



The Southeast Alaska Power Agency

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

For the Year Ended December 31, 2020,
Six Months Ended December 31, 2019,
and the Year Ended June 30, 2019



The Southeast Alaska Power Agency

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

For the Year Ended December 31, 2020, Six Months Ended
December 31, 2019, and the Year Ended June 30, 2019

The Southeast Alaska Power Agency

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Southeast Alaska Power Agency (the Agency) as of and for the year ended December 31, 2020, as of and for the six months ended December 31, 2019, and as of and for the year ended June 30, 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of The Southeast Alaska Power Agency, as of December 31, 2020, December 31, 2019 and June 30, 2019, and the respective changes in financial position and cash flows thereof for the years and period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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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 Southeast Alaska Power Agency ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 opinion. 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 Southeast Alaska Power Agency'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 Southeast Alaska Power Agency'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 14 and the Schedules of Pension Contributions on pages 42-43 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 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 August 24, 2021 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 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 Southeast Alaska Power Agency'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 The Southeast Alaska Power Agency's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
August 24, 2021

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Management's Discussion and Analysis

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

This presentation and analysis are intended to serve as an introduction to and discussion of the financial statements of The Southeast Alaska Power Agency (SEAPA) for the fiscal year ended December 31, 2020 and the six-month period ended December 31, 2019.

Mission Statement

SEAPA's mission is to safely provide clean, reliable, low-cost wholesale power to the communities we serve.

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 financial statements for January 1 through December 31, 2020 (FY2020); the six-month transitional period from July 1 through December 31, 2019; and the year ended June 30, 2019 (FY2019).
- Total assets and deferred outflows of resources exceeded total liabilities by \$138.5M at December 31, 2020, compared to \$138.5M at December 31, 2019, and \$138.8M at June 30, 2019. Of these amounts, \$23.2M as of December 31, 2020, \$21.6M as of December 2019, and \$20.7M as of June 2019 were unrestricted and available to meet SEAPA's ongoing obligations to customers and creditors.
- SEAPA's total net position increased \$9.8K in FY20, compared to a decrease of \$304K during the six-month period ending December 31, 2019, and a decrease of \$3.3M in FY2019. 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. This payment represented diesel generation costs incurred by the member utilities of Petersburg and Wrangell from February 15, 2019, through March 28, 2019.
- The wholesale power rate was maintained at 6.8 cents/kWh in 2020, a rate that has held steady for 23 consecutive years and was again the basis for the fiscal year 2021 budget. A rate increase may be considered later in the fiscal year to support financing for submarine cable replacement project, details of which are outlined below.
- The annual levelized payment to the Dedicated R&R Fund of \$2.552M took place in FY2020 after being suspended in 2019. The lapse in the 2019 contribution was due to depressed revenues caused by the 2018-2019 drought. The drought conditions subsided and revenues normalized over the fall of 2019. Existing reserves in the Dedicated R&R Fund are currently sufficient to support planned improvements during the fiscal year, with the exception of the submarine cable replacement.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

- 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. Removal and replacement of the submarine cable is scheduled for completion in summer 2021. The project budget is \$13.372M, and SEAPA utilized its \$8M Self-Insured Risk Fund to cover expenditures prior to a June 2021 bond issuance. The submarine cables were partially insured at the time of the failure, but a root-cause analysis and insurance coverage determination are not possible prior to recovery of the faulted cable and subsequent inspection.
- In June 2021, SEAPA issued \$11.33M in Series 2021 Bonds through the Alaska Municipal Bond Bank to cover the cost of the submarine cable replacement and other capital improvements as needed. Proceeds of \$13.37M were deposited to a dedicated Construction Fund.
- The proceeds from SEAPA's Series 2019 bonds issuance of \$4.245M through the Alaska Municipal Bond Bank were used to advance refund \$5.59M in Series 2009 Bonds, resulting in net present value savings of \$325K over the remaining five-year term.
- SEAPA amended its expiring office space lease, extending it to January 2022 and allowing for month-to-month rent thereafter. SEAPA purchased property in Ketchikan in 2019 to construct warehouse and office space, plans for which are currently underway.
- The COVID-19 pandemic forced SEAPA's headquarters to temporarily close as administrative staff were transitioned to a work-from-home contingency plan. Hydroelectric power plants continued to operate without interruption and noncritical scheduled contractor maintenance work was deferred until later in the year. Power sales have remained in line with historical averages.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

