155,028)	(2,869,317)	286,233
Nonoperating Revenues (Expenses)			
Investment income	125,480	370,392	49,767
Grant revenue	87,572	62,614	282,099
Grant expenses	(77,337)	(83,351)	(282,099)
Interest expense	(257,281)	(735,522)	(724,552)
Bond issuance expense	-	(69,665)	-
Other income (expense)	(27,482)	44,906	(111,860)
Net Nonoperating Expenses	(149,048)	(410,626)	(786,645)
Change in net position	(304,076)	(3,279,943)	(500,412)
Net Position, beginning of period	138,811,528	142,091,471	142,591,883
Net Position, end of period	$ 138,507,452	$ 138,811,528	$ 142,091,471

See accompanying notes to basic financial statements.

The Southeast Alaska Power Agency

Statements of Cash Flows

		Six months ending December 31, 2019		*Year ending* June 30, 2019		June 30, 2018
Cash Flows from Operating Activities						
Receipts from customers	$	4,578,161	$	8,209,979	$	12,628,424
Payment of rate rebate		-		(800,000)		(2,700,000)
Payments to suppliers and employees		(3,779,046)		(6,766,190)		(5,901,515)
Other miscellaneous receipts and disbursements		(20,212)		44,906		(111,860)
Net cash flows from operating activities		778,903		688,695		3,915,049
Cash Flows (for) from Noncapital Financing Activities						
Grant and contract receipts		26,409		123,206		250,790
Grant and contract expenses		(77,337)		(83,351)		(282,099)
Net cash flows (for) from noncapital financing activities		(50,928)		39,855		(31,309)
Cash Flows for Capital and Related Financing Activities						
Purchase of capital assets		(1,111,753)		(1,745,381)		(2,412,473)
Interest payments on long-term debt		(365,128)		(725,536)		(789,894)
Proceeds from issuance of refunding bonds		-		4,643,863		-
Payments for issuance of bonds		-		(69,665)		-
Payment to bond refunding escrow agent		-		(5,625,674)		-
Principal payments on long-term debt		-		-		(800,000)
Net cash flows for capital and related financing activities		(1,476,881)		(3,522,393)		(4,002,367)
Cash Flows from Investing Activities						
Investment income received		125,836		353,500		41,349
Net decrease		(623,070)		(2,440,343)		(77,278)
Cash and Investments, beginning of period		23,140,872		25,581,215		25,658,493
Cash and Investments, end of period	$	22,517,802	$	23,140,872	$	25,581,215

The Southeast Alaska Power Agency

Statements of Cash Flows, continued

	December 31, 2019	June 30, 2019	June 30, 2018
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities			
Operating income (loss)	$ (155,028)	$ (2,869,317)	$ 286,233
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	2,413,573	4,829,220	4,775,039
Other income (expense)	(20,212)	44,906	(111,860)
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	20,675	(489,010)	97,432
Prepaid expenses	(316,097)	12,269	(86,470)
Accounts receivable	(611,482)	(289,973)	389,056
Deferred charges	(26,056)	(11,079)	-
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(495,833)	288,399	314,658
Rebate payable to members	-	(800,000)	(1,900,000)
Other long-term liabilities	(30,637)	(26,720)	150,961
Net Cash Flows From Operating Activities	$ 778,903	$ 688,695	$ 3,915,049
Reconciliation of Ending Cash and Investments to Statements of Net Position			
Cash and investments, current	$ 14,472,659	$ 14,999,383	$ 19,142,434
Cash and investments, noncurrent	8,045,143	8,141,489	6,438,781
Cash and Investments, end of period	$ 22,517,802	$ 23,140,872	$ 25,581,215

See accompanying notes to basic financial statements.

1. Organization and Operations

The Southeast Alaska Power Agency (the Agency) is a joint action agency of the State of Alaska and was created pursuant to Alaska Statutes Section 42.45.300. The Agency (formerly known as The Four Dam Pool Power Agency (FDPPA) was established in 2001 to take over ownership from the State (the Alaska Energy Authority) of the Terror Lake, Solomon Gulch, Tyee Lake, and Swan Lake hydroelectric projects. This transaction was completed on January 31, 2002. On February 24, 2009, the Agency completed a restructuring, whereby the Terror Lake and Solomon Gulch projects were transferred to Kodiak Electric Association and Copper Valley Electric Association, respectively. Effective with this transfer, the name of the Agency was changed to The Southeast Alaska Power Agency (SEAPA).

The member cities (Ketchikan, Wrangell, and Petersburg) and utilities purchase power from the Agency at the same wholesale power rate. Ketchikan Public Utilities, serving the Ketchikan area, operates Swan Lake pursuant to an operating agreement.

The current bylaws that govern SEAPA provide for a total of five board members that are selected from each of the communities being served by the projects. Two board members are appointed by Ketchikan, one each from Wrangell and Petersburg, and a fifth board member that rotates annually between each of the projects (Swan Lake and Tyee Lake).

