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**Alaska Remote Seller Sales Tax Commission
Board Meeting
October 20, 2021 9:00 am – 11:00 am**

Attendees:

- Jeff Rogers
- Mike Tvenge
- Stephanie Queen
- Scott Bloom
- Melissa Haley
- Troy Tankersley
- Brandi Harbaugh

1. Call to order
2. Approval of the Agenda
3. Approval of the Minutes
 - a. 8.18.2021 Meeting minutes
4. Policy Committee Update
 - a. Update by Maureen Graham, City of Wasilla
5. New Business
 - a. Review of Financial Statements
 - b. FY22 Budget Revision proposal
 - c. ARSSTC Annual Meeting planning
 - a. Date / time
 - b. Board seat vacancies
 - c. Agenda
 - d. Finance & Policy Committee structure and operations
 - e. Approval of New Interpretation 2021.04 – Sales Price
6. Information / discussion items
 - a. Member payout date
7. Comments
8. Adjournment



**ARSSTC Board Meeting
August 18, 2021, 9:00am-11:00am, Virtual**

Board Present:

- Scott Bloom, City of Kenai
- Melissa Haley, City of Sitka
- Brandi Harbaugh, Kenai Peninsula Borough
- Stephanie Queen, City of Soldotna
- Jeff Rogers, City and Borough of Juneau
- Troy Tankersley, City of Wasilla

Board Absent:

- Mike Tvenge, City of Kodiak

Others in Attendance:

- Maureen Graham, City of Wasilla
- Kara Johnson, AMSTP Sales Tax Administrator
- Karl Kaufman, Landye Bennett Blumstein
- Sean Kelley, Kenai Peninsula Borough
- Clinton Singletary, AMSTP Sales Tax Director

1. Call to order
 - a. Meeting started at 9:01am
2. Approval of the Agenda
 - a. Motion to approve by Troy Tankersley, no objection
3. Approval of the Minutes
 - a. 6/22/21 Board meeting minutes
 - i. Motion to approve by Scott Bloom, no objection
4. Policy Committee Report

Maureen Graham provided a report from the Policy Committee. They passed Interpretations 2021.05 Remote Services & Sourcing and 2020.10 Entity & Product Based Exemption. Graham indicated there was not unanimous consent for the final draft of 2021.05. There was discussion of the term 'service rendered' and the term 'received' and 'receipt' and that a service is not necessarily received where it is rendered. There remains potential conflict from local tax codes and the ARSSTC Uniform Code in determining the 'point of delivery' that could lead to possible



double taxation. The Policy Committee also discussed Multi-Level Marketing businesses possibly filing through ARSSTC, sales tax being included in the selling price, and entity-based exemption certificates.

5. Old Business

None at this time.

6. New Business

a. Interpretation 2021.05 – Remote Services & Sourcing

Clinton Singletary gave a summary of the work to date for remote services and sourcing. The Uniform Code was updated to define where services are delivered which creates a potential conflict with jurisdictions who tax on where the service was performed (rendered) and not where the service was delivered. At the time of the Uniform Code updates, the board agreed to pass the new language and come back to the local codes for potential modification. Some ARSSTC members have updated their local code language to reflect destination-based sourcing.

The board discussed the terms “delivered” and “rendered” in terms of “point of delivery.” They discussed the impact of shifting revenue from one jurisdiction to another and the burden on services providers to change the way they tax their services.

Brandi Harbaugh from Kenai Peninsula Borough said their assembly requested an increase in audit compliance for ARSSTC filers, to increase the economic threshold to \$250,000 state-wide to reduce the burden on Alaskan businesses and recommends using a borough wide boundary and not the local jurisdiction boundary to determine if a sale is remote. I.e., a business has a physical presence in one part of a borough, and ship to sellers in a different part of the borough where they do not have a physical presence, they should still consider that sale physical presence and file directly with the borough.

Motion to approve 2021.05 – Remote Services & Sourcing by Melissa Haley, seconded by Troy Tankersley, no objection.

b. Interpretation 2020.10 – Entity & Product Based Exemption Certificates

Clinton Singletary gave a summary of the work to date for entity and product-based exemption certificates. This is an update to a previous interpretation and clarifies member jurisdictions are responsible for issuing entity-based exemption certificates. If they do not issue a certificate for a particular category, the seller is relieved of the burden of collecting one for that sale. Staff will compile and publish a comprehensive list of jurisdiction exemption applications for seller reference.

Motion to approve 2020.10 – Entity & Product Based Exemptions Certificates as modified by Stephanie Queen, no objection.



c. Due Date Complications within MUNIRevs

Clinton Singletary gave an overview of the issue. The Uniform Code allows for an extension to the next working day if the due date falls on the weekend or holiday. The MUNIRevs system runs off the date the filing was complete and cannot pull in data after the end of the month. MUNIRevs recommendation is to change the language in the Uniform Code to a strict end of month deadline.

The board recommended no change in action at this time and requested a quote from MUNIRevs to update their system to allow for the filing deadline extension.

7. Information and Discussion Items

a. ARSSTC Hearing Committee

Clinton Singletary introduced the topic. There can be conflicting interpretations between local jurisdiction representatives and those of the Alaska Municipal Sales Tax Program (AMSTP) staff regarding the Uniform Code and local codes. There is nothing in the Intergovernmental Agreement that addresses differences in interpretations. There is value in having an official process for jurisdictions to present their differences of interpretation. The board discussed creating a hearing committee, its composition, and how to handle conflicts of interest.

The board agreed they would serve as the hearing committee for future conflicts.

b. MUNIRevs Corporate Update

Clinton Singletary gave an update that MUNIRevs was recently purchased by the company GovOS; our support team will remain the same and our contact terms stay in place.

The board recommended reviewing the MUNIRevs contract at a future meeting.

8. Comments

Scott Bloom: reminder of the annual AML conference in November in person in Anchorage. Should the ARSSTC annual board meeting be held during that week?

Jeff Rogers: the Alaska Government Finance Officers Association meetings are the first part of that week; Wednesday would be the day with the most overlap with the AML conference.

9. Adjournment 10:36am

Respectfully submitted, Clinton Singletary, AMSTP Sales Tax Director



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Approved:	
Melissa Haley, ARSSTC Board Secretary	Date

DRAFT



Letter to the Board of Directors

Fiscal Year Ended June 30, 2021

Max E. Mertz, CPA
3140 Nowell Avenue
Juneau, Alaska 99801
max@mertzcpa.com
907.957.7131

October __, 2021

To the Board of Directors
Alaska Remote Seller Sales Tax Commission

I have audited the financial statements of Alaska Remote Seller Sales Tax Commission (the Commission) as of and for the year ended June 30, 2021 and the period from formation on November 18, 2019 and ended June 30, 2020, and have issued my report thereon dated October __, 2021. Professional standards require that I advise you of the following matters relating to my audit.

My Responsibility in Relation to the Financial Statement Audit

As communicated in my engagement letter dated May 1, 2021, my responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. My audit of the financial statements does not relieve you or management of its respective responsibilities.

