



## **Southeast Alaska Power Agency**

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

For the Years Ended December 31, 2021 and 2020

## **Southeast Alaska Power Agency**

---

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

For the Years Ended December 31, 2021 and 2020

# Southeast Alaska Power Agency

## Contents

---

	Page
<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	6-14
<b>Basic Financial Statements</b>	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	18-19
Notes to Basic Financial Statements	20-36
<b>Required Supplementary Information</b>	
Schedule of Contributions - National Rural Electric Cooperative Association (NRECA)	38
Schedule of Contributions - Alaska Electrical Pension Plan	39
Notes to Required Supplementary Information	40
<b><i>Government Auditing Standards Report</i></b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Schedule of Findings and Responses	44



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

The Board of Directors  
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 years ended December 31, 2021 and 2020, 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, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit's 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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 and related notes on pages 38-40 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 31, 2022 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 31, 2022

*This page intentionally left blank.*

## **Management's Discussion and Analysis**

---



# Southeast Alaska Power Agency

## Management's Discussion and Analysis *December 31, 2021; 2020; and 2019*

---

This presentation and analysis are intended to serve as an introduction to and discussion of the financial statements of Southeast Alaska Power Agency (SEAPA) for the fiscal year ended December 31, 2021; 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. Financial statements for January 1 through December 31, 2021; January 1 through December 31, 2020; and the six-month transitional period from July 1 through December 31, 2019, are presented herein.
- Total assets and deferred outflows of resources exceeded total liabilities by \$173.3M on December 31, 2021, compared to \$155.2M at December 31, 2020, and \$156.3M at December 31, 2019. As of December 31, 2021; 2020, and 2019, \$31M, \$23.2M, and \$21.7M were unrestricted and available to meet SEAPA's ongoing obligations to customers and creditors, respectively.
- SEAPA's total net position increased \$4.6M in FY21 and \$9.8K in FY20, compared to a decrease of \$304K during the six-month period ending December 31, 2019. Insurance proceeds of \$5M were received in 2021 for the submarine cable failure that occurred in 2019, contributed to the 2021 net position.
- The wholesale power rate was maintained at 6.8 cents/kWh through 2021, a rate that held steady for 24 consecutive years. The wholesale power rate was increased a quarter-cent, to 7.05 cents/kWh in 2022 to support financing for capital projects. Another quarter-cent rate increase is anticipated in 2023.
- 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 was completed in the summer of 2021 at a cost of \$11.7M.
- SEAPA utilized its Self-Insured Risk Fund to cover submarine cable expenditures prior to its June 2021 issuance of \$11.33M in Series 2021 Bonds through the Alaska Municipal Bond Bank. These bonds were issued to cover the cost of the submarine cable replacement and other capital improvements as needed.
- Insurance proceeds of \$5M were also received in 2021 after the removal and replacement of the failed submarine cable and pursuant to completion of a third-party root cause failure analysis.
- SEAPA purchased property in Ketchikan in 2019 for a warehouse and office space, and construction is currently underway with completion scheduled for the first half of 2023. SEPA continues to rent its current office space on a month-to-month basis until then. A \$5.5M bond issuance through the Alaska Municipal Bond Bank in 2022 is intended to fund this capital project.

# **Southeast Alaska Power Agency**

## **Management's Discussion and Analysis**

*December 31, 2021; 2020; and 2019*

---

- The COVID-19 pandemic forced SEAPA's headquarters to temporarily close in 2020 and administrative staff were transitioned to a work-from-home contingency plan. Supply-chain issues have been minor, at times delaying non-critical contractor maintenance work and capital projects; however, hydroelectric power plants have continued to operate without interruption, and power sales have remained in line with historical averages.