SEAPA is an independent agency of the State. SEAPA has the ability to finance its own projects. This independence was proven during the restructuring, completed in 2009, where SEAPA was able to sell its own bonds, secured by the power sales agreement between SEAPA and Ketchikan, Wrangell and Petersburg.

2. Summary of Significant Accounting Policies

The Agency is a joint action agency under the authority of AS 42.45.300-320, of which all the members are governments. Therefore, the Agency is treated as a special purpose government and financial reporting is in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB).

Basis of Accounting

The financial activities of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when goods or services are received or the related liability is incurred.

Cash and Investments

For the purpose of the statements of cash flows, cash and cash equivalents consists of cash, money market funds, short-term commercial paper, and other investments, whether unrestricted or restricted. For purposes of rate making, SEAPA considers the full amount of cash and investments as part of their required liquidity and capital as disclosed on the cash flow statement.

The Agency's investments are recorded at fair value in the financial statements. Unrealized gains and losses are included in earnings and are reported as investment income (loss).

Restricted Assets

As described in Note 3, assets that are restricted for specific uses by bond indentures or other requirements are classified as restricted assets. When both restricted and unrestricted assets are available for use, it is the Agency's policy to use restricted assets first, then unrestricted assets, as they are required.

Inventory

Inventory of parts and supplies is valued at cost using the specific identification method.

Prepaid Expenses

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

Capital Assets

The Agency's capital assets are recorded at cost and depreciation is charged to operations by use of the straight-line method over their estimated useful lives. Repairs and maintenance charges are expensed as incurred.

The estimated useful lives of the capital assets are as follows:

Capital assets	Years
Structures	15 – 50
Infrastructure	5 – 50
Generation and distribution	5 – 35
Furniture, fixtures, and other	3 – 15

Revenue Recognition

The primary source of the Agency's revenue is from power sales to the Agency's member utilities (the Purchasers). Revenue is recognized on the accrual basis and is recorded monthly, based on the kilowatt-hours (kWh) used by the members as operating revenue.

The Purchasers purchase power from SEAPA pursuant to conditions of the Power Sales Agreement, adopted at the close of Restructuring on February 24, 2009. The SEAPA Board of Directors sets the wholesale power rate annually. The wholesale power rate for the six months ended December 31, 2019, and years ended June 30, 2019 and June 30, 2018 was set at 6.8 cents per kWh. The member utilities only pay for the amount of power used.

The Purchasers buy power from the Agency at the same wholesale power rate. Rebates are given at the Board's discretion based on operating results. The following is the percentage of volume sold to each Purchaser for the six months ended December 31, 2019, and years ended June 30, 2019 and June 30, 2018:

	December 31, 2019	June 30, 2019	June 30, 2018
Ketchikan Public Utilities	49%	54%	53%
Petersburg Municipal Light and Power	28%	25%	25%
Wrangell Municipal Light and Power	23%	21%	22%
	100%	100%	100%

Contract revenue, grant revenue, and investment income are recognized when earned.

Risk Management

The Agency is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, for which it carries commercial insurance, subject to standard deductibles and limitations. Loss that is not covered by insurance, both in the form of uninsured property (transmission lines) and various insurance deductibles and self-insured retentions, are funded by the internal Self-Insured Risk Fund. No settlements have occurred which exceeded its commercial deductible limits.

Environmental Issues

The Agency's policy relating to environmental issues is to record a liability when the likelihood of responsibility for clean-up is probable and the costs are reasonably estimable. At December 31, 2019, June 30, 2019 and June 30, 2018, there were no environmental issues that met both of these criteria and, accordingly, no provision has been made in the accompanying financial statements for any potential liability.

Income Taxes

The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state or territory or any political subdivision thereof, which is derived from the exercise of any essential governmental function.

Estimates

In preparing the financial statements, management of the Agency is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net position and revenues and expenses for the period. Actual results could differ from those estimates.

Grants

The Agency recognizes grant revenue when all applicable eligibility requirements, including time requirements, are met.

Fiscal Year-end Change

The Agency changed its fiscal year-end from June 30 to December 31. The period ended December 31, 2019 only reports 6 months of activity.

3. Cash and Investments

At December 31, 2019, June 30, 2019 and June 30, 2018, the Agency had the following cash and investments:

	December 31, 2019	June 30, 2019	June 30, 2018
Money market	$ 3,300,195	$ 2,885,250	$ 2,877,440
Demand deposits	11,150,827	11,967,509	14,706,793
U.S. government agencies	-	149,414	146,647
U.S. government bonds	7,096,526	7,184,164	6,890,573
Corporate bonds	948,619	932,901	938,135
Certificates of deposit	21,635	21,634	21,627
Total Cash and Investments	$ 22,517,802	$ 23,140,872	$ 25,581,215

Restrictions and Designated Funds

All revenues, including revenue received from the utilities for the purchase of power pursuant to the Long Term Power Sales Agreement, are deposited into the Revenue Fund. The Revenue Fund is held by the Agency. The Revenue and Replacement (R&R) Fund is also an Agency-held fund. The R&R Fund is used to fund renewal and replacement projects, and the bond indenture requires that the account balance in this fund shall never be less than $1,000,000.