My responsibility, as prescribed by professional standards, is to plan and perform my audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of my audit, I considered the internal control of the Commission solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

I am also responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

I conducted my audit consistent with the planned scope and timing that I previously communicated to you.

Compliance with all Ethics Requirements Regarding Independence

I have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial

statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year under audit. No matters have come to my attention that would require me, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

I encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that I believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require me to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, professional standards require me to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of my audit procedures. None of the misstatements identified by me as a result of my audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Commission's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

I have requested certain written representations from management, which are included in the attached letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed me that, and to my knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of my professional association with the Commission, I generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to my retention as the Commission's auditor.

Internal Control and Other Matters

I identified certain matters involving internal controls and other operational matters that are presented for your consideration. I will review the status of these comments during my next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

Other Internal Control Matters Noted During the Current Audit

Regular Reconciliation of Accounting Records to MUNIRev Information

During the fiscal year, the Commission's previously established procedures to reconcile the accounting records to MUNIRev sales tax data was not performed consistently. As a result, the accounting records did not contain a complete and accurate reflection of financial activity during the year.

I recommend that the Commission reconcile its accounting records to MUNIRev on a routine basis.

Develop Procedures and Controls Manual

As the Commission's processes continue to mature, documenting these in a simple and easy to follow manner is important to ensure they are consistently applied, to prevent unauthorized transactions, to serve as a training tool, and to assist in transition during employee turnover.

I recommend management document its procedures and controls over the coming fiscal year.

Consider MUNIRev System and Organization Controls (SOC) Report Options

MUNIRev performs activities for the Commission that are important to accurate recording of tax amounts collected, calculation of service provider fees to be paid, exemptions claimed, and net amounts to be distributed to participants. SOC reports are a suite of available reporting options established by the AICPA which CPA firms can issue in connection with system-level controls implemented at service organizations. As a service provider, MUNIRev is a candidate for these reports.

Two broad categories of SOC reports are available. SOC 1 reports are designed to address internal controls over financial reporting, while SOC 2 reports address a service organization's controls that are relevant to their operations and compliance. SOC 2 reports can look at up to 5 categories relevant to the AICPA's Trust Services Criteria – security, availability, processing integrity, confidentiality and privacy. Both SOC 1 and 2 reports have two types. Type 1 look at the design of controls as of a certain date. Type 2 looks at both design and operating effectiveness over a period of time, typically one year.

During the year ended June 30, 2021, MUNIRev obtained a SOC 2-Type 1 report. Of the five categories available for reporting under SOC 2, MUNIRev's report extended only to security. Because of this, any assurance about other potentially important operational areas available under SOC 2, or the ability to rely on calculations or other services, has not been provided.

In the absence of additional levels of assurance provided through possible SOC reporting by MUNIRev, Commission staff will need to perform monitoring functions to the extent practical to ensure that functions are performed accurately.

I recommend that management and the Board analyze available options of SOC reporting and engage with MUNIRev to determine whether additional SOC reporting is appropriate to achieve the Commission's goals of assuring the accuracy and completeness of its tax collection services.

Other Internal Control Matters Noted During the Prior Audit and Their Current Status

Develop Monitoring Processes for MUNIRev Activity

Prior Year Recommendation: In prior year, I recommended management enhance its monthly monitoring over MUNIRev activity.

Status: See above comment on evaluating MUNIRev SOC reporting and monitoring.

Develop Procedures and Controls Manual

Prior Year Recommendation: In prior year, I recommended management develop a procedures and controls manual over the coming fiscal year.

Status: See current year comment.

Amend Journal Entries for Recording Commission Fees

Prior Year Recommendation: In prior year, I recommended management modify its current journal entry process for recording the Commission's fees.

Status: Management resolved this comment in the current year.

Evaluate Risk Exposure for AML and the Commission

Prior Year Recommendation: In prior year, I recommended that the Board evaluate current insurance coverages in light of AML's service delivery to the Commission.

Status: Management resolved this comment in the current year.

This report is intended solely for the information and use of the Board of Directors and management of Alaska Remote Seller Sales Tax Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



ALASKA REMOTE SELLER SALES TAX COMMISSION

FINANCIAL STATEMENTS

June 30, 2021 and 2020
Together with Independent Auditor's Report

ALASKA REMOTE SELLER SALES TAX COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Alaska Remote Seller Sales Tax Commission
Juneau, Alaska

Report on the Financial Statements

I have audited the accompanying financial statements of the Alaska Remote Seller Sales Tax Commission (the Commission), as of and for the year ended June 30, 2021 and the period from formation on November 18, 2019 and ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2021 and 2020, and the changes in net assets and cash flows for the year ended June 30, 2021, and the period from formation on November 18, 2019 and ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Supplemental Schedules of Taxes Collected and Remitted on pages 17 and 18 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on them.

October __, 2021

Management's Discussion and Analysis

For the year ended June 30, 2021

Financial Highlights

- Alaska Remote Seller Sales Tax Commission's (ARSSTC) net position increased by \$60,930.
- Total assets increased by \$1,374,071.
- Total liabilities increased by \$1,313,141.
- Total operating revenues increased by \$293,691.
- Total operating expenses increased by \$247,943.
- Cash flows received from sales tax filers increased by \$9,518,344.

Report Format

The MD&A is intended to serve as an introduction to the ARSSTC's basic financial statements, which comprise two components: 1) financial statements and 2) notes to the financial statements. This report contains supplementary information in addition to the basic financial statements.

Overview of Financial Statements

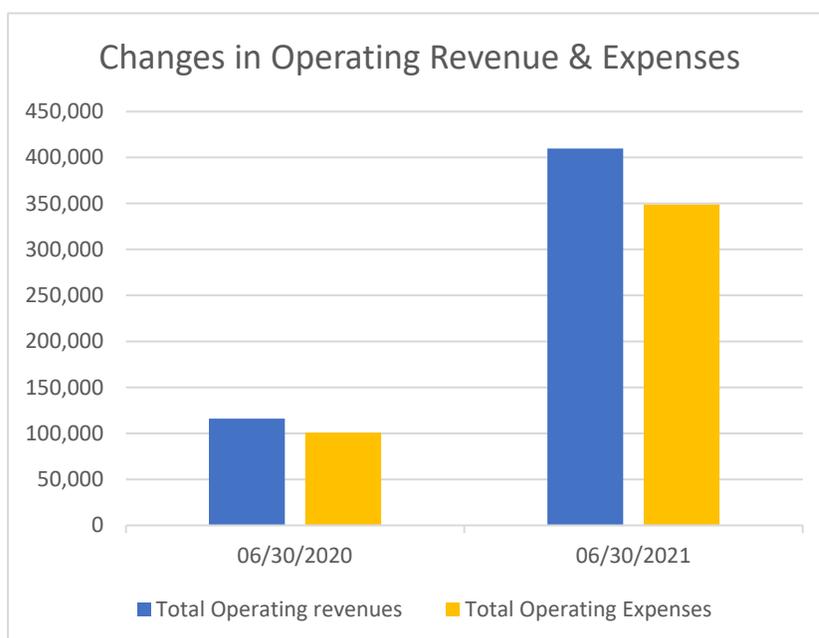
The ARSSTC financial statements are designed to provide readers with a broad overview of the ARSSTC's finances, in a manner similar to a private-sector business.