Statement of Net Position

Total assets, total liabilities and total net assets at December 31, 2020; December 31, 2019; and June 30, 2019 follows:

	December 31, 2020	December 31, 2019	June 30, 2019
Assets:			
Current assets	\$ 20,121,153	\$ 18,459,520	\$ 18,018,533
Capital assets	127,198,091	129,693,061	130,994,881
Noncurrent assets	7,946,731	8,182,537	8,264,177
Total Assets	\$ 155,265,975	\$ 156,335,118	\$ 157,277,591
Liabilities:			
Current liabilities	\$ 1,514,127	\$ 1,622,490	\$ 2,145,234
Noncurrent liabilities	15,234,561	16,205,176	16,320,829
Total liabilities	16,748,688	17,827,666	18,466,063
Net position			
Net investment in capital assets	112,549,453	114,172,481	115,404,715
Restricted for debt service	1,466,438	1,469,099	1,469,349
Restricted under agreements with external parties	1,290,078	1,212,104	1,203,349
Unrestricted	23,211,318	21,653,768	20,734,115
Total net position	138,517,287	138,507,452	138,811,528
Total Liabilities and Net Position	\$ 156,265,975	\$ 156,335,118	\$ 157,277,591

Discussion of Financial Position

Financial Position - FYE December 31, 2020

Capital Assets valued at \$1.2M were placed into service this year, and WIP increased by \$610K, but was offset by \$4.8M in annual depreciation. A new housing structure (four-plex) was erected at the Swan Lake facility, and the second stuffing box housing was replaced in the Swan Lake plant. At the Tye Lake facility, upgrades to the governor PLC and the hydraulic power unit were completed. New servers and a new accounting system were installed in SEAPA headquarters.

Noncurrent assets consist of investments held in SEAPA's Self-Insured Risk Fund for which the maturity is longer than one year. The Self-Insured Risk Fund is generally maintained at \$8M, however, beginning in December 2020, this fund was drawn on to pay for the submarine cable replacement project until bonds were issued in June 2021.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

Financial Position - Six-month period ending December 31, 2019

Drought conditions abated and power sales normalized during the six-month fiscal year ended December 31, 2019.

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.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

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.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

Changes in Net Position

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

	December 31, 2020	December 31, 2019	June 30, 2019
Operating revenues:			
Power sales revenue	\$ 11,670,328	\$ 5,189,643	\$ 9,341,738
Member diesel	—	—	(841,786)
Net Operating Revenues	11,670,328	5,189,643	8,499,952
Operating expenses:			
Operating and maintenance	2,358,329	1,238,262	2,552,620
Transmission operations and maintenance	1,370,350	314,550	1,406,598
General and administrative	2,791,239	1,378,286	2,580,831
Depreciation expense	4,851,065	2,413,573	4,829,220
Total operating expenses	11,370,983	5,344,976	11,369,269
Net Operating Income/(Loss)	299,345	(155,028)	(2,869,317)
Nonoperating revenues (expenses):			
Investment income	293,039	125,480	370,392
Grant revenue	51,269	87,572	62,614
Grant expense	(51,269)	(77,337)	(83,351)
Interest expense	(546,973)	(257,281)	(735,522)
Other income (expense)	(35,576)	(27,482)	(24,759)
Net nonoperating revenues (expenses)	(289,510)	(149,048)	(410,626)
Change in net position	9,835	(304,076)	(3,279,943)
Net Position - beginning of year	138,507,452	138,811,528	142,091,471
Net Position - end of year	\$ 138,517,287	\$ 138,507,452	\$ 138,811,528

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

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 current and prior periods, as SEAPA shifted the schedule of its fiscal year.

Operations - January 1, 2020 through December 31, 2020

SEAPA successfully completed the first full year of managing operations and maintenance, formerly performed by contractors, at both of its hydroelectric facilities. Efforts to standardize operating processes, training and supplies continue, as well as design and implementation of a secure, satellite-based communications system.

Firm power sales exceeded \$11.6M, which is just slightly less than SEAPA's ten-year average.

Net operating income was \$304.5K for the period and includes \$4.8M in depreciation expense.