# Southeast Alaska Power Agency

## Management's Discussion and Analysis December 31, 2021; 2020; and 2019

### Statement of Net Position

Total assets, total liabilities and total net assets as of December 31, 2021; 2020; and 2019 follow:

	December 31, 2021	December 31, 2020	December 31, 2019
<b>Assets:</b>			
Current assets	\$ 28,791,916	\$ 20,121,153	\$ 18,459,520
Capital assets	136,343,266	127,198,091	129,693,061
Noncurrent assets	8,172,346	7,946,731	8,182,537
<b>Total Assets</b>	<b>\$ 173,307,528</b>	<b>\$ 155,265,975</b>	<b>\$ 156,335,118</b>
<b>Liabilities:</b>			
Current liabilities	\$ 2,034,351	\$ 1,476,804	\$ 1,622,490
Noncurrent liabilities	28,140,248	15,271,884	16,205,176
<b>Total liabilities</b>	<b>\$ 30,174,600</b>	<b>\$ 16,748,688</b>	<b>\$ 17,827,666</b>
<b>Net position</b>			
Net investment in capital assets	\$ 108,418,004	\$ 112,549,453	\$ 114,172,481
Restricted for debt service	2,253,788	1,466,438	1,469,099
Restricted under agreements with external parties	1,365,223	1,290,078	1,212,104
Unrestricted	31,905,914	23,211,318	21,653,768
<b>Total net position</b>	<b>\$ 143,132,928</b>	<b>\$ 138,517,287</b>	<b>\$ 138,507,452</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 173,307,528</b>	<b>\$ 155,265,975</b>	<b>\$ 156,335,118</b>

#### Discussion of Financial Position

##### Financial Position - FYE December 31, 2021

Current assets increased by over \$8.6M. Receipt of \$5M in submarine cable insurance proceeds contributed to this increase. Restricted funds also increased by \$862K due to issuance of 2021 bonds and establishment of related reserve accounts, and inventory assets increased with the purchase of a spare length of submarine cable valued at \$768K.

Capital Assets valued at \$14.7M were placed into service this year, which included replacement of the \$11.7M submarine cable and the \$1.9M station-service switchgear project at the Swan Lake facility. These increases were offset by \$4.9M in annual depreciation.

Noncurrent assets consist of investments held in SEAPA's Self-Insured Risk Fund for which the maturity is longer than one year. The balance of the Self-Insured Risk Fund was increased from \$8M to \$13M in 2022, with the increase funded by the \$5M insurance proceeds collected for the submarine cable replacement.

# Southeast Alaska Power Agency

## Management's Discussion and Analysis

*December 31, 2021; 2020; and 2019*

---

### Financial Position - FYE December 31, 2020

Capital Assets valued at \$1.2M were placed into service in 2020, 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 Tyee 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, 2021; 2020; and 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 amount of the levelized payment is established by the R&R Plan and updated every five years; consequently, it was increased to \$3M in 2022 following the most recent R&R Plan update. 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 potential renewable energy generation and storage resources.

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 increased by the Board to \$13M in 2022 pursuant to review of the R&R Plan, which was updated in 2021. 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, 2021; 2020; and 2019*

### 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, 2021; 2020; and 2019 follow:

	December 31, 2021	December 31, 2020	December 31, 2019
<b>Operating revenues:</b>			
Power sales revenue	\$ 12,213,210	\$ 11,670,328	\$ 5,189,643
<b>Net Operating Revenues</b>	<b>12,213,210</b>	<b>11,670,328</b>	<b>5,189,643</b>
<b>Operating expenses:</b>			
Operating and maintenance	2,299,657	2,358,329	1,238,262
Transmission operations and maintenance	1,181,877	1,370,350	314,550
General and administrative	2,953,676	2,791,239	1,378,286
Depreciation expense	5,103,867	4,851,065	2,413,573
<b>Total operating expenses</b>	<b>11,539,077</b>	<b>11,370,983</b>	<b>5,344,671</b>
<b>Net Operating Income/(Loss)</b>	<b>674,133</b>	<b>299,345</b>	<b>(155,028)</b>
<b>Non-operating revenues (expenses):</b>			
Investment income	(18,269)	293,039	125,480
Grant revenue	199,797	51,269	87,572
Grant expense	(199,797)	(51,269)	(77,337)
Interest expense	(721,114)	(546,973)	(257,281)
Other income (expense)	4,680,892	(35,576)	(27,482)
<b>Net non-operating revenues (expenses)</b>	<b>3,941,509</b>	<b>(289,510)</b>	<b>(149,048)</b>
Change in net position	4,615,642	9,835	(304,076)
<b>Net Position - beginning of year</b>	<b>138,517,287</b>	<b>138,507,452</b>	<b>138,811,528</b>
<b>Net Position - end of year</b>	<b>\$ 143,132,929</b>	<b>\$ 138,517,287</b>	<b>\$ 138,507,452</b>

# Southeast Alaska Power Agency

## Management's Discussion and Analysis

*December 31, 2021; 2020; and 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 through December 2021

Power sales exceeded \$12.2M in 2021, representing an increase of \$543K over the previous year. Fluctuations in power sales are primarily attributed to annual variations in weather.