The Statements of Net Position presents information on all of the ARSSTC's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the ARSSTC's financial position is improving or declining.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrates how the net position changed during the fiscal year, as it relates to operating revenues and expenses of the ARSSTC.

The Statements of Cash Flows demonstrates how the net cash provided by operating activities changed during the fiscal year, reflecting the total collected sales tax and associated reconciliation.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



Financial Analysis

Net position may serve over time as an indicator of the organization's financial position. In the case of the ARSSTC, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,112. Net position reflects the collection of Commission fees in excess of expenses, and falls within the range of minimum and maximum as determined by the ARSSTC's fund balance policy. The ARSSTC maintains no capital assets; assets reflect cash and cash equivalents and receivables. Total assets increased over FY20 by 146%.

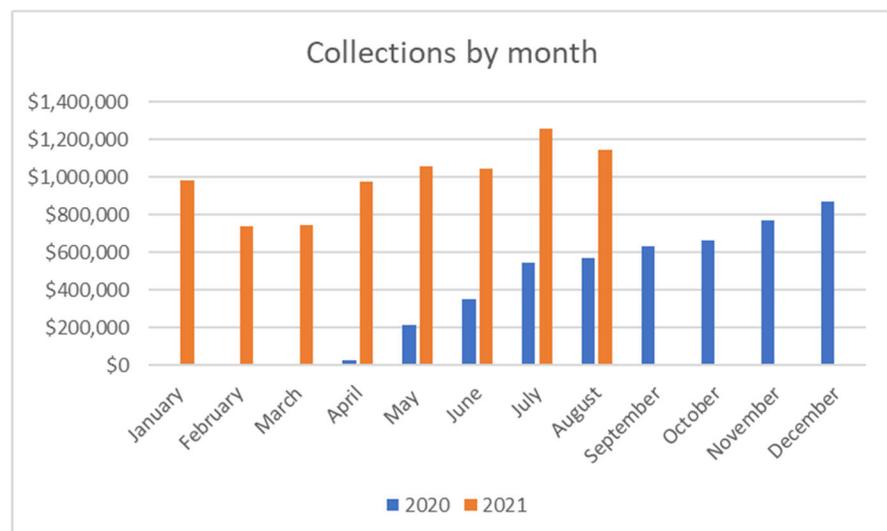
ARSSTC liabilities consist of sales tax payables to ARSSTC members and payables for service fees. Total liabilities increased over FY20 by 142%. Essentially, Commission expenses increased relative to additional sales tax collected.

The balance of ARSSTC's net position is unrestricted and may be used to meet the ARSSTC's ongoing operations and necessary investments. ARSSTC operations are comprised of two activities: 1) distribution of net sales tax collection to member jurisdictions and payments to contracted software vendors; and 2) the administration of the ARSSTC conducted through the partnership with the Alaska Municipal League.

Statement of Net Position		
Assets	06/30/2021	06/30/2020
Cash & cash equivalents	1,043,416	121,803
Sales Tax Receivable	1,260,771	809,286
Prepaid Expenses	5,527	4,554
Total Assets	2,309,714	935,643
Liabilities		
Sales tax payable to members	1,895,466	720,817
Accounts payable - AML	32,430	57,737
Service fees payable	305,706	119,416
Other	0	22,491
Total Liabilities	2,233,602	920,461
Net Position	76,112	15,182

The first activity is the collection of total sales tax collected from filers, an increase of 2812% over the prior year. Service providers maintained their base levels of fees, since the total was under \$10 million. The graphic below, from the ARSSTC's collection software provider MUNIREvs, provides an overview of how growth has occurred over time. While presented as calendar years, it reflects the entirety of the ARSSTC's experience. Since its inception in 2020, the ARSSTC has grown in number of jurisdictions collected for and number of sellers registered. The increase in operating revenues and expenses reflect a more fully established sales tax collection program that has improved from 19 member jurisdictions to 36 and from 300 registered sellers to 1,200.

The ARSSTC has added 50-80 sellers monthly over the course of this period. At the same time, ARSSTC staff have worked with dozens of local governments to adopt the Intergovernmental



Agreement and Uniform Code, often working through myriad issues with current codes to ensure compliance and alignment.

Separately, the ARSSTC maintains a partnership with the Alaska Municipal League to conduct the administration of sales tax collection and compliance, and other duties. Operating revenues increased by 253% and operating expenses increased by 245%. AML provides administrative and support services to ARSSTC under a Memorandum of Agreement (MOA) for which it receives cost reimbursement for direct expenses plus an additional 8% overhead. In addition, AML is reimbursed for ARSSTC's contracts with service providers. In the year ended June 30, 2020 AML incurred formation expenses of \$259,097 for ARSSTC. In the fiscal years ended June 30, 2021 and June 30, 2020, AML incurred operating expenses of \$370,275 and \$143,789, respectively, and billed ARSSTC \$343,992 and \$56,274 (including prepaids of \$4,554), respectively, for reimbursement of these costs under the MOA. The Alaska Municipal League waived ARSSTC fees as part of formation and has not invoiced ARSSTC for full payment of all expenditures. Operating expenses for the ARSSTC are demonstrated here.

The main increase between FY20 and FY21 was due to personnel. A program manager and sales tax administrator were in place for only portions of FY20 that were applicable – while ARSSTC was being formed and sales tax was being collected – and in FY21 the staff further transitioned to a more experienced manager. Other costs increased or became applicable in the ARSSTC's second year. FY21 was the first full year in operation, marked by steady growth, an evolution in capacity and need, and more sophisticated systems to manage governance and fiduciary oversight.

Operating Expenses	06/30/2021	06/30/2020
Software	16,900	10,500
Legal	29,141	14,091
Personnel Expenses	248,699	59,757
Merchant Services	4,626	563
Overhead	25,744	9,175
Insurance	14,458	5,725
Travel	-	1,049
Audit	9,051	-
Bank fees	185	-
	<u>348,803</u>	<u>100,860</u>

ARSSTC financials were consistent with its FY21 budget. Considering how complex projections were in its first full year of formation, the ARSSTC did remarkably well in anticipating both revenues and expenses.

The transition between staff in this period was one factor, moving into more sophisticated administration and additional financial controls was balanced against an uncertain budget environment.