The Agency established a Self-Insured Risk Fund, which is an investment fund to cover SEAPA's uninsured transmission lines, insurance deductibles and operational costs in the event of a catastrophic event. This Fund was established by the Board and is based upon a risk assessment performed in 2014.

The Agency may also establish and hold a Rate Stabilization Fund and may at any time, from time to time, as determined by the Agency, deposit available revenues in the Rate Stabilization Fund.

The Agency has also established a Commercial Account from which all payments and obligations are paid.

The Bond Fund, consisting of the Interest Account and the Principal Account (for both the 2019 and 2015 bonds), is held by the Trustee. The Bond Reserve Fund is also held by the Trustee and is required to be maintained at all times at not less than the Bond Reserve Requirement.

The Reclamation Contingency Fund is an Agency-held, restricted fund, used to satisfy certain conditions of the lease and easement agreements between the Agency and the Department of Natural Resources (DNR). The FDPPA (pre-restructured) is required to deposit $75,000 annually into this fund, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association. DNR and the Agency have been in discussions to amend this agreement to reflect the change in ownership of the projects.

All restricted funds are kept in current cash and investment accounts.

The cash and investments were held in accounts for the following activities as of December 31, 2019, June 30, 2019 and June 30, 2018:

	December 31, 2019	June 30, 2019	June 30, 2018
Unrestricted:			
Internal renewal and replacement fund	$ 1,000,308	$ 1,000,610	$ 1,000,610
Dedicated renewal and replacement fund	4,418,013	5,698,762	4,890,354
Revenue fund	1,840,126	1,372,744	6,915,524
Self-insured risk fund	8,096,764	8,285,313	7,991,364
Commercial checking account	1,000	1,001	1,089
New generation fund	1,889,646	1,893,273	1,899,216
Rate stabilization fund	2,001,736	2,001,121	-
Total unrestricted	19,247,593	20,252,824	22,698,157
Restricted:			
Reclamation contingency fund	1,190,469	1,181,715	1,086,941
2009 Trust series bond interest	-	-	23,279
2009 Trust series bond principal	-	-	73,116
2009 Trust series bond reserve	-	-	1,422,552
2015 Trust series bond interest	40,975	55,482	40,867
2015 Trust series bond principal	205,681	203,981	214,676
2019 Series bond COI fund	-	5,669	-
2019 Series bond interest fund	35,901	41,214	-
2019 Series bond principal fund	515,156	128,333	-
2019 Series bond reserve fund	1,260,392	1,250,019	-
STI-USFS CD	21,635	21,635	21,627
Total restricted	3,270,209	2,888,048	2,883,058
Total Cash And Investments	$ 22,517,802	$ 23,140,872	$ 25,581,215

Investment Securities

General – Investment Policies, Portfolio Information, and Restrictions

The Agency's investments are governed by the terms of the Agency's Investment Policy. The Agency's cash and investments are either governed by long-term debt agreements or the Agency's Investment Policy. The Investment Policy for Agency-held funds was amended and adopted by the Board of Directors in June 2009. The following Agency-held securities are eligible for investment under the Investment Policy:

1. Obligations of, or obligations insured or guaranteed by, the United States;

2. Obligations of United States agencies or instrumentalities;

3. Corporate debt securities with a minimum rating of "A" or the equivalent by a nationally recognized rating organization;

4. United States Agency mortgage-backed securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Government National Mortgage Association;

5. Uncollateralized deposits at banks, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC);

6. Prime commercial paper bearing the highest rating of a nationally recognized rating organization; and

7. Money market mutual funds, whose portfolios consist entirely of instruments specified in 1 and 2 above and who meet the definition of SEC 2a-7 money-market fund.

Investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific issuer, maturity, or class of security. At the time of purchase, corporate securities may not exceed 25% of the market value of the total portfolio. With the exception of U.S. Agency mortgage-backed securities, no security may have a final maturity greater than five years. To further control interest rate risk, the overall duration of the portfolio may not exceed 120% of the Barclays 1-3 Year Governmental Index.

Should any security be downgraded below Investment Grade (BAA or equivalent) by a nationally recognized rating organization, the security will be sold in an orderly manner within 90 days of such downgrade. The following Trustee-held securities are eligible for investment under the Bond Indenture of Trust:

1. Obligations of the United States or of an agency or instrumentality of the United States;

2. Repurchase and reverse repurchase agreements secured by the Treasury of the United States or obligations of an agency or instrumentality of the United States; certificates of deposit, bankers' acceptances, and other similar obligations of a bank domiciled in the United States that has on the date of purchase:

   - Outstanding debt rated Aa or AA or higher by at least one of the nationally recognized rating services, including dollar-denominated obligations issued by a United States branch of a foreign bank, if the debt of the parent is rated A or higher; and

   - A combined capital and surplus aggregating at least $500,000,000;

3. Commercial paper and other short-term taxable instruments that maintain the highest rating by at least two nationally recognized rating services on the date of purchase;

4. Obligations of a corporation domiciled in the United States or obligations of a municipality, if the obligations are rated on the date of purchase Aa or AA or higher by at least two nationally recognized rating services;

5. Certificates of deposit issued by a state or federally chartered financial institution that is a commercial or mutual bank, savings and loan association, or credit union, but only if, and to the extent, the institution's accounts are insured through the appropriate federal insuring agency of the United States;

6. Money market funds in which the securities of the fund consist of obligations listed above; and

7. Any other investment permitted under the Issuer's investment policy, as amended, from time to time in writing, which will not adversely affect the ratings of the Outstanding Bond.