Net operating income was \$674K, representing an increase of \$375K over the previous year, and includes \$4.9M in depreciation expense.

Grant revenue and expense of \$199.8K were recorded in 2021. Funding from the State of Alaska FY13 Alaska DCCED grant continues to be applied toward regional hydro-site analysis. A balance of \$179K was still available at the end of the fiscal year, and the grant has been extended through June 2023.

The change in net position for the year was \$4.6M, reflecting the receipt of \$5M in submarine cable insurance proceeds, recorded to nonoperating revenue.

#### Operations - January through December 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.

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

Net operating income was \$299.3K 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 was extended through June 2022.

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

# Southeast Alaska Power Agency

## Management's Discussion and Analysis

*December 31, 2021; 2020; and 2019*

---

### **Economic Factors Influencing 2022 Budgets, Rates, and Revenues**

Revenues through the first half of 2022 were above average due to higher heating loads during extended cooler ambient temperature periods. Snowpack levels in SEAPA's hydro project drainages were also above average, with snow still present through the end of June. Mild temperatures slowed the runoff and preserved energy storage in the form of snowpack. However, reservoirs were near capacity and expected to spill in late July. 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) was raised in February 2022 from 6.8 cents/kWh to 7.05 cents/kWh. This was the first rate increase in over 24 years. Additional small incremental increases are anticipated in the future to address rising overhead costs and debt service for major capital replacements.

Economic factors impacting fiscal year 2022 are mixed. The cruise ship industry is a major driver for Southeast Alaska and multiple ships are scheduled daily throughout the 2022 season. Two additional cruise ship berths have been completed in Ketchikan near Ward Cove and accommodate larger capacity Post-Panamax vessels. Ridership has not reached pre-pandemic levels, but the region may set new records going forward with the additional docking capacity. Most businesses that were shuttered during the pandemic have re-opened but there are staffing shortages. New businesses are also spawning to meet increased demand for shoreside excursions. The most notable negative economic factors include inflation, record high housing costs, and supply chain issues. High fuel costs may spur additional heating conversions from diesel to air sourced heat pumps. This would result in minor increases to power sales.

The overall economics of the State of Alaska are still precarious. Even though high fuel prices have temporarily boosted revenue, there is still significant uncertainty surrounding shifting Federal policies that tie directly to oil production. Energy prices are extremely high and will impact usage especially for space heating in the second half of the year. It is still anticipated that the State will eventually need to implement alternative revenue streams to achieve long-term fiscal stability. This will likely include a State income tax which would add downward pressure to the economy. In the near term, there is a growing concern of a recession.

The Federal Infrastructure Investment and Jobs Act (IIJA) roll out is behind schedule but could enhance economic growth activities as it picks up momentum. The intent is to disperse approved funding over a five year period, but it will still exacerbate existing workforce and supply chain shortages. It will also force higher wages and make recruitment more difficult. SEAPA will apply for competitive grant opportunities under IIJA to support grid reliability and resiliency enhancements. Successful funding for any major infrastructure projects should provide an economic boost to the region.

Population trends typically have a strong correlation to energy sales. New housing starts and sale of existing homes were very strong throughout the pandemic but will likely moderate as interest rates escalate. The lack of available and affordable housing remains a significant barrier to growth in the region.

Decarbonization may assume a more prominent role in driving future revenues. Beneficial electrification is expected to increase power sales as electric vehicles are adopted and heating sources shift away from carbon sources. There are potential funding opportunities in IIJA for electrification of buses and ferries, and EV infrastructure. SEAPA plans to initiate a regional load



# Southeast Alaska Power Agency

## Management's Discussion and Analysis

*December 31, 2021; 2020; and 2019*

---

forecast study in 2022 to ascertain the rate of anticipated growth related to beneficial electrification. The goal is to determine the optimal timing and size of new generation assets to accommodate anticipated growth, while avoiding stranding of assets.