	06/30/2021	06/30/2020
OPERATING REVENUES		
Commission fees	409,511	67,283
AML operating expense forgiveness	0	48,578
Interest income	222	181
Total Operating Revenues	<u>409,733</u>	<u>116,042</u>
OPERATING EXPENSES		
Operating expenses - AML	343,992	100,298
Merchange services & other fees	4,811	562
Total Operating Expenses	<u>348,803</u>	<u>100,860</u>
Change in Net Position	60,930	15,182
Net position beginning balance	15,182	0
Net position, end of year	<u>76,112</u>	<u>15,182</u>

	FY 21 Budget	FY21 Actuals
Gross Sales Tax and Fees	10,000,000	10,308,254
Total	10,000,000	10,308,254
Commission Fee Rate		4%
Commission Fee	400,000	409,511
MuniRev Fees (12,8,4%)	1,200,000	1,239,422
TTR Software Contract (1.25,1,.75%)	125,000	129,077
Member Tax Revenue	8,275,000	8,530,245
	\$ 10,000,000	\$ 10,308,254
Commission Fee	400,000	409,511
Interest Income		222
Total: AMSTP Revenue	400,000	409,733
Personnel		
Regular Wages		179,108
Retirement		8,970
Health Insurance		45,580
Federal Taxes		15,041
Total: Personnel	265,200	248,699
Contract Services		
MuniRev Software Add on		
AML Contract Overhead (8%)	26,416	25,744
Governance Transport/Subsistence	5,000	-
Insurance Premium	15,000	14,457
Banking Fees	2,500	185
Legal Services	30,000	29,141
Audit Services	10,000	9,051
Software		16,900
Merchant Service Fees	2,500	4,626
Other Business Expenses		
Total: Services	88,916	100,104
	\$ 354,116	\$ 348,803
Beginning Fund Balance	\$ 15,182	\$ 15,182
Change to Fund Balance	\$ 45,884	\$ 60,930
Ending Fund Balance	\$ 61,066	\$ 76,112
Min Fund Bal-20% of annual expenditures	\$ 70,823	\$ 69,761
Max Fund Bal-25% of annual expenditures	\$ 88,529	\$ 87,201

Economic Factors and Next Year's Budget and Rates

During FY22, the ARSSTC is anticipating continued growth in both member jurisdictions and registered sellers. Growth in both of these areas will yield continued broad growth in collected revenues. Current experience projections anticipate annual sales tax collection of between \$12 and 15 million.

Uncertainty exists in as much as growth may be constrained by a decrease in federal relief programs, and any shift from online to physical purchases as consumer behavior adjusts to pandemic circumstances. However, on the latter point, there were few restrictions on consumer activity within Alaska in the final quarter of FY21 and growth continued.

The ARSSTC Board of Directors approved a budget for FY22 that projects estimated total revenue of \$9.3 million. The Board of Directors approved the budget with a caveat of revisiting the projections mid-way through FY22 as more trends become apparent. The ARSSTC may need to adjust its fees to members in order to increase operational capacity and stay within the bounds of its fund balance policy.

Operationally, the ARSSTC would benefit from staff able to perform compliance and audit function, and ensure adherence to exemption requirements. The overall growth of the program also requires greater accounting and fiduciary oversight, which has been implemented and will affect expenses.

In FY22, assuming collection beyond \$10 million in a calendar year, vendor fees will be reduced by formula on the amount above that level, with the MUNIREvs contract reducing fees by 33%, from 12% to 8%, and TTR by 20%, from 1.25% to 1% on sales tax collected between \$10 and \$20 million.

Requests for Information

This financial report is designed to provide our members and partners with a general overview of the ARSSTC's finances and to demonstrate the ARSSTC's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the Alaska Municipal League, ARSSTC, Sales Tax Manager, One Sealaska Plaza, Suite 200, Juneau, AK 99801 or please call (907) 790-5307. This financial report is also available on the internet at <http://www.arsstc.org>.

ALASKA REMOTE SELLER SALES TAX COMMISSION

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,043,416	\$ 121,803
Sales tax receivable	1,260,771	809,286
Prepaid expenses	5,527	4,554
Total Current Assets	2,309,714	935,643
Total Assets	2,309,714	935,643
LIABILITIES		
CURRENT LIABILITIES		
Sales tax payable to members	1,895,466	720,817
Accounts payable - Alaska Municipal League	32,430	57,737
Service fees payable	305,706	119,416
Other current liabilities	-	22,491
Total Current Liabilities	2,233,602	920,461
Total Liabilities	2,233,602	920,461
NET POSITION	\$ 76,112	\$ 15,182

ALASKA REMOTE SELLER SALES TAX COMMISSION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ending June 30, 2021 and From Formation on November 18, 2019
through June 30, 2020

	2021	2020
OPERATING REVENUES		
Commission fees	\$ 409,511	\$ 67,283
Alaska Municipal League operating expense forgiveness	-	48,578
Interest income and other	222	181
Total Operating Revenues	409,733	116,042
OPERATING EXPENSES		
Operating expenses - Alaska Municipal League	343,992	100,298
Merchant services and other fees	4,811	562
Total Operating Expenses	348,803	100,860
Change in Net Position	60,930	15,182
Net Position, beginning of year and November 18, 2019	15,182	-
Net Position, end of year	\$ 76,112	\$ 15,182

ALASKA REMOTE SELLER SALES TAX COMMISSION

STATEMENTS OF CASH FLOWS

For the Year Ending June 30, 2021 and From Formation on November 18, 2019
through June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales tax filers	\$ 9,856,769	\$ 338,425
Sales tax paid to municipalities	(7,355,596)	(206,928)
Cash paid to service providers and other	(1,579,560)	(9,694)
Net Cash Provided by Operating Activities	921,613	121,803
Increase in Cash and Cash Equivalents	921,613	121,803
Cash and Cash Equivalents, Beginning of Year, Formation	121,803	-
Cash and Cash Equivalents, End of Year	\$ 1,043,416	\$ 121,803
RECONCILIATION OF THE CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net position	\$ 60,930	\$ 15,182
Adjustments to reconcile change in net position from operations to net cash provided by operating activities:		
(Increase) decrease in assets:		
Sales tax receivable	(451,485)	(809,286)
Prepaid expenses	(973)	(4,554)
Increase (decrease) in liabilities:		
Accounts payable and other current liabilities	(47,798)	80,228
Service fees payable	186,290	119,416
Sales tax payable to members	1,174,649	720,817
Net Cash Provided by Operating Activities	\$ 921,613	\$ 121,803

ALASKA REMOTE SELLER SALES TAX COMMISSION**NOTES TO FINANCIAL STATEMENTS**

For the Year Ended June 30, 2021, and from Formation on November 18, 2019 through June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

Alaska Remote Seller Sales Tax Commission (the Commission) is an intergovernmental entity in the State of Alaska with a membership comprised of municipalities in the State of Alaska who have signed an intergovernmental agreement to become members. To obtain and retain full membership, the legislative body of an Alaska municipality must submit either an Ordinance or Resolution authorizing the Alaska Intergovernmental Remote Sellers Sales Tax Agreement. The Commission has developed a Remote Seller Sales Tax Code, which members must also adopt.