Grant revenue and expense of \$51K were incurred as COVID-related travel restrictions curtailed progress on grant-related activities. Funding from the State of Alaska FY13 Alaska DCCED grant continues to be applied toward regional hydro-site analysis. A balance of \$337K was still available at the end of the fiscal year, and the grant has been extended through June 2022.

The change in net position for the year was \$9,835.

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. No rebate or diesel reimbursement payments took place.

Net operating loss 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).

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

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

Revenues during the first quarter of 2021 were above average due to higher heating loads during extended cooler ambient temperature periods. Snowpack levels in SEAPA's hydro project drainages measured 200% of average during spring snow surveys. Mild temperatures slowed the runoff and increased energy storage in the form of snowpack and will support potential sales in subsequent months. 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 FY2021 was set at 6.8 cents/kWh. This rate has remained consistent for 24 years, but small incremental increases may be necessary in the future to address rising overhead costs and aging infrastructure. New debt service associated with replacement of a failed underwater transmission cable will also be factored into any rate adjustments.

SEAPA is conducting a lifetime assessment of larger infrastructure to better inform the scheduled 4R Plan update which occurs every five years. Original lifetime estimates and replacement costs were based on industry standards and adjusted over time for inflation. Most of SEAPA's major assets are approaching 38 years old and are at a point where projected life expectancies can be refined based on real time conditions. Potential life extension strategies where applicable will also be analyzed. The outcome of the 4R Plan update will more accurately reflect timing and magnitude of capital replacement investments. It will also identify necessary changes in the leveled annual payment to the Dedicated R&R Fund required to maintain long-term system reliability.

Economic factors impacting fiscal year 2021 are varied. The cruise ship industry is a major economic driver for Southeast Alaska and is still in recovery from the pandemic. There will be very few cruise ship sailings in 2021 due to restrictions on travel through Canadian waters and lingering COVID-19 concerns. However, the industry is poised for a significant recovery in 2022. Many related seasonal commercial enterprises are still closed or limiting operating hours. This will likely result in moderately lower power sales during the summer months. Two additional cruise ship berths have been completed in Ketchikan near Ward Cove and are anticipated to significantly boost ridership going forward. The two new berths may also present an opportunity for future interruptible power sales if shoreside power is utilized.

Ketchikan Shipyard activities continue to be mostly limited to maintenance of existing Alaska Marine Highway vessels and no new major ship builds have been announced. Any new major boat building contracts would increase welding loads and result in an influx of workers. This would boost the local economy.

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 restaurant demand due to the worldwide pandemic. Power sales associated with fish processors may be slightly lower in 2021.

Population trends typically have a strong correlation to energy sales but must be measured against other indicators. New housing starts and sale of existing homes have been very strong throughout the pandemic which may be a leading indicator of future load growth, especially in Ketchikan. However, in the short term, potential increases in residential power sales will likely be offset by declines in commercial and industrial demand.

Southeast Alaska Power Agency

Management's Discussion and Analysis

December 31, 2020; December 31, 2019; and June 30, 2019

The overall economics of the State of Alaska are still precarious and there is continued uncertainty. Revenue shortfalls are significant and some of these costs are being 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. 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. State revenues from higher oil prices and Federal funding for infrastructure may help offset anticipated shortfalls.

Major infrastructure projects including a new hospital in Wrangell and airport renovations in Ketchikan have spurred economic activity in SEAPA's region. Passage of a Federal infrastructure package would similarly have a broad economic impact but will likely occur in subsequent years.

SEAPA's 2021 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 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.