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 enhance the local economy and SEAPA power sales.

Regional fish processing has shifted to flash-freezing for most species and contributes to power sales in the off-winter months. Fin fish harvests have been in decline, especially Chinook/King Salmon. Mariculture is gaining traction in the region including oysters and kelp. These products may provide additional work for existing processors allowing them to maximize use of seasonal workers and facilities. Although still in its infancy, the Alaska mariculture industry has the potential to grow into a major economic engine over time.

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 [seapahydro.org/resources](http://seapahydro.org/resources).

# Basic Financial Statements

---

## Southeast Alaska Power Agency

### Statements of Net Position

December 31,	2021	2020
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents, including restricted cash and investment of \$4,121,467 at December 31, 2021, and \$3,244,102 at December 31, 2020	\$ 23,044,213	\$ 14,992,017
Accounts receivable	2,799,928	2,861,137
Grants receivable	133,800	1,721
Accrued interest receivable	13,362	37,399
Inventory	2,132,503	1,567,445
Prepaid expenses	668,110	661,434
<b>Total Current Assets</b>	<b>28,791,916</b>	<b>20,121,153</b>
<b>Noncurrent Assets</b>		
Investments, long-term	8,110,466	7,862,151
Deferred charges	7,021	7,021
Capital assets, net	136,343,266	127,198,091
<b>Total Noncurrent Assets</b>	<b>144,460,753</b>	<b>135,067,263</b>
<b>Deferred Outflows of Resources - loss on refunding</b>	<b>54,859</b>	<b>77,559</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 173,307,528</b>	<b>\$ 155,265,975</b>
<b>Liabilities and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 877,182	\$ 616,479
Accrued interest payable	11,125	14,460
Current portion of other long-term liabilities	41,044	40,865
Current portion of long-term debt	1,105,000	805,000
<b>Total Current Liabilities</b>	<b>2,034,351</b>	<b>1,476,804</b>
<b>Noncurrent Liabilities</b>		
Other long-term liabilities, net of current portion	1,265,127	1,350,687
Long-term debt, net of current portion	23,190,000	12,965,000
Bond issue premium, net	3,685,121	956,197
<b>Total Noncurrent Liabilities</b>	<b>28,140,248</b>	<b>15,271,884</b>
<b>Total Liabilities</b>	<b>30,174,599</b>	<b>16,748,688</b>
<b>Net Position</b>		
Net investment in capital assets	108,418,004	112,549,453
Restricted for debt service	2,253,788	1,466,438
Restricted by agreements with external parties	1,365,223	1,290,078
Unrestricted	31,095,914	23,211,318
<b>Total Net Position</b>	<b>143,132,929</b>	<b>138,517,287</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 173,307,528</b>	<b>\$ 155,265,975</b>

*See accompanying notes to basic financial statements.*

## Southeast Alaska Power Agency

### Statements of Revenues, Expenses, and Changes in Net Position

<i>Years ended December 31,</i>	2021	2020
<b>Operating Revenues</b>		
Revenue from power sales	\$ 12,213,210	\$ 11,670,328
<b>Operating Expenses</b>		
Operating and maintenance	3,678,883	3,728,679
General and administrative	2,953,676	2,791,239
Depreciation expense	4,906,518	4,851,065
<b>Total Operating Expenses</b>	<b>11,539,077</b>	<b>11,370,983</b>
Operating income	674,133	299,345
<b>Nonoperating Revenues (Expenses)</b>		
Investment income (loss)	(18,269)	293,039
Grant revenue	199,797	51,269
Grant expenses	(199,797)	(51,269)
Interest expense	(721,114)	(546,973)
Bond issuance expense	(97,658)	-
Insurance recovery	5,000,000	-
Loss on property disposal	(232,442)	(32,992)
Other income (expense)	10,992	(2,584)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>3,941,509</b>	<b>(289,510)</b>
Change in net position	4,615,642	9,835
<b>Net Position, beginning of period</b>	<b>138,517,287</b>	<b>138,507,452</b>
<b>Net Position, end of period</b>	<b>\$ 143,132,929</b>	<b>\$ 138,517,287</b>