The Commission's mission is to provide governance over a streamlined, single-level administration of sales tax collection and remittance. The Commission was formed by the Alaska Municipal League (the League) on November 18, 2019 in response to a Supreme Court decision that allowed for states across the U.S. to set up processes to start collecting sales tax from online and other remote retailers. Since Alaska does not have a state sales tax, the Commission's formation was necessary in order to give merchants a single-point sales tax filing location for the State of Alaska. As of June 30, 2021 and 2020, 36 and 28 municipalities, respectively, had joined the ARSSTC.

ARSSTC has a board of directors and governance structure apart from the League.

Basis of Presentation

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitute GAAP for governmental units. The more significant of these accounting policies are described below.

Fund Accounting

The Commission is accounted for on a flow of economic resources measurement focus and considered to be an enterprise fund for financial reporting purposes with revenues recognized when earned and expenses when incurred.

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For financial statement purposes, the Commission considers all cash, checking accounts and money market funds to be cash and cash equivalents.

ALASKA REMOTE SELLER SALES TAX COMMISSION**NOTES TO FINANCIAL STATEMENTS**Sales Tax Receivable

Sales tax receivable consists principally of sales tax amounts reported and remitted in the month subsequent to the month in which the sales tax is collected by merchants. Sales tax receivable are considered collectible, therefore, no allowance for uncollectible accounts has been provided.

Sales Tax Payable to Members

Sales tax payable to members consists principally of sales tax amounts due to members for amounts reported and remitted subsequent to the two months in which the sales tax is collected by merchants.

Sales Tax Pass-Thru Treatment

Sales taxes collected or due from merchants is owned by the Commission's members, and are therefore not reflected as revenues to the Commission. Accordingly, sales tax amounts received or receivable from merchants are recorded as payable to members when the sales taxes received or receivable are recognized by the Commission.

Income Taxes

The Commission's income is non-taxable under Section 115 of the Internal Revenue Code.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use through external restriction by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Commission Fee Revenue

Commission fee revenue is recognized on an accrual basis. The Commission assesses a fee for its sales tax collection and remittance services. The fee was 4% and 5.85% of sales tax amounts collected in the fiscal year ended June 30, 2021, and from formation on November 18, 2019 through June 30, 2020, respectively. Fees are assessed on a monthly basis and are reduced from sales tax amounts remitted to members.

Operating Expenses

The Commission entered into a Memorandum of Understanding (MOU) with the League to receive support from the League to carry out its activities. The League provides support to the Commission's board for its meetings and member activities, manages agreements with service providers, organizes the provision of legal support and manages day-to-day operations of the commission, including necessary staffing. For these services, the Commission pays the League direct expenses incurred by the League plus 8% overhead. During fiscal year 2020, the League forgave some of these expenses. See Note 3.

The League has entered into contracts with third-party service providers who provide a portal for merchant sales tax submission, sales tax collection, service provider fee calculation, and related reporting. A web-based database of taxability information and sales and use tax rates for all Commission participating tax jurisdictions is also provided. The service providers are paid on a sliding scale based on

ALASKA REMOTE SELLER SALES TAX COMMISSION**NOTES TO FINANCIAL STATEMENTS**

sales tax revenue collected. Fee amounts are withheld from taxes collected. Total fees withheld under these contracts were \$1,368,499 and \$152,071 during the fiscal year ended June 30, 2021, and from formation on November 18, 2019 through June 30, 2020, respectively.

Subsequent Events

The Commission has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits in checking and savings accounts, and amounts placed with the Alaska Municipal League Investment Pool (AMLIP). The Commission has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). The Commission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. The Commission does not have a deposit policy related to custodial credit risk.

The Commission's AMLIP account totaled \$7,808 and \$18,515 at June 30, 2021 and 2020, respectively, and is considered to be an external investment pool. Regulatory oversight of AMLIP is established by Alaska State Statute 37.23, which sets forth the requirements regarding authorized investments and reporting. The Commission's share of AMLIP is determined by the net asset value per share of AMLIP's underlying portfolio. As of June 30, 2021 and 2020, the fair value of the Commission's position in the pool approximated the value of the Commission's shares. AMLIP is rated AAAM by Standard & Poor's. AMLIP's statutory oversight requires, among numerous other provisions, that investments be only in securities rated "A" or better by at least two nationally recognized ratings services.

NOTE 3 – RELATED PARTY TRANSACTIONS**Alaska Municipal League**

The League provides services to the Commission to support the Commission's operations under a contract dated January 21, 2020. The contract has an initial term of three years, with renewal for successive terms by mutual agreement between the League and the Commission. For the fiscal year ended June 30, 2021, the Commission incurred expenses of \$343,992 for services provided under the contract.

From formation on November 18, 2019 through June 30, 2020, the League incurred \$259,097 related to formation of the Commission which were not recovered from the Commission or any other source. The League billed the Commission for operating expenses totaling \$104,852, of which \$4,554 related to future periods and were recorded as prepaid expenses as of June 30, 2020 in the accompanying financial statements. The League incurred, but did not bill the Commission, additional personnel expenses totaling \$25,269 that it charged to its Paycheck Protection Program (PPP) loan. In addition, the League billed the Commission \$10,200 for cash used to establish the Commission's bank accounts. Of the total amount billed, the League elected to forgive \$48,578 to assist the Commission with furtherance of its mission. The Commission repaid \$8,737 to the League, leaving amounts owed to the League of \$57,737 as of June 30, 2020, of which \$56,274 related to operating expenses.

ALASKA REMOTE SELLER SALES TAX COMMISSION

NOTES TO FINANCIAL STATEMENTS

A summary of the Commission's operating expenses from formation on November 18, 2019 through June 30, 2020 follows:

	Total Operating Costs for the Commission	Operating Expenses Charged to the League's PPP	Operating Expenses Billed to the Commission	Operating Expenses Waived by the League	Operating Expenses Paid and Payable to the League
Personnel	\$ 85,027	\$ (25,269)	\$ 59,758	\$ (23,488)	\$ 36,270
Board support	1,049	-	1,049	-	1,049
Munirev software modifications	10,500	-	10,500	(10,500)	-
Insurance	10,279	-	10,279	-	10,279
Legal	14,091	-	14,091	(9,583)	4,508
Indirect expenses	9,175	-	9,175	(5,007)	4,168
Totals	\$ 130,121	\$ (25,269)	\$ 104,852	\$ (48,578)	\$ 56,274

NOTE 4 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates. The following new standards were implemented by the Commission during the current fiscal year:

GASB 84 - Fiduciary Activities – Through its implementation of the new standard, Commission management reviewed its activities to determine if any meet the criteria for reporting as a fiduciary activity in the basic financial statements. No such activities were identified.

GASB 90 – Majority Equity Interests – Through its implementation of the new standard, Commission management reviewed its relationships with legally separate organizations to determine if a majority equity interest exists. No such relationships were noted.

The following standards are required to be implemented in coming financial reporting periods. Management has not fully evaluated the potential effects of these statements. In May 2020, the GASB issued GASB 95 - *Postponement of The Effective Dates of Certain Authoritative Guidance* in order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The implementation dates below are updated to reflect the impact of GASB 95.