Basic Financial Statements

The Southeast Alaska Power Agency

Statements of Net Position

	December 31, 2020	December 31, 2019	June 30, 2019
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and cash equivalents, including restricted cash and investments of \$3,244,102, \$3,270,209 and \$2,888,048 at December 31, 2020, December 31, 2019, and June 30, 2019, respectively	\$ 14,992,017	\$ 14,472,659	\$ 14,999,383
Accounts receivable	2,861,137	1,735,411	1,123,929
Grants receivable	1,721	61,163	-
Accrued interest receivable	37,399	47,863	48,219
Inventory	1,567,445	1,525,990	1,546,665
Prepaid expenses	661,434	616,434	300,337
Total Current Assets	20,121,153	18,459,520	18,018,533
Noncurrent Assets			
Investments, long-term	7,862,151	8,045,143	8,141,489
Deferred charges	7,021	37,135	11,079
Capital assets, net	127,198,091	129,693,061	130,994,881
Total Noncurrent Assets	135,067,263	137,775,339	139,147,449
Deferred Outflows of Resources - loss on refunding	77,559	100,259	111,609
Total Assets and Deferred Outflows of Resources	\$ 155,265,975	\$ 156,335,118	\$ 157,277,591
Liabilities and Net Position			
Current Liabilities			
Accounts payable and accrued expenses	\$ 616,479	\$ 728,069	\$ 1,223,902
Accrued interest payable	14,460	46,233	73,144
Current portion of other long-term liabilities	40,865	78,188	78,188
Current portion of long-term debt	805,000	770,000	770,000
Total Current Liabilities	1,476,804	1,622,490	2,145,234
Noncurrent Liabilities			
Other long-term liabilities, net of current portion	1,350,687	1,354,337	1,389,054
Long-term debt, net of current portion	12,965,000	13,770,000	13,770,000
Bond issue premium, net	956,197	1,080,839	1,161,775
Total Noncurrent Liabilities	15,271,884	16,205,176	16,320,829
Total Liabilities	16,748,688	17,827,666	18,466,063
Net Position			
Net investment in capital assets	112,549,453	114,172,481	115,404,715
Restricted for debt service	1,466,438	1,469,099	1,469,349
Restricted by agreements with external parties	1,290,078	1,212,104	1,203,349
Unrestricted	23,211,318	21,653,768	20,734,115
Total Net Position	138,517,287	138,507,452	138,811,528
Total Liabilities and Net Position	\$ 155,265,975	\$ 156,335,118	\$ 157,277,591

See accompanying notes to basic financial statements.

The Southeast Alaska Power Agency
Statements of Revenues, Expenses, and Changes in Net Position

	<i>Year ended</i> December 31, 2020	<i>Six months</i> <i>ended</i> December 31, 2019	<i>Year ended</i> June 30, 2019
Operating Revenues			
Revenue from power sales	\$ 11,670,328	\$ 5,189,643	\$ 8,499,952
Operating Expenses			
Operating and maintenance	3,728,679	1,552,812	3,959,218
General and administrative	2,791,239	1,378,286	2,580,831
Depreciation expense	4,851,065	2,413,573	4,829,220
Total Operating Expenses	11,370,983	5,344,671	11,369,269
Operating income (loss)	299,345	(155,028)	(2,869,317)
Nonoperating Revenues (Expenses)			
Investment income	293,039	125,480	370,392
Grant revenue	51,269	87,572	62,614
Grant expenses	(51,269)	(77,337)	(83,351)
Interest expense	(546,973)	(257,281)	(735,522)
Bond issuance expense	-	-	(69,665)
Other income (expense)	(35,576)	(27,482)	44,906
Net Nonoperating Expenses	(289,510)	(149,048)	(410,626)
Change in net position	9,835	(304,076)	(3,279,943)
Net Position, beginning of period	138,507,452	138,811,528	142,091,471
Net Position, end of period	\$ 138,517,287	\$ 138,507,452	\$ 138,811,528

See accompanying notes to basic financial statements.

The Southeast Alaska Power Agency

Statements of Cash Flows

	<i>Year ended</i> December 31, 2020	<i>Six months</i> <i>ended</i> December 31, 2019	<i>Year ended</i> June 30, 2019
Cash Flows from Operating Activities			
Receipts from customers	\$ 10,544,602	\$ 4,578,161	\$ 8,209,979
Payment of rate rebate	-	-	(800,000)
Payments to suppliers and employees	(6,728,822)	(3,779,046)	(6,766,190)
Other miscellaneous receipts and disbursements	(35,576)	(20,212)	44,906
Net cash flows from operating activities	3,780,204	778,903	688,695
Cash Flows (for) from Noncapital Financing Activities			
Grant and contract receipts	110,711	26,409	123,206
Grant and contract expenses	(51,269)	(77,337)	(83,351)
Net cash flows (for) from noncapital financing activities	59,442	(50,928)	39,855
Cash Flows for Capital and Related Financing Activities			
Purchase of capital assets	(2,356,095)	(1,111,753)	(1,745,381)
Interest payments on long-term debt	(680,688)	(365,128)	(725,536)
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	(770,000)	-	-
Net cash flows for capital and related financing activities	(3,806,783)	(1,476,881)	(3,522,393)
Cash Flows from Investing Activities			
Purchase of investment	(5,202,537)	(1,390,119)	(7,211,529)
Proceeds from sales of investments	5,466,093	1,523,892	5,741,434
Investment income received	222,939	88,409	120,887
Net cash flows from investing activities	486,495	222,182	(1,349,208)
Net decrease in cash and cash equivalents	519,358	(526,724)	(4,143,051)
Cash and Cash Equivalents, beginning of period	14,472,659	14,999,383	19,142,434
Cash and Cash Equivalents, end of period	\$ 14,992,017	\$ 14,472,659	\$ 14,999,383