*See accompanying notes to basic financial statements.*

# Southeast Alaska Power Agency

## Statements of Cash Flows

<i>Years ended December 31,</i>	2021	2020
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 12,274,419	\$ 10,544,602
Payments to suppliers and employees	(7,028,971)	(6,728,822)
Other miscellaneous receipts and disbursements	10,992	(2,584)
<b>Net cash flows from operating activities</b>	<b>5,256,440</b>	<b>3,813,196</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>		
Grant and contract receipts	67,718	110,711
Grant and contract expenses	(199,797)	(51,269)
<b>Net cash flows from (for) noncapital financing activities</b>	<b>(132,079)</b>	<b>59,442</b>
<b>Cash Flows from (for) Capital and Related Financing Activities</b>		
Purchase of capital assets	(14,284,135)	(2,389,087)
Receipt of insurance payment	5,000,000	-
Interest payments on long-term debt	(898,836)	(680,688)
Proceeds from issuance of bonds	14,256,011	-
Payments for cost of issuance of bonds	(97,658)	-
Principal payments on long-term debt	(805,000)	(770,000)
<b>Net cash flows from (for) capital and related financing activities</b>	<b>3,170,382</b>	<b>(3,839,775)</b>
<b>Cash Flows from (for) Investing Activities</b>		
Purchase of investment	(17,352,282)	(5,202,537)
Proceeds from sales of investments	16,623,240	5,466,093
Investment income received	486,495	222,939
<b>Net cash flows from (for) investing activities</b>	<b>(242,547)</b>	<b>486,495</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,052,196</b>	<b>519,358</b>
<b>Cash and Cash Equivalents, beginning of period</b>	<b>14,992,017</b>	<b>14,472,659</b>
<b>Cash and Cash Equivalents, end of period</b>	<b>\$ 23,044,213</b>	<b>\$ 14,992,017</b>

**Southeast Alaska Power Agency**  
**Statements of Cash Flows, continued**

<i>Years ended December 31,</i>	2021	2020
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities</b>		
Operating income	\$ 674,133	\$ 299,345
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	4,906,518	4,851,065
Other income (expense)	10,992	(2,584)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Inventory	(565,058)	(41,455)
Prepaid expenses	(6,676)	(45,000)
Accounts receivable	61,209	(1,125,726)
Deferred charges	-	30,114
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	260,703	(111,590)
Other long-term liabilities	(85,381)	(40,973)
<b>Net Cash Flows From Operating Activities</b>	<b>\$ 5,256,440</b>	<b>\$ 3,813,196</b>

*See accompanying notes to basic financial statements.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements Years Ended December 31, 2021 and 2020

---

### 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.

#### ***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).

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

### ***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:

<u><i>Capital assets</i></u>	<u>Years</u>
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 the years ended December 31, 2021 and December 31, 2020 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 remainder of this page intentionally left blank.*



# 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:

<i>Year Ended December 31,</i>	2021	2020
Ketchikan Public Utilities	52%	50%
Petersburg Municipal Light and Power	26%	27%
Wrangell Municipal Light and Power	22%	23%
	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. The submarine cable insurance proceeds received in 2021 exceeded the deductible.

### ***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, 2021 and 2020, 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.

### ***Subsequent Events***

The Agency has evaluated subsequent events through August 31, 2022, the date on which the financial statements were available to be issued.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

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

***GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period*** - Effective for year-end December 31, 2022, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial 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 2021*** - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end December 31, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

***GASB Statement No. 93 - Replacement of Interbank Offered Rates*** - The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end December 31, 2022. The requirements in paragraph 11b are required to be implemented for year-end December 31, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

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

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

In light of the COVID-19 Pandemic, on May 8, 2021, 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 2020 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.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

The cash and investments were held in accounts for the following activities:

<i>December 31,</i>	2021	2020
<b>Unrestricted:</b>		
Internal renewal and replacement fund	\$ 1,000,933	\$ 1,000,533
Dedicated renewal and replacement fund	5,841,215	5,210,017
Revenue fund	8,017,832	1,592,173
Self-insured risk fund	8,279,734	7,915,403
Commercial checking account	1,000	1,000
New generation fund	1,888,893	1,888,137
Rate stabilization fund	2,003,605	2,002,803
<b>Total unrestricted</b>	<b>27,033,212</b>	<b>19,610,066</b>
<b>Restricted:</b>		
Reclamation contingency fund	1,343,584	1,268,441
2015 Trust series bond interest	169	64
2015 Trust series bond principal	205,246	205,312
2019 Series bond interest fund	11,166	14,460
2019 Series bond principal fund	493,264	470,001
2019 Series bond reserve fund	1,264,297	1,264,187
2021 Series bond interest fund	206	-
2021 Series bond reserve fund	781,896	-
STI-USFS CD	21,639	21,637
<b>Total restricted</b>	<b>4,121,467</b>	<b>3,244,102</b>
<b>Total Cash And Investments</b>	<b>\$ 31,154,679</b>	<b>\$ 22,854,168</b>

### ***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);

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

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.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### *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 are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1-5
<i>December 31, 2021</i>			
U.S. government bonds	\$ 5,659,839	\$ -	\$ 5,659,839
Corporate bonds	727,522	254,214	473,308
US Agency Obligation	248,427	-	248,427
Certificates of deposit	1,487,428	739,101	735,577
<b>Total investments</b>	<b>8,110,466</b>	<b>993,315</b>	<b>7,117,151</b>
Cash and cash equivalents:			
Certificates of deposit	21,639	-	-
Money market	4,269,097	-	-
Demand deposits	18,753,477	-	-
<b>Total cash and cash equivalents</b>	<b>23,044,213</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 31,154,679</b>	<b>\$ 993,315</b>	<b>\$ 7,117,151</b>

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
<b>Total investments</b>	<b>7,862,151</b>	<b>4,928,358</b>	<b>2,933,793</b>
Cash and cash equivalents:			
Certificates of deposit	22,180	-	-
Money market	3,275,174	-	-
Demand deposits	11,694,663	-	-
<b>Total cash and cash equivalents</b>	<b>14,992,017</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 22,854,168</b>	<b>\$ 4,928,358</b>	<b>\$ 2,933,793</b>

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

### *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 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, 2021	December 31, 2020
U.S. government bonds	AAA	85.29%	84.9%
U.S. government agencies	AA+	3.75%	0.0%
Corporate bonds	AA-	5.40%	7.8%
Corporate bonds	A	1.92%	7.3%
Corporate bonds	A-	2.45%	0.0%
Corporate bonds	Not rated	1.19%	0.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>

### *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, 2021 and 2020, 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 remainder of this page intentionally left blank.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

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

December 31, Investment Type	2021		2020	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
U.S. government bonds and agency securities	\$ 5,659,839	85.29%	\$ 5,394,154	84.86%
Corporate bonds	727,522	10.96%	962,136	15.14%

### *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, 2021 and 2020:

- U.S. government agency securities of \$248,427 and \$0 as of December 31, 2021 and 2020, 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 \$7,874,789 and \$7,862,151 as of December 31, 2021 and 2020, 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 \$61,639 and \$22,180 as of December 31, 2021 and 2020, 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 are as follows:

Year Ended December 31,	2021	2020
Tyee Lake	\$ 43,906,095	\$ 33,224,939
Swan Lake	36,161,983	34,025,525
Swan-Tyee Intertie	115,184,260	115,093,787
General plant	1,696,581	1,490,655
	196,948,919	183,834,906
Less accumulated depreciation	(60,605,653)	(56,636,815)
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 136,343,266</b>	<b>\$ 127,198,091</b>



# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

Capital asset activity for the Agency for the year ended December 31, 2021 follows:

	Balance at December 31, 2020	Additions	Transfers and Deletions	Balance at December 31, 2021
<b>Capital assets not being depreciated:</b>				
Swan Lake construction in progress	\$ 389,105	\$ 2,187,410	\$ (2,457,196)	\$ 119,319
Tye Lake construction in progress	446,484	11,841,050	(12,163,479)	124,055
Other construction in progress	87,948	205,927	(9,088)	284,787
Land	474,953	-	-	474,953
<b>Total capital assets not being depreciated</b>	<b>1,398,490</b>	<b>14,234,387</b>	<b>(14,629,763)</b>	<b>1,003,114</b>
<b>Capital assets being depreciated:</b>				
Structures	23,827,438	-	-	23,827,438
Infrastructure	10,687,382	100,154	(29,355)	10,758,181
Generation and distribution	145,982,842	14,570,361	(1,133,509)	159,419,694
Furniture, fixtures and other	1,847,822	9,088	(7,350)	1,849,560
Leasehold improvements	90,932	-	-	90,932
<b>Total capital assets being depreciated</b>	<b>182,436,416</b>	<b>14,679,603</b>	<b>(1,170,214)</b>	<b>195,945,805</b>
<b>Less accumulated depreciation:</b>				
Structures	(7,978,551)	(729,464)	-	(8,708,015)
Infrastructure	(2,454,570)	(333,836)	18,270	(2,770,136)
Generation and distribution	(45,225,859)	(3,729,155)	918,644	(48,036,370)
Furniture, fixtures and other	(945,692)	(110,766)	766	(1,055,692)
Leasehold improvements	(32,143)	(3,297)	-	(35,440)
<b>Total accumulated depreciation</b>	<b>(56,636,815)</b>	<b>(4,906,518)</b>	<b>937,680</b>	<b>(60,605,653)</b>
<b>Capital assets being depreciated, net</b>	<b>125,799,601</b>	<b>9,773,085</b>	<b>(232,534)</b>	<b>135,340,152</b>
<b>Total Capital Assets, net</b>	<b>\$ 127,198,091</b>	<b>\$ 24,007,472</b>	<b>\$ (14,862,205)</b>	<b>\$ 136,343,266</b>

*The remainder of this page intentionally left blank.*

# 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
<b>Capital assets not being depreciated:</b>				
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
<b>Total capital assets not being depreciated</b>	<b>787,824</b>	<b>2,270,303</b>	<b>(1,659,637)</b>	<b>1,398,490</b>
<b>Capital assets being depreciated:</b>				
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
<b>Total capital assets being depreciated</b>	<b>181,199,529</b>	<b>1,831,472</b>	<b>(594,585)</b>	<b>182,436,416</b>
<b>Less accumulated depreciation:</b>				
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)
<b>Total accumulated depreciation</b>	<b>(52,294,292)</b>	<b>(4,851,065)</b>	<b>508,542</b>	<b>(56,636,815)</b>
<b>Capital assets being depreciated, net</b>	<b>128,905,237</b>	<b>(3,019,593)</b>	<b>(86,043)</b>	<b>125,799,601</b>
<b>Total Capital Assets, net</b>	<b>\$ 129,693,061</b>	<b>\$ (749,290)</b>	<b>\$ (1,745,680)</b>	<b>\$ 127,198,091</b>

*The remainder of this page intentionally left blank.*

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### 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. 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, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
PERS Unfunded Liability	\$ 757,332	\$ -	\$ (122,953)	\$ 634,379	\$ 41,044
DNR Reclamation	634,220	37,572	-	671,792	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 1,391,552</b>	<b>\$ 37,572</b>	<b>\$ (122,953)</b>	<b>\$ 1,306,171</b>	<b>\$ 41,044</b>

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	-
<b>Total Other Long-Term Liabilities</b>	<b>\$ 1,432,525</b>	<b>\$ 38,985</b>	<b>\$ 79,958</b>	<b>\$ 1,391,552</b>	<b>\$ 40,865</b>

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

### 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 have been defeased. 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.

To fund repairs of a submarine transmission cable, the Agency issued a bond through the Alaska Municipal Bond Bank in the amount of \$11,330,000 on June 16, 2022. The bond bears an annual interest rate between 4-5% and has a 24-year payback period.