GASB 87 - Leases - Effective for the fiscal year ended June 30, 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 fiscal year 2022, 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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 91 – Conduit Debt Obligations – Effective for fiscal year 2023, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate

ALASKA REMOTE SELLER SALES TAX COMMISSION

NOTES TO FINANCIAL STATEMENTS

diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB 92 – Omnibus 2020 – Effective for fiscal year 2022, the objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB 93 – Replacement of Interbank Offered Rates – Effective for fiscal year 2022, the objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

GASB 94 – Public-private and Public-public Partnerships and Availability Payment Arrangements – Effective for fiscal year 2023, the objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB 96 – Subscription-based Information Technology Arrangements – Effective for fiscal 2023, this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB 97 – Certain Component Units, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – This standard has varying implementation dates. It is an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No.32. The provisions of this statement in paragraph 4 as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and paragraph 5 of this statement are effective immediately. All other requirements are effective for the 2022 reporting period.

SUPPLEMENTARY INFORMATION

ALASKA REMOTE SELLER SALES TAX COMMISSION

SUPPLEMENTAL SCHEDULE OF TAXES COLLECTED AND REMITTED

For the Year Ended June 30, 2021

	Gross Sales	Exemptions	Net Taxable Sales	Taxes Collected and Receivable	Commission and Provider Fees Withheld	Taxes Remitted and Payable
City of Adak	\$ 528,948	\$ (184,189)	\$ 344,759	\$ 13,904	\$ (2,398)	\$ 11,506
City of Aleknagik	152,631	(97,988)	54,643	2,747	(474)	2,273
Anchorage Alcoholic & Bev Tax	32,762	-	32,762	1,645	(284)	1,361
City of Bethel	11,382,186	(4,519,172)	6,863,014	412,508	(71,158)	341,350
City of Cordova	4,912,034	(1,214,554)	3,697,480	222,092	(38,311)	183,781
City of Craig	3,088,726	(720,991)	2,367,735	118,491	(20,440)	98,051
Craig Alcoholic & Beverage Tax	24	-	24	1	-	1
City of Dillingham	5,885,143	(1,725,059)	4,160,084	247,695	(42,727)	204,968
City of Gustavus	1,367,024	(224,348)	1,142,676	33,615	(5,799)	27,816
Haines Borough	5,177,729	(1,392,040)	3,785,689	150,095	(25,891)	124,204
Haines City	4,012,122	(807,423)	3,204,699	47,619	(8,214)	39,405
City of Homer	11,938,702	(2,876,324)	9,062,378	418,001	(72,105)	345,896
City of Houston	1,053,067	(496,202)	556,865	11,143	(1,922)	9,221
City and Borough of Juneau	63,915,819	(24,754,905)	39,160,914	1,927,950	(332,571)	1,595,379
Juneau Alcoholic & Beverage Tax	5,900	-	5,900	177	(31)	146
City of Kenai	13,725,902	(4,334,356)	9,391,546	268,000	(46,230)	221,770
Kenai Peninsula Borough	89,447,914	(29,815,347)	59,632,567	1,783,703	(307,689)	1,476,014
City of Ketchikan	18,748,714	(9,328,590)	9,420,124	376,983	(65,030)	311,953
Ketchikan Gateway Borough	24,875,284	(10,556,004)	14,319,280	358,266	(61,801)	296,465
City of Kodiak	19,150,152	(9,986,123)	9,164,029	641,934	(110,734)	531,200
City of Mountain Village	1,013,019	(227,099)	785,920	23,649	(4,079)	19,570
City of Nome	8,916,884	(2,463,780)	6,453,104	344,827	(59,483)	285,344
City of North Pole	2,844,490	(1,022,149)	1,822,341	100,284	(17,299)	82,985
City of Palmer	25,539,257	(9,827,471)	15,711,786	471,887	(81,400)	390,487
Petersburg Borough	5,311,520	(1,419,647)	3,891,873	233,744	(40,321)	193,423
City of Saint Paul	993,466	(393,142)	600,324	21,041	(3,630)	17,411
City of Saxman	84,963	(4,306)	80,657	3,226	(557)	2,669
City of Seldovia	679,145	(86,012)	593,133	18,475	(3,187)	15,288
City of Seward	5,666,685	(1,669,888)	3,996,797	152,075	(26,233)	125,842
City and Borough of Sitka	16,211,606	(3,665,697)	12,545,909	685,303	(118,215)	567,088
City of Soldotna	16,377,401	(6,581,694)	9,795,707	279,502	(48,214)	231,288
City of Tenakee Springs	151,138	(5,149)	145,989	2,891	(499)	2,392
City of Thorne Bay	825,279	(150,281)	674,998	40,512	(6,988)	33,524
City of Togiak	486,242	(69,223)	417,019	8,352	(1,441)	6,911
City of Toksook Bay	748,898	(279,005)	469,893	9,416	(1,624)	7,792
City of Unalaska	7,223,409	(2,092,439)	5,130,970	151,067	(26,059)	125,008
City of Wasilla	31,001,908	(12,945,112)	18,056,796	445,887	(76,915)	368,972
City of Wrangell	4,806,854	(1,501,955)	3,304,899	231,522	(39,937)	191,585
City of Yakutat	1,395,967	(395,935)	1,000,032	48,174	(8,310)	39,864
Total Operating Revenues	\$ 409,678,914	\$ (147,833,599)	\$ 261,845,315	\$ 10,308,403	\$ (1,778,200)	\$ 8,530,203

See independent auditor's report.