Provided that it is expressly understood that the definition of Permitted Investments shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to this

Indenture by a Supplemental Indenture, thus permitting investments with different characteristics from those permitted above, which the Issuer deems from time to time to be in the interest of the Issuer to include as Permitted Investments, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the rating on the Outstanding Bonds.

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 the investment's fair value to changes in the market interest rates.

Investment maturities at December 31, 2019, June 30, 2019 and June 30, 2018 are as follows:

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less Than 1	1-5
December 31, 2019			
U.S. government bonds	$ 7,096,526	$ 651,840	$ 6,444,686
Corporate bonds	948,618	-	948,618
Total investments	8,045,144	651,840	7,393,304
Cash and cash equivalents:			
Certificates of deposit	21,635	21,635	-
Money market	3,300,195	3,300,195	-
Demand deposits	11,150,828	11,150,828	-
Total	$ 22,517,802	$ 15,124,498	$ 7,393,304

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less Than 1	1-5
June 30, 2019			
U.S. government bonds	$ 7,184,164	$ -	$ 7,184,164
U.S. agency obligations	149,414	-	149,414
Corporate bonds	932,901	124,990	807,911
Total investments	8,266,479	124,990	8,141,489
Cash and cash equivalents:			
Certificates of deposit	21,634	21,634	-
Money market	2,885,250	2,885,250	-
Demand deposits	11,967,509	11,967,509	-
Total	$ 23,140,872	$ 14,999,383	$ 8,141,489

		Investment Maturities (In Years)	
Investment Type	Fair Value	Less Than 1	1-5
June 30, 2018			
U.S. government bonds	$ 6,890,573	$ 1,536,574	$ 5,353,999
US agency obligations	146,647	-	146,647
Corporate bonds	938,135	-	938,135
Total investments	7,975,355	1,536,574	6,438,781
Cash and cash equivalents:			
Certificates of deposit	21,627	21,627	-
Money market	2,877,440	2,877,440	-
Demand deposits	14,706,793	14,706,793	-
Total	$ 25,581,215	$ 19,142,434	$ 6,438,781

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The credit quality ratings of the Agency's investments as of December 31, 2019, June 30, 2019 and June 30, 2018, as described by nationally recognized statistical rating organizations, are shown below (using Standard & Poor's Corporation rating scale unless otherwise noted):

		Percent of Total		
Investment Type	Rating	December 31, 2019	June 30, 2019	June 30, 2018
U.S. government bonds	AAA	88.2%	86.9%	86.4%
U.S. government agencies	AA	0.0%	1.8%	1.8%
Corporate bonds	AA	0.0%	1.5%	1.5%
Corporate bonds	AA-	6.1%	1.2%	1.6%
Corporate bonds	A	5.7%	0.0%	4.3%
Corporate bonds	A-	0.0%	5.5%	2.8%
Corporate bonds	BBB+	0.0%	1.6%	1.6%
Corporate bonds	Not rated	0.0%	1.5%	0.0%
Total		100.0%	100.0%	100.0%

Custodial Credit Risk

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Agency has not established a formal policy for custodial credit risk over its investments. However, the Agency has a custodial agreement in place with their primary banking institution. At December 31, 2019, June 30, 2019 and June 30, 2018, the Agency had no uncollateralized or uninsured bank deposits. The Agency also has money market fund investments it considers to be cash which are not included in the evaluation of bank deposits. These funds are AAA rated and have no restrictions.

Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for trust investments. None of SEAPA's investments (other than those issued or guaranteed by the U.S. government) represent more than 5% of total investments.

The Agency's investments included the following concentrations greater than 5%:

	December 31, 2019		June 30, 2019		June 30, 2018	
Investment Type	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
U.S. government bonds and agency securities	$ 7,096,526	88.21%	$ 7,333,578	88.71%	$ 7,037,220	88.24%
Corporate bonds	948,618	11.79%	932,900	11.29%	938,134	11.76%

Fair Value Measurement

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

The Agency has the following recurring fair value measurements as of December 31, 2019, June 30, 2019 and June 30, 2018:

- U.S. government agency securities of $0, $149,414 and $146,647 as of December 31, 2019, June 30, 2019 and 2018, respectively, are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).
- U.S. government bonds and corporate bonds of $8,045,144, $8,117,065 and $7,828,708 as of December 31, 2019, June 30, 2019 and 2018, respectively, are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs).