The Southeast Alaska Power Agency

Statements of Cash Flows, continued

	<i>Year ended</i>	<i>Six months</i>	<i>Year ended</i>
	December 31,	December 31,	June 30,
	2020	2019	2019
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities			
Operating income (loss)	\$ 299,345	\$ (155,028)	\$ (2,869,317)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	4,851,065	2,413,573	4,829,220
Other income (expense)	(35,576)	(20,212)	44,906
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	(41,455)	20,675	(489,010)
Prepaid expenses	(45,000)	(316,097)	12,269
Accounts receivable	(1,125,726)	(611,482)	(289,973)
Deferred charges	30,114	(26,056)	(11,079)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(111,590)	(495,833)	288,399
Rebate payable to members	-	-	(800,000)
Other long-term liabilities	(40,973)	(30,637)	(26,720)
Net Cash Flows From Operating Activities	\$ 3,780,204	\$ 778,903	\$ 688,695

See accompanying notes to basic financial statements.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements Years Ended December 31, 2020, December 31, 2019 and June 30, 2019

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.

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

For the purpose of the statements of cash flows, cash and cash equivalents consists of cash, demand deposits, money market funds, and short-term commercial paper or certificates of deposit.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

Investments

The Agency's investments are recorded in accordance with the authoritative guidance on fair value measurements and disclosures. Exceptions to fair value measurement in the guidance include valuation of certain investments at amortized cost, including nontradeable certificates of deposit. 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:

<i>Capital assets</i>	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 an 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 year ended December 31, 2020, the six months ended December 31, 2019, and the year ended June 30, 2019 was set at 6.8 cents per kWh. The member utilities pay for the amount of power used and displaced sales under the Whitman true-up.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

The Purchasers buy power from the Agency at the same wholesale power rate. Rebates may be awarded at the Board's discretion based on operating results. The following is the percentage of volume sold to each Purchaser for the year ended December 31, 2020, the six months ended December 31, 2019, and the year ended June 30, 2019:

	December 31, 2020	December 31, 2019	June 30, 2019
Ketchikan Public Utilities	50%	49%	54%
Petersburg Municipal Light and Power	27%	28%	25%
Wrangell Municipal Light and Power	23%	23%	21%
	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, 2020, December 31, 2019, and June 30, 2019, 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.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

Subsequent Events

The Agency has evaluated subsequent events through August 24, 2021, the date on which the financial statements were available to be issued.

Fiscal Year-end Change

The Agency changed its fiscal year-end from June 30 to December 31, effective July 1, 2019. The period ended December 31, 2019 only reports 6 months of activity.

Reclassification

Certain prior year amounts included in the comparative financial statements have been reclassified to achieve comparability with current year presentation.

Recently Issued 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 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).

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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.

3. Cash and Investments

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 established a Rate Stabilization Fund in 2018 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 accounts and short-term investments such as money market funds.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

The cash and investments were held in accounts for the following activities as of December 31, 2020, December 31, 2019 and June 30, 2019:

	December 31, 2020	December 31, 2019	June 30, 2019
Unrestricted:			
Internal renewal and replacement fund	\$ 1,000,533	\$ 1,000,308	\$ 1,000,610
Dedicated renewal and replacement fund	5,210,017	4,418,013	5,698,762
Revenue fund	1,592,173	1,840,126	1,372,744
Self-insured risk fund	7,915,403	8,096,764	8,285,313
Commercial checking account	1,000	1,000	1,001
New generation fund	1,888,137	1,889,646	1,893,273
Rate stabilization fund	2,002,803	2,001,736	2,001,121
Total unrestricted	19,610,066	19,247,593	20,252,824
Restricted:			
Reclamation contingency fund	1,268,441	1,190,469	1,181,715
2015 Trust series bond interest	64	40,975	55,482
2015 Trust series bond principal	205,312	205,681	203,981
2019 Series bond COI fund	-	-	5,669
2019 Series bond interest fund	14,460	35,901	41,214
2019 Series bond principal fund	470,001	515,156	128,333
2019 Series bond reserve fund	1,264,187	1,260,392	1,250,019
STI-USFS CD	21,637	21,635	21,635
Total restricted	3,244,102	3,270,209	2,888,048
Total Cash And Investments	\$ 22,854,168	\$ 22,517,802	\$ 23,140,872