Combined annual debt service requirements for these bonds as of December 31, 2021 follow:

<i>Year Ending December 31,</i>	Principal	Interest	Total
2022	\$ 1,105,000	\$ 1,148,788	\$ 2,253,788
2023	1,160,000	1,093,538	2,253,538
2024	1,220,000	1,035,288	2,255,288
2025	1,265,000	974,538	2,239,538
2026	1,330,000	908,875	2,238,875
2027-2031	7,540,000	3,445,338	10,985,338
2032-2036	10,675,000	3,181,126	13,856,126
	<b>\$ 24,295,000</b>	<b>\$ 11,787,491</b>	<b>\$ 36,082,491</b>

The following reflects the changes in long-term debt for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Series 2019 Bonds	\$ 3,475,000	\$ -	\$ (805,000)	\$ 2,670,000	\$ 845,000
Series 2015 Bonds	10,295,000	-	-	10,295,000	-
Series 2021 Bonds	-	11,330,000	-	11,330,000	260,000
<b>Total</b>	<b>\$ 13,770,000</b>	<b>\$ 11,330,000</b>	<b>\$ (805,000)</b>	<b>\$ 24,295,000</b>	<b>\$ 1,105,000</b>

# 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, 2020	Additions	Reductions	Balance at December 31, 2021	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	-
<b>Total</b>	<b>\$ 14,540,000</b>	<b>\$ -</b>	<b>\$ 770,000</b>	<b>\$ 13,770,000</b>	<b>\$ 805,000</b>

Bond premiums and discounts are as follows:

<i>December 31,</i>	2021	2020
Premium	\$ 4,317,607	\$ 1,391,596
Less accumulated amortization	(632,486)	(435,399)
<b>Net Premiums</b>	<b>\$ 3,685,121</b>	<b>\$ 956,197</b>

The Agency recorded \$197,087 and \$124,642 as amortization to interest expense for the years ended December 31, 2021 and 2020, respectively.

## 7. Operating Lease

The Agency entered into a lease agreement for office space in Ketchikan, Alaska in that expired on January 15, 2022. The lease then converted to a month-to-month basis with rent escalations of \$0.05 per month per square foot through January 15, 2023, or a monthly increase of \$141. The Agency is obligated to rental payments of \$2,616 for the year ended December 31, 2022.

The Agency expensed \$62,718 and \$61,030 under this noncancelable lease obligation for the years ended December 31, 2021 and 2020, respectively.

The Agency also holds a month-to-month lease for apartment space. Rent expense for the years ended December 31, 2021 and 2020 totaled \$18,300 and \$18,300 per year, 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.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

### ***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 2021 and in 2020 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. For the years ended December 31, 2021 and 2020, SEAPA made contributions to the RS Plan of \$363,439 and \$350,119, 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, 2021 and January 1, 2020, 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 2021 and in 2020 represented less than 5% of the total contributions made to the Plan by all participating employers. For the years ended December 31, 2021 and 2020 SEAPA made contributions to the Plan of \$145,236 and \$136,321, 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, 2021 and 2020 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.

# Southeast Alaska Power Agency

## Notes to Basic Financial Statements

---

### 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 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. 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. Its 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 year and the percent of accounts receivable from members at the end of the year.

Related Party	Percent of Revenue/Accounts Receivable	
	December 31, 2021	December 31, 2020
Ketchikan	52%/73%	50%/60%
Petersburg	26%/15%	27%/22%
Wrangell	22%/12%	21%/18%

### 12. Insurance Recovery

In October 2021 the Association received \$5,000,000 as an insurance settlement. This was the result of damages to the Stikine Cable crossing between the islands of Woronkofski and Vank in September 2019.

## Required Supplementary Information

---



**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, 2021	\$ 363,439	\$ 363,439	\$ -	\$ 915,694	40%
December 31, 2020	350,119	350,119	-	908,692	39%
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%

*See accompanying notes to Required Supplementary Information.*

## 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, 2021	\$ 143,236	\$ 145,236	\$ (2,000)	\$ 1,241,875	11.53%
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	*	*	*	*	*

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

*See accompanying notes to Required Supplementary Information.*

# Southeast Alaska Power Agency

## Notes to Required Supplementary Information Years Ended December 31, 2021 and 2020

---

### 1. National Rural Electric Cooperative Association (NRECA)

#### *Schedule of Contributions*

- This table is based on SEAPA's contributions based on SEAPA's fiscal years 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 years 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**

---



Tel: 907-278-8878  
Fax: 907-278-5779  
www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **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  
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, 2021, 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 31, 2022.

### **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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

## 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 31, 2022

# Southeast Alaska Power Agency

## Schedule of Findings and Responses Year Ended December 31, 2021

### 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*.