The Agency has investments in money market funds and certificates of deposits totaling $3,313,076, $2,906,884 and $2,899,067 as of December 31, 2019, June 30, 2019 and 2018, respectively that are not held at fair value, but instead recorded at amortized cost. Management believes that these values approximate fair value.

4. Capital Assets

The components of the Agency's capital assets at December 31, 2019, June 30, 2019 and 2018 are as follows:

	December 31, 2019	June 30, 2019	June 30, 2018
Tyee Lake	$ 32,727,980	$ 32,423,968	$ 31,788,787
Swan Lake	32,840,841	32,097,950	31,607,811
Swan-Tyee Intertie	114,974,970	114,974,348	114,858,010
SEAPA office - SCADA	1,352,629	1,288,401	784,678
Leasehold improvements	90,933	90,933	90,933
	181,987,353	180,875,600	179,130,219
Less accumulated depreciation	(52,294,292)	(49,880,719)	(45,051,499)
Total Capital Assets, Net of Accumulated Depreciation	**$ 129,693,061**	**$ 130,994,881**	**$ 134,078,720**

Capital asset activity for the Agency for the six months ended December 31, 2019 follows:

	Balance at June 30, 2019	Additions	Transfers and Deletions	Balance at December 31, 2019
Capital assets not being depreciated:				
Swan Lake construction in progress	$ 176,778	$ 202,420	$ (153,129)	$ 226,069
Swan-Tyee construction in progress	43,669	22,574	(43,669)	22,574
Other construction in progress	-	64,228	-	64,228
Land	474,953	-	-	474,953
Total capital assets not being depreciated	695,400	289,222	(196,798)	787,824
Capital assets being depreciated:				
Structures	22,600,510	505,212	-	23,105,722
Infrastructure	10,131,449	-	-	10,131,449
Generation and distribution	145,602,336	506,767	-	146,109,103
Furniture, fixtures and other	1,754,973	7,350	-	1,762,323
Leasehold improvements	90,932	-	-	90,932
Total capital assets being depreciated	180,180,200	1,019,329	-	181,199,529

Less accumulated depreciation:				
Structures	(6,938,608)	(347,610)	-	(7,286,218)
Infrastructure	(2,004,118)	(198,800)	-	(2,202,918)
Generation and distribution	(40,055,352)	(1,816,841)	-	(41,872,193)
Furniture, fixtures and other	(857,944)	(47,423)	-	(905,367)
Leasehold improvements	(24,697)	(2,899)	-	(27,596)
Total accumulated depreciation	(49,880,719)	(2,413,573)	-	(52,294,292)
Capital assets being depreciated, net	130,299,481	(1,394,244)	-	128,905,237
Total Capital Assets, net	$ 130,994,881	$ (1,105,022)	$ (196,798)	$ 129,693,061

Capital asset activity for the Agency for the year ended June 30, 2019 follows:

	Balance at June 30, 2018	Additions	Transfers and Deletions	Balance at June 30, 2019
Capital assets not being depreciated:				
Swan Lake construction in progress	$ 408,667	$ 488,914	$ (720,803)	$ 176,778
Swan-Tyee construction in progress	11,096	635,782	(603,209)	43,669
Other construction in progress	-	145,732	(145,732)	-
Land	-	474,953	-	474,953
Total capital assets not being depreciated	419,763	1,745,381	(1,469,744)	695,400
Capital assets being depreciated:				
Structures	22,054,993	545,517	-	22,600,510
Infrastructure	9,529,164	602,285	-	10,131,449
Generation and distribution	145,314,050	288,286	-	145,602,336
Furniture, fixtures and other	1,721,317	33,656	-	1,754,973
Leasehold improvements	90,932		-	90,932
Total capital assets being depreciated	178,710,456	1,469,744	-	180,180,200
Less accumulated depreciation:				
Structures	(6,261,617)	(676,991)	-	(6,938,608)
Infrastructure	(1,652,607)	(351,511)	-	(2,004,118)
Generation and distribution	(36,361,044)	(3,694,308)	-	(40,055,352)
Furniture, fixtures and other	(755,132)	(102,812)	-	(857,944)
Leasehold improvements	(21,099)	(3,598)	-	(24,697)
Total accumulated depreciation	(45,051,499)	(4,829,220)	-	(49,880,719)
Capital assets being depreciated, net	133,658,957	(3,359,475)	-	130,299,481
Total Capital Assets, net	$ 134,078,720	$ (1,614,095)	$ (1,469,744)	$ 130,994,881

Capital asset activity for the Agency for the year ended June 30, 2018 follows:

	Balance at June 30, 2017	Additions	Transfers and Deletions	Balance at June 30, 2018
Capital assets not being depreciated:				
Swan Lake construction in progress	$ 5,589	$ 1,026,867	$ (623,789)	$ 408,667
Swan-Tyee construction in progress	476,175	1,257,103	(1,722,182)	11,096
SCADA construction in progress	-	62,571	(62,571)	-
Tyee Lake construction in progress	-	65,932	(65,932)	-
Total capital assets not being depreciated	481,764	2,412,473	(2,474,474)	419,763
Capital assets being depreciated:				
Structures	21,835,108	219,885	-	22,054,993
Infrastructure	9,007,264	521,900	-	9,529,164
Generation and distribution	143,781,685	1,532,365	-	145,314,050
Furniture, fixtures and other	1,624,928	134,392	(38,003)	1,721,317
Leasehold improvements	25,000	65,932	-	90,932
Total capital assets being depreciated	176,273,985	2,474,474	(38,003)	178,710,456
Less accumulated depreciation:				
Structures	(5,626,647)	(634,970)	-	(6,261,617)
Infrastructure	(1,321,535)	(331,072)	-	(1,652,607)
Generation and distribution	(32,652,847)	(3,708,197)	-	(36,361,044)
Furniture, fixtures and other	(695,934)	(97,201)	38,003	(755,132)
Leasehold improvements	(17,500)	(3,599)	-	(21,099)
Total accumulated depreciation	(40,314,463)	(4,775,039)	38,003	(45,051,499)
Capital assets being depreciated, net	135,959,522	(2,300,565)	-	133,658,957
Total Capital Assets, net	$ 136,441,286	$ 111,908	$ (2,474,474)	$ 134,078,720

5. Other Long-term Liabilities

In 2015, the Agency assumed operations of the Tyee facility from the City and Borough of Wrangell and the Petersburg Borough. As part of the transition of the operations, the Agency assumed long-term liabilities related to long-term employee benefit payments to the State of Alaska Public Employees' Retirement System (PERS). While the Agency is not an employer in PERS itself, the Agency has assumed responsibility for the payments of retirement benefits for certain former employees as part of the transaction.

The Reclamation Contingency liability was established as part of the conditions of the lease and easement agreements between the Agency and the Department of Natural Resources (DNR). An annual deposit of $75,000 is required to be added to a cash reserve, half of which is contributed by Copper Valley Electric Association and Kodiak Electric Association. The liability carried at SEAPA represents the portion of the contributions received into this fund from Copper Valley Electric Association and Kodiak Electric Association, and would be used to cover eligible costs at those companies. DNR and the Agency have held discussions to investigate the option of each project owner individually covering the cost of reclamation of their projects, possibly with a reclamation bond in lieu of the annual payment. In 2018, SEAPA conducted a full review of the balances in the reclamation liability back to the original establishment of the fund in 2002. It was determined that certain balances associated with the restructuring of FDPPA in 2009 would be reallocated to the other companies, and an additional accrual of $166,471 was made to the liability to reflect this change in estimate.

The following reflects the changes in other long-term liabilities for the six months ended December 31, 2019:

	Balance at June 30, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
PERS Unfunded Liability	$ 876,384	$ -	$ 39,094	$ 837,290	$ 78,188
DNR Reclamation	590,858	4,377	-	595,235	-
Total Other Long-Term Liabilities	$ 1,467,242	$ 4,377	$ 39,094	$ 1,432,525	$ 78,188

The following reflects the changes in other long-term liabilities for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
PERS Unfunded Liability	$ 950,492	$ -	$ 74,108	$ 876,384	$ 78,188
DNR Reclamation	543,470	47,387	-	590,858	-
Total Other Long-Term Liabilities	$ 1,493,962	$ 47,387	$ 74,108	$ 1,467,242	$ 78,188

The following reflects the changes in other long-term liabilities for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
PERS Unfunded Liability	$ 1,005,501	$ -	$ 55,009	$ 950,492	$ 74,108
DNR Reclamation	337,500	205,970	-	543,470	-
Total Other Long-Term Liabilities	$ 1,343,001	$ 205,970	$ 55,009	$ 1,493,962	$ 74,108

6. Long-term Debt

In May 2019, previously issued and outstanding Series 2009 bonds were advance refunded, and the Agency issued $4.245 million in Series 2019 (Tax-Exempt) electric revenue refunding bonds. Interest is payable on these bonds on May 1 and November 1, commencing November 1, 2019 at an interest rate of 5.00%. The refunding also resulted in a bond issue premium of $398,863 that is being amortized over the life of the bonds. The remaining Series 2009 bonds were defeased by placing a portion of the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds.

Because the refunded bonds were fully paid to bondholders in June 2019, there are no resulting assets held by the escrow agent. The refunding resulted in an economic gain of $595,740 and a net cash flow savings of $325,868. A loss on refunding of $111,609 was recorded as a deferred outflow of resources and is being amortized to interest expense over the life of the original bonds.

In addition, the Agency issued general obligation bonds, Series 2015, denominations of $5,000, dated May 6, 2015, total issue of $10,295,000. The bond proceeds were used to pay for capital improvements, provide for current refunding of a portion of the Series 2009 Bonds, fund the Bond Reserve Requirement, and pay the cost of issuing the Series 2015 Bonds. Interest rates range from 3.875% to 5.250%; principal payments commence in 2025. The bonds mature June 1, 2033.