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ALASKA REMOTE SELLER SALES TAX COMMISSION

SUPPLEMENTAL SCHEDULE OF TAXES COLLECTED AND REMITTED

From Formation on November 18, 2019 through June 30, 2020

	Gross Sales	Exemptions	Net Taxable Sales	Taxes Collected and Receivable	Commission and Provider Fees Withheld	Taxes Remitted and Payable
City of Adak	\$ 25,669	\$ (102)	\$ 25,567	\$ 1,022	\$ (195)	\$ 827
City of Cordova	453,254	(25,689)	427,565	25,657	(4,904)	20,753
City of Craig	27,649	(6,362)	21,287	1,064	(203)	861
City of Dillingham	110,882	(56,478)	54,404	3,235	(619)	2,616
City of Gustavus	63,298	(3,094)	60,204	1,771	(338)	1,433
Haines Borough	391,615	(4,647)	386,968	15,340	(2,930)	12,410
Haines City	426,791	(62,578)	364,213	5,409	(1,033)	4,376
City of Homer	3,919,645	(2,453,066)	1,466,579	68,222	(13,040)	55,182
City and Borough of Juneau	7,155,958	(1,472,689)	5,683,269	281,479	(53,819)	227,660
City of Kenai	1,747,618	(277,669)	1,469,949	41,929	(8,011)	33,918
Kenai Peninsula Borough	14,578,218	(5,509,766)	9,068,452	272,185	(52,016)	220,169
Ketchikan Gateway Borough	385,367	(22,579)	362,788	23,228	(4,437)	18,791
City of Kodiak	2,078,889	(1,435,081)	643,808	45,075	(8,614)	36,461
City of Mountain Village	8,573	-	8,573	257	(49)	208
City of Nome	936,562	(128,067)	808,495	54,535	(10,416)	44,119
City of Palmer	2,419,170	(444,385)	1,974,785	59,252	(11,321)	47,931
Petersburg Borough	451,187	(146,023)	305,164	18,317	(3,499)	14,818
City of Saint Paul	13,502	(4)	13,498	472	(90)	382
City of Seldovia	76,824	(2,166)	74,658	3,181	(608)	2,573
City of Seward	651,852	(49,624)	602,228	22,897	(4,374)	18,523
City and Borough of Sitka	941,598	(312,480)	629,118	37,413	(7,149)	30,264
City of Soldotna	2,326,710	(721,619)	1,605,091	45,809	(8,756)	37,053
City of Tenakee Springs	2,144	-	2,144	43	(8)	35
City of Togiak	1,958	(18)	1,940	38	(7)	31
City of Toksook Bay	1,276	(74)	1,202	24	(5)	19
City of Unalaska	348,961	(8,532)	340,429	10,012	(1,912)	8,100
City of Wasilla	4,360,606	(1,164,504)	3,196,102	79,001	(15,105)	63,896
City of Wrangell	668,191	(231,487)	436,704	30,581	(5,844)	24,737
City of Yakutat	19,702	(14,256)	5,446	263	(50)	213
Total Operating Revenues	\$ 44,593,669	\$ (14,553,039)	\$ 30,040,630	\$ 1,147,711	\$ (219,352)	\$ 928,359

See independent auditor's report.

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ARSSTC Finance Committee Meeting Summary – 10/12/21

Financial Statements

Max Mertz briefed the Committee on the ARSSTC Financial Statements and the auditor's letter to the Board. The discussion primarily centered on MUNIRevs lack of SOC1 & SOC2 reports that are important to verifying accuracy of reported data within MUNIRevs.

Max also noted that an MD&A was included in the Financial Statements by AML for the first time this year, providing a valuable additional narrative.

Committee asked Max to also present briefly to the Board, with a walk-through of his letter to the Board of directors.

For the upcoming Board meeting, the Committee recommends the Board come up with plan to discuss the SOC1 & SOC2 report issues with MUNIRevs. Committee also desires that the Commission discuss this topic with the State of Colorado.

Budget revision

Committee was generally in agreement with the need for staffing increase as proposed, along with software increases.

AML has generally been covering software costs related to MUNIRevs upgrades up to this point. For FY21 specifically, AML paid for \$32,200 in MUNIRevs upgrades. As a result, AML was over budget by approx. \$26k for its Commission related expenses for FY21. Due to the growth in the Commission, AML believes it is a good time to shift MUNIRevs upgrade costs to the Commission and will seek Board approval for software upgrades in excess of \$5,000.

Committee expressed positivity about the proposed budgeted revenues, coupled with the Commission fee rate reduction by .5%. The Committee noted that this combination, with the increased staffing and software costs would keep the fund balance within the fund balance policy parameters.

ARSSTC FY22 Budget - Approved and Proposed Revision

		FY22 Adopted	FY22 Revised w/ 4%	FY22 Revised-reduced rate
ARSSTC Revenues	Gross Sales Tax Collection	\$ 9,360,000.00	\$ 13,000,000.00	\$ 14,000,000.00
	Total			
	Commission Fee Rate	4%	4.0%	3.50%
	Commission Fee	\$ 374,400.00	\$ 520,000.00	\$ 490,000.00
	MuniRev Fees (12,8,4%)	\$ 1,123,200.00	\$ 1,360,000.00	\$ 1,440,000.00
	TTR Software Contract (1.25,1,.75%)	\$ 117,000.00	\$ 145,000.00	\$ 155,000.00
	Member Tax Revenue	\$ 7,745,400.00	\$ 10,975,000.00	\$ 11,915,000.00
ARSSTC Expenses	\$ 9,360,000.00	\$ 13,000,000.00	\$ 14,000,000.00	
Subtotal	Difference			
<hr/>				
AMSTP				
	Commission Fee	\$ 374,400.00	\$ 520,000.00	\$ 490,000.00
	Interest Income	250	300	300
	Credit Cards Fees	800	1000	1000
	Reprocessing Fees	1000	1500	1500
	Late fees	12500	20000	20000
	Fee override to MR/TTR	0	0	0
	Uncategorized Income	0	0	0
AMSTP Rev	Total: AMSTP Revenue	\$ 388,950.00	\$ 542,800.00	\$ 512,800.00
AMSTP Wages	Personnel			
	Regular Wages	\$ 255,000.00	\$ 340,000.00	\$ 340,000.00
	Retirement			
	Health Insurance			
	Federal Taxes			
	Total: Personnel	\$ 255,000.00	\$ 340,000.00	\$ 340,000.00
AMSTP Services	Contract Services			
	AML Contract Overhead (8%)	\$ 25,560.00	\$ 32,360.00	\$ 32,360.00
	Governance Transport/Subsistence	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00

Insurance Premium	\$ 16,000.00	\$ 16,000.00	\$ 16,000.00
Banking Fees	\$ 500.00	\$ 500.00	\$ 500.00
Legal Services	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Audit Services	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Software	\$	\$ 40,000.00	\$ 40,000.00
Merchant Service Fees	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00
Other Business Expenses			
Total: Services	\$ 90,060.00	\$ 136,860.00	\$ 136,860.00
Total Expenditures	\$ 345,060.00	\$ 476,860.00	\$ 476,860.00
Beginning Fund Balance	\$ 76,112.00	\$ 76,112.00	\$ 76,112.00
Change to Fund Balance	\$ 43,890.00	\$ 65,940.00	\$ 35,940.00
Ending Fund Balance	\$ 120,002.00	\$ 142,052.00	\$ 112,052.00
Minimum Fund Balance - 20% of annual expenditures	\$ 69,012.00	\$ 95,372.00	\$ 95,372.00
Maximum Fund Balance - 25% of annual expenditures	\$ 86,265.00	\$ 119,215.00	\$ 119,215.00