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;

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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;

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Notes to Basic Financial Statements

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, 2020, December 31, 2019 and June 30, 2019 are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>December 31, 2020</i>			
U.S. government bonds	\$ 5,394,154	\$ 4,466,213	\$ 927,941
Corporate bonds	962,136	462,145	499,991
Certificates of deposit	1,505,861	-	1,505,861
Total investments	7,862,151	4,928,358	2,933,793
Cash and cash equivalents:			
Certificates of deposit	22,180	-	-
Money market	3,275,174	-	-
Demand deposits	11,694,663	-	-
Total cash and cash equivalents	14,992,017	-	-
Total	\$ 22,854,168	\$ 4,928,358	\$ 2,933,793

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>December 31, 2019</i>			
U.S. government bonds	\$ 7,096,526	\$ 651,840	\$ 6,444,686
Corporate bonds	948,617	-	948,617
Total investments	8,045,143	651,840	7,393,303
Cash and cash equivalents:			
Certificates of deposit	21,635	-	-
Money market	3,300,196	-	-
Demand deposits	11,150,828	-	-
Total cash and cash equivalents	14,472,659		
Total	\$ 22,517,802	\$ 651,840	\$ 7,393,304

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>June 30, 2019</i>			
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	-	-
Money market	2,885,250	-	-
Demand deposits	11,967,509	-	-
Total cash and cash equivalents	14,874,393		
Total	\$ 23,140,872	\$ 124,990	\$ 8,141,489

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 Southeast Alaska Power Agency

Notes to Basic Financial Statements

The credit quality ratings of the Agency's investments as of December 31, 2020, December 31, 2019 and June 30, 2019, as described by nationally recognized statistical rating organizations, are shown below (using Standard & Poor's Corporation rating scale unless otherwise noted):

Investment Type	Rating	Percent of Total		
		December 31, 2020	December 31, 2020	June 30, 2019
U.S. government bonds	AAA	84.9%	88.2%	86.9%
U.S. government agencies	AA	0.0%	0.0%	1.8%
Corporate bonds	AA	0.0%	0.0%	1.5%
Corporate bonds	AA-	7.8%	6.1%	1.2%
Corporate bonds	A	7.3%	5.7%	0.0%
Corporate bonds	A-	0.0%	0.0%	5.5%
Corporate bonds	BBB+	0.0%	0.0%	1.6%
Corporate bonds	Not rated	0.0%	0.0%	1.5%
Total		100%	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, 2020, December 31, 2019 and June 30, 2019, 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. Long-term certificates of deposit held as investments are fully insured, as they do not exceed the \$250,000 limit per underlying institution by the Federal Deposit Insurance Corporation.

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%:

Investment Type	December 31, 2020		December 31, 2019		June 30, 2019	
	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	\$ 5,394,154	84.86%	\$ 7,096,526	88.21%	\$ 7,333,578	88.71%
Corporate bonds	962,136	15.14%	948,618	11.79%	932,900	11.29%

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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, 2020, December 31, 2019 and June 30, 2019:

- U.S. government agency securities of \$0, \$0, and \$149,414 as of December 31, 2020, December 31, 2019 and June 30, 2019, 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, corporate bonds, and long-term certificates of deposit investments of \$7,862,151, \$8,045,144, and \$8,117,065 as of December 31, 2020, December 31, 2019 and June 30, 2019, 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 \$22,180, \$3,313,076, and \$2,906,884 as of December 31, 2020, December 31, 2019 and June 30, 2019, 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, 2020, December 31, 2019 and June 30, 2019 are as follows:

	December 31, 2020	December 31, 2019	June 30, 2019
Tyee Lake	\$ 33,224,939	\$ 32,727,980	\$ 32,423,968
Swan Lake	34,025,525	32,840,841	32,097,950
Swan-Tyee Intertie	115,093,787	114,974,970	114,974,348
General plant	1,490,655	1,443,562	1,379,334
	183,834,906	181,987,353	180,875,600
Less accumulated depreciation	(56,636,815)	(52,294,292)	(49,880,719)
Total Capital Assets, Net of Accumulated Depreciation	\$ 127,198,091	\$ 129,693,061	\$ 130,994,881

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

Capital asset activity for the Agency for the year ended December 31, 2020 follows:

	Balance at December 31, 2019	Additions	Transfers and Deletions	Balance at December 31, 2020
Capital assets not being depreciated:				
Swan Lake construction in progress	\$ 226,069	\$ 1,233,067	\$ (1,070,031)	\$ 389,105
Tye Lake construction in progress	22,574	950,519	(526,609)	446,484
Other construction in progress	64,228	86,717	(62,997)	87,948
Land	474,953	-	-	474,953
Total capital assets not being depreciated	787,824	2,270,303	(1,659,637)	1,398,490
Capital assets being depreciated:				
Structures	23,105,722	766,997	(45,281)	23,827,438
Infrastructure	10,131,449	699,783	(143,850)	10,687,382
Generation and distribution	146,109,103	186,018	(312,279)	145,982,842
Furniture, fixtures and other	1,762,323	178,674	(93,175)	1,847,822
Leasehold improvements	90,932	-	-	90,932
Total capital assets being depreciated	181,199,529	1,831,472	(594,585)	182,436,416
Less accumulated depreciation:				
Structures	(7,286,218)	(718,747)	26,414	(7,978,551)
Infrastructure	(2,202,918)	(367,670)	116,018	(2,454,570)
Generation and distribution	(41,872,193)	(3,650,460)	296,794	(45,225,859)
Furniture, fixtures and other	(905,367)	(109,641)	69,316	(945,692)
Leasehold improvements	(27,596)	(4,547)	-	(32,143)
Total accumulated depreciation	(52,294,292)	(4,851,065)	508,542	(56,636,815)
Capital assets being depreciated, net	128,905,237	(3,019,593)	(86,043)	125,799,601
Total Capital Assets, net	\$ 129,693,061	\$ (749,289)	\$ (1,745,680)	\$ 127,198,091

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The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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

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The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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

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 Southeast Alaska Power Agency

Notes to Basic Financial Statements

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. 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 year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
PERS Unfunded Liability	\$ 837,290	\$ -	\$ 79,958	\$ 757,332	\$ 40,865
DNR Reclamation	595,235	38,985	-	634,220	-
Total Other Long-Term Liabilities	\$ 1,432,525	\$ 38,985	\$ 79,958	\$ 1,391,552	\$ 40,865

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 Southeast Alaska Power Agency

Notes to Basic Financial Statements

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

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, 2020 follow:

Year Ending December 31,	Series 2019		Series 2015		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	\$ 805,000	\$ 173,750	\$ -	\$ 487,688	\$ 805,000	\$ 661,188	\$ 1,466,188
2022	845,000	133,500	-	487,688	845,000	620,938	1,465,938
2023	890,000	91,250	-	487,688	890,000	578,688	1,468,688
2024	935,000	46,500	-	487,688	935,000	534,188	1,469,188
2025	-	-	965,000	487,688	965,000	487,688	1,452,688
2026-2030	-	-	5,490,000	1,627,313	5,490,000	1,627,313	7,117,313
2031-2033	-	-	3,840,000	301,476	3,840,000	301,476	4,141,476
	\$ 3,475,000	\$ 445,000	\$10,295,000	\$ 4,367,229	\$13,770,000	\$4,811,479	\$ 18,581,479

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

The following reflects the changes in long-term debt for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Series 2019 Bonds	\$ 4,245,000	\$ -	\$ 770,000	\$ 3,475,000	\$ 805,000
Series 2015 Bonds	10,295,000	-	-	10,295,000	-
Total	\$ 14,540,000	\$ -	\$ 770,000	13,770,000	\$ 805,000

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

Bond premiums and discounts as of December 31, 2020, December 31, 2019 and June 30, 2019 are as follows:

	December 31, 2020	December 31, 2019	June 30, 2019
Premium	\$ 1,391,596	\$ 1,391,596	\$ 1,391,596
Less accumulated amortization	(435,399)	(310,757)	(229,821)
Net Premium periods	\$ 956,197	\$ 1,087,111	\$ 1,171,363

The Agency recorded \$124,642, \$57,278, and \$31,256 as amortization to interest expense for the year ended December 31, 2020, the six months ended December 31, 2019, and the year ended June 30, 2019, respectively.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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,

2021	\$ 62,716
2022	2,616
Total	\$ 65,332

The Agency expensed \$61,030, \$29,705, and \$58,496 under this noncancelable lease obligation for the periods ended December 31, 2020, December 31, 2019 and June 30, 2019, respectively.

The Agency also holds a month-to-month lease for apartment space. Rent expense for the periods ended December 31, 2020, December 31, 2019 and June 30, 2019 totaled \$18,300, \$9,150, 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.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

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 2020 and in 2019 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. For the periods ended December 31, 2020, December 31, 2019 and June 30, 2019 SEAPA made contributions to the RS Plan of \$277,178, \$152,895, and \$274,519, 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, 2020 and January 1, 2019, 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 2020 and in 2019 represented less than 5% of the total contributions made to the Plan by all participating employers. For the periods ended December 31, 2020, December 31, 2019 and June 30, 2019 SEAPA made contributions to the Plan of \$119,954, \$76,284, and \$77,678, respectively. The collective bargaining agreement in place related to this Plan expires in June 2022.

In total, the Alaska Electrical Pension Plan was more than 80% funded at December 31, 2020 and 2019 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.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

10. Rate Stabilization

The Agency established a Rate Stabilization Fund in fiscal year 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. Significant Event - COVID-19

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.

In subsequent months, the State of Alaska extended emergency declarations and issued/refined emergency orders to allow for the closure and measured expansion of economic and social activities within the state. Travel mandates were imposed, and restrictions have been modified to allow for more travelers to enter the state for work, commerce, tourism, and other purposes. To date, the Agency has continued to provide services to its members but has experienced certain impacts as a result of the pandemic, including virtual delivery of conferences and trainings, and new programs to help members navigate the impacts of the pandemic.

Certain legislative actions have been enacted at the federal level related to the pandemic response, including the Coronavirus Aid, Relief and Economic Security (CARES) Act in May 2020, the Consolidated Appropriations Act in December 2020, and the American Rescue Plan in March 2021. Currently, the Agency does not anticipate any impact from these legislative actions, but continues to examine the elements of these actions for any impact they may have on the Agency's future business.

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. 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 2021.

12. Related Parties

SEAPA is an agency of the state that sells power to three member cities; thus, revenue is generated solely through these three cities. It's Board of Directors are made up of board members from Ketchikan, Petersburg and Wrangell. The following table reflects the percentage of revenue each related party makes up during the period and the percent of accounts receivable for the period ended.

The Southeast Alaska Power Agency

Notes to Basic Financial Statements

Related Party	Percent of Revenue/Accounts Receivable		
	December 31, 2020	December 31, 2020	June 30, 2019
Ketchikan	53%/60%	49%/64%	54%/35%
Petersburg	26%/22%	28%/19%	31%/15%
Wrangell	21%/18%	23%/17%	25%/46%

13. Subsequent Events

To fund repairs of a submarine transmission cable, the Agency sought and was approved for funding by Alaska Municipal Bond Bank Authority (AMBBA). AMBBA issued the Agency a bond in the amount of \$11,330,000 on June 16, 2021. The bond bears an annual interest rate between 4-5% and has a 24-year payback period.

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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, 2020	\$ 350,119	\$ 350,119	\$ -	\$ 949,451	37%
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, 2020	\$ 136,321	\$ 136,321	\$ -	\$ 1,343,140	10.15%
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.

The Southeast Alaska Power Agency

Notes to Required Supplementary Information Years Ended December 31, 2020, December 31, 2019 and June 30, 2019

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 year ended December 31, 2020, 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 August 24, 2021.

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) as a basis for designing 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.

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
August 24, 2021

The Southeast Alaska Power Agency

Schedule of Findings and Responses Year Ended December 31, 2020

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

no

Significant deficiency(ies) identified?

yes

(none reported)

Noncompliance material to financial statements noted?

yes

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*.