Annual debt service requirements as of December 31, 2019 follow:

Year Ending	Series 2019		Series 2015		Total		
December 31,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	$ 770,000	$ 211,411	$ -	$ 487,688	$ 770,000	$ 699,099	$ 1,469,099
2021	805,000	173,500	-	487,688	805,000	661,188	1,466,188
2022	845,000	133,250	-	487,688	845,000	620,938	1,465,938
2023	890,000	91,000	-	487,688	890,000	578,688	1,468,688
2024	935,000	46,500	-	487,688	935,000	534,188	1,469,188
2025-2029	-	-	5,285,000	1,904,776	5,285,000	1,904,776	7,189,776
2030-2033	-	-	5,010,000	511,701	5,010,000	511,701	5,521,701
	$ 4,245,000	$ 655,661	$ 10,295,000	$ 4,854,917	$ 14,540,000	$ 5,510,578	$20,045,578

The following reflects the changes in long-term debt for the six months ended December 31, 2019:

	Balance at June 30, 2019	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
Series 2019 Bonds	$ 4,245,000	$ -	$ -	$ 4,245,000	$ 770,000
Series 2015 Bonds	10,295,000	-	-	10,295,000	-
Total	$ 14,540,000	$ -	$ -	14,540,000	$ 770,000

The following reflects the changes in long-term debt for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within One Year
Series 2019 Bonds	$ -	$ 4,245,000	$ -	$ 4,245,000	$ 770,000
Series 2015 Bonds	10,295,000	-	-	10,295,000	-
Series 2009 Bonds	5,590,000	-	(5,590,000)	-	-
Total	$ 15,885,000	$ 4,245,000	$ (5,590,000)	$ 14,540,000	$ 770,000

The following reflects the changes in long-term debt for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Series 2015 Bonds	$ 10,295,000	$ -	$ -	$ 10,295,000	$ -
Series 2009 Bonds	6,390,000	-	(800,000)	5,590,000	830,000
Total	$ 16,685,000	$ -	$ (800,000)	$ 15,885,000	$ 830,000

Bond premiums and discounts as of December 31, 2019, June 30, 2019 and June 30, 2018 are as follows:

	December 31, 2019	June 30, 2019	June 30, 2018
Premium	$ 1,391,596	$ 1,391,596	$ 991,049
Discount	-	-	(53,880)
Total	1,391,596	1,391,596	937,169
Less accumulated amortization	(310,757)	(229,821)	(139,685)
Net Premium periods	$ 1,087,111	$ 1,171,363	$ 797,484

The Agency recorded $57,278, $31,256 and $51,035 as amortization to interest expense for the six months ended December 31, 2019 and years ended June 30, 2019 and June 30, 2018, respectively.

7. Operating Lease

The Agency entered into a three-year lease agreement for office space in Ketchikan, Alaska in February 2012, which was a transfer from the previous lease with a five-year period. The Agency has the right to renew the lease for two consecutive five-year periods and exercised the first option effective January 2015. In September 2019, the Agency elected to renew the lease for an additional 2 years effective January 16, 2020.

Under the terms of this lease, the Agency is obligated to pay the following amounts in future years:

Year Ending December 31		
2020	$	61,098
2021		62,786
Total	$	123,884

The Agency expensed $29,705, $58,496, and $56,809 under non-cancelable lease obligations expense for the periods ended December 31, 2019, June 30, 2019 and June 30, 2018, respectively.

The Agency also holds a month-to-month lease for apartment space. Rent expense for the periods ended December 31, 2019, June 30, 2019 and 2018 totaled $9,150, $18,300 and $18,300, respectively.

8. Employee Benefits

Union Agreements

The Agency entered into a union agreement with the International Brotherhood of Electrical Workers (IBEW) that became effective July 1, 2018 and will expire June 30, 2022. This agreement has distinct insurance and retirement programs and covers employees located in Wrangell and both hydroelectric facilities at Tyee Lake and Swan Lake, excluding managerial and administrative employees.

Defined Benefit Pension Plans

Pension benefits for substantially all employees are provided through participation in the National Rural Electric Cooperative Association (NRECA) and Alaska Electrical Trust Fund retirement programs. Both plans are master multi-employer defined benefit plans qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

NRECA Retirement Security Plan Information

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan. It is considered a multi-employer plan under the accounting standards. The plan sponsor’s Employer Identification Number is 53-0116145 and the Plan Number is 333.

SEAPA’s contributions to the RS Plan in 2019 and in 2018 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. For the periods ended December 31, 2019, June 20, 2019 and June 30, 2018 SEAPA made contributions to the RS Plan of $152,895 $274,519, and $267,892, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2019 and January 1, 2018, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

Alaska Electrical Pension Plan Information

The Alaska Electrical Pension Plan sponsor's Employer Identification Number is 92-6005171 and the Plan Number is 001. The Agency's contributions to the Plan in 2019 and in 2018 represented less than 5% of the total contributions made to the Plan by all participating employers. For the periods ended December 31, 2019, June 30, 2019 and June 30, 2018 SEAPA made contributions to the Plan of $76,284, $77,678 and $86,859, respectively. The collective bargaining agreement in place related to this Plan expired in June 2018, and employees are currently working under the expired agreement.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2019 and 2018 as certified by the Plan actuary. The Plan is not subject to funding improvement plans or rehabilitation plans and as a result, the Association is not subject to contribution surcharges. There are no minimum funding commitments as negotiated contributions currently satisfy SEAPA's commitment towards meeting the annual minimum funding requirement for the Alaska Electrical Pension Plan. Future contribution requirements are determined each year as part of the actuarial valuation of the Plan and may change as a result of plan experience.

9. Commitments and Contingencies

During the normal course of business, the Agency may be subject to various claims and disputes related to the conduct of its business. Management believes the resolution of these matters will not have a material effect on financial position, results of operations, or cash flows.

10. Rate Stabilization

The Agency established a Rate Stabilization Fund in 2019, transferring $2 million as an initial deposit into a separate investment account. Funds are intended to improve SEAPA's long-term fiscal health by reserving a portion of excess revenues. Proceeds may be used to minimize the impact on future rates of an unforeseen extraordinary expenditure, or to ensure bond covenant compliance is maintained.

11. Subsequent Events

The Agency has evaluated subsequent events through July 1, 2020, the date on which the financial statements were available to be issued.

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, and Governor Dunleavy issued a public health disaster emergency for the State of Alaska.

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 Agency'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 Agency is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

- Various suppliers have decreased production due to factory closures or reduced operating hours in those facilities. While the Agency considers this disruption to be temporary, continued disruption in the supply chain may lead to a delayed receipt by SEAPA of necessary materials and supplies.

- The Agency is dependent on its workforce to deliver its services. Developments such as social distancing and shelter-in-place directives may impact the Agency's ability to deploy its workforce as effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services or require use of emergency personnel.

Although the Agency 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 Agency's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. SEAPA has elected to not apply for either of these loans due to COVID-19 having minimal impact on their operations at this time.

SEAPA continues to examine the impact that the CARES Act may have on their business. Currently, SEAPA is unable to determine the impact that the CARES Act will have on our financial condition, results of operation or liquidity.

12. Upcoming GASB Pronouncements

GASB 87 – *Leases* – Effective for year-end December 31, 2021, with earlier application encouraged – This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* – Effective for 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.

GASB 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* – Effective for year-end December 31, 2020, with earlier application encouraged – This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB Statement No. 91 – Conduit Debt Obligations – Effective for year-end December 31, 2022.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, 2021. 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).

In light of the COVID-19 Pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months, Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

Required Supplementary Information

The Southeast Alaska Power Agency

National Rural Electric Cooperative Association (NRECA)
Schedule of Contributions

Period ended	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019 (six months)	$ 152,895	$ 152,895	$ -	$ 456,807	33%
June 30, 2019	274,519	274,519	-	868,855	32%
June 30, 2018	267,892	267,892	-	915,321	29%
June 30, 2017	271,275	271,275	-	905,489	30%
June 30, 2016	272,999	272,999	-	839,014	33%
June 30, 2015	221,899	221,899	-	781,056	28%
June 30, 2014	210,410	210,410	-	661,818	32%
June 30, 2013	155,947	155,947	-	574,652	27%
June 30, 2012	108,369	108,369	-	498,346	22%
June 30, 2011	99,132	99,132	-	424,912	23%

See accompanying notes to Required Supplementary Information.

The Southeast Alaska Power Agency

Alaska Electrical Pension Plan
Schedule of Contributions

Period ended	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019 (six months)	$ 76,284	$ 76,284	$ -	$ 652,735	11.69%
June 30, 2019	77,678	77,678	-	625,764	12.41%
June 30, 2018	86,859	86,859	-	831,118	10.45%
June 30, 2017	75,425	75,425	-	768,526	9.81%
June 30, 2016	73,698	73,698	-	804,889	9.16%
June 30, 2015	57,945	57,945	-	992,299	5.84%
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*
June 30, 2011	*	*	*	*	*

* Employees covered by the AEPP were first hired in FY2015.

See accompanying notes to Required Supplementary Information.

1. National Rural Electric Cooperative Association (NRECA)

Schedule of Contributions

- This table is based on SEAPA's contributions based on SEAPA's fiscal periods ended. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.

2. Alaska Electrical Pension Plan

Schedule of Contributions

- This table is based on SEAPA's contributions based on SEAPA's fiscal periods ended. All contributions are recognized in expense/expenditures when paid. There is no net pension liability associated with this plan at this time.

Government Auditing Standards Report

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
The Southeast Alaska Power Agency
Ketchikan, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Southeast Alaska Power Agency as of and for the six months ended December 31, 2019, and the related notes to the financial statements, which collectively comprise The Southeast Alaska Power Agency's basic financial statements, and have issued our report thereon dated July 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered The Southeast Alaska Power Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Southeast Alaska Power Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of The Southeast Alaska Power Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Southeast Alaska Power Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
July 1, 2020

The Southeast Alaska Power Agency

Schedule of Findings and Responses
Six Months Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.