Alaska Municipal League
ARSSTC Segment
 July 2020 - June 2021

	<u>Total</u>
	<u>Actual</u>
Income	
Programs	
ARSSTC Revenue	
ARSSTC - Legal Fees	\$ 29,141.00
ARSSTC Overhead	\$ 25,743.54
ARSSTC Payroll & Employee Benefits	\$ 248,698.80
ARSSTC - Insurance	\$ 15,230.44
ARSSTC Audit	\$ 9,050.84
ARSSTC Software	\$ 16,900.00
Total ARSSTC Revenue	<u>\$ 344,764.62</u>
Total Programs	<u>\$ 344,764.62</u>
Total Income	<u>\$ 344,764.62</u>
Gross Profit	<u>\$ 344,764.62</u>
Expenses	
ARSSTC Expenses	
Direct Operating Costs	
Software	\$ 32,984.50
Legal	\$ 32,499.00
Audit	\$ 9,050.84
Personnel Expenses	
Salaries	\$ 176,179.31
ARSSTC Payroll Taxes	\$ 14,634.98
Health Insurance	\$ 40,790.19
Nationwide Retirement	\$ 9,071.03
Paid Vacation	\$ 1,639.35
Total Personnel Expenses	<u>\$ 242,314.86</u>
Insurance	
Crime	\$ 2,590.00
Cyber	\$ 6,500.00
SLIP	\$ 6,140.44
Total Insurance	<u>\$ 15,230.44</u>
Total Direct Operating Costs	<u>\$ 332,079.64</u>
Indirect Operating Costs	
Portfolio Media Law 360	\$ 3,251.00
Nils Andreassen	\$ 10,287.20
Shawn Myers	\$ 2,460.80
ARSSTC Rent	\$ 15,597.55
Branding	\$ 2,812.13
Computer and Equipment	\$ 4,386.91

Tota Indirect Operating Costs	\$ 38,795.59
Total ARSSTC Expenses	\$ 370,875.23
Total Expenses	\$ 370,875.23
Net Operating Income	\$ (26,110.61)
Net Income	\$ (26,110.61)



To: ARSSTC Board

From: Clinton Singletary, Statewide Municipal Sales Tax Director

Date: October 20, 2021

Re: ARSSTC Annual Meeting Preparation

Meeting Date / Time

Nils proposed the following dates / times for the ARSSTC Annual Meeting:

- Tuesday, 11/16 from 4:30pm – 5:30pm
- Wednesday, 11/17 from 12pm – 1pm

Proposed Agenda for Annual Meeting

- Annual update to Commission members from AMSTP staff
- Board of Directors election
 - Terms expiring in 2021:
 - Jeff Rogers
 - Stephanie Queen
 - Scott Bloom
 - Mike Tvenge
- Election of Board Officers

Nominations for Board Seats

Last year, it was difficult to find any Commission members that were interested in submitting a nomination. How does the Board want to proceed with member outreach for nominations?



To: ARSSTC Board

From: Clinton Singletary, Statewide Municipal Sales Tax Director

Date: October 20, 2021

Re: ARSSTC Standing Committees – Finance & Policy Committees

Background

Finance Committee

The ARSSTC Finance Committee was established in December 2019 and has met periodically since that time. The Finance Committee has primarily served the role of reviewing Commission financials such as periodic balance sheet updates and budget proposals.

Currently, the Finance Committee is chaired by Brandi Harbaugh. Layton Lockett w/ City of Adak and Jila Stuart w/ Haines Borough also serve on the committee.

Policy Committee

The ARSSTC Policy Committee first met in June 2020 and has been a valuable resource for AMSTP staff and participating member jurisdiction participants. Since its inception, the PC has generally operated as an informal working group consisting of commission members, AMSTP staff and Karl Kaufman of Landye Bennett Blumstein.

Discussion

Recently, questions were raised by a member jurisdiction about whether the Policy Committee should be operated in a more formal manner, following Alaska open meetings law and Robert's Rules of Order.

In researching the ARSSTC Bylaws, specifically Article III, Section 10, I found that all meetings of the Board of Directors and all meetings of committees of the Board of Directors must be conducted in accordance with Alaska open meetings law.

To my knowledge, neither of these committees have been conducted in accordance with Alaska open meetings law. These committees have been considered advisory and internal in nature. As a result, notice of these meetings have not been provided to either the public or Commission members. Similarly, Robert's Rules of Order have not been used for either of these Committees.

Article VI of the Bylaws also specifies that committees must have a chairman appointed by the President and that any active member is eligible to serve.

Moving forward, AMSTP staff will begin following the Alaska open meetings law for both of these Committees. AMSTP staff requests that a chairman for the Policy Committee be appointed by the Board. If the Board desires for these Committees to operate in a less formal manner than is outlined in the Commission bylaws, please advise how AMSTP staff should proceed.



Interpretation 2021.04

SALES PRICE SUBJECT TO SALES TAX

Issue:

What types of charges make up the “sales price” of a remote sale?

Applicable Uniform Code Sections:

Section 030(B) of the Uniform Code states that the applicable sales tax “shall be added to the sales price...”.

Section 270 of the Uniform Code defines “sales price” or “purchase price” as:

The total amount of consideration, including cash, credit, property, products, and services, for which property, products, or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- A. *The seller’s cost of the property or product sold;*
- B. *The cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expense of the seller;*
- C. *Charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;*
- D. *Delivery charges;*
- E. *Installation charges; and*
- F. *Credit for any trade-in, as determined by state law.*

Interpretation:

In general, the sales price of a transaction is the amount of consideration exchanged between the seller and the buyer. Following are some common sales price related topics and how they are to be treated based on the Uniform Code.

Seller costs – as stated in the definition of “sales price”, seller costs may not be deducted from the sales price.

Discounts – a discount given by the seller is considered a reduction to the sales price. Sales tax should be collected on the reduced sales price after discount.

Taxes – Some taxes such as excise taxes may be imposed on sellers of certain goods. These sellers typically pass on the cost of these taxes to the end consumer, either as a separately identified charge or by adding it to the product’s overall cost. These types of taxes that are imposed on the seller and passed on to the end consumer may not be deducted from the sales price of the product. Sales tax should be collected on the full amount charged to the buyer.

Coupons / Rebates – there are generally two types of coupons/rebates: 1) Manufacturer’s coupons and 2) in-store coupons

- **Manufacturer’s coupon / rebate** – These are typically reimbursements offered to the seller by the manufacturer or other 3rd party. These reimbursements simply act as an additional form of payment to the seller, allowing the consumer to pay a reduced amount.
- **In-store coupon / rebate** – These act effectively as a discount, where the seller is reducing the sales price when the coupon is presented. Sales tax should be collected on the reduced sales price after discount.



Interpretation 2021.04

Inclusion of sales tax – according to Section 030(B) of the Uniform Code, the applicable sales tax must be added to the sales price and separately stated. This means that a seller must identify the sales tax being charged on any billing statements or invoices provided to the buyer.

A seller may adjust the sales price for situations where the seller wants to charge customers a fixed or rounded amount. However, the billing statement or invoice to the buyer must reflect the adjusted selling price and associated sales tax.

Example 1 - collecting sales tax on top of selling price

Selling Price:	\$20.00
Sales Tax @ 5%:	\$1.00
Total Bill:	\$21.00

Example 2-Adjusted selling price

Selling Price:	\$19.05
Sales Tax @ 5%:	\$0.95
Total Bill:	\$20.00

The key requirement of Section 030(B) is that a seller may not charge a fee to its customer without identifying the sales tax due on the transaction. Either of the above examples are acceptable for sellers.

Trade-ins – A trade-in acts as an additional form of payment / consideration where the buyer provides the seller with a product having an agreed upon value. The sales price of the product being purchased does not change. The buyer is simply providing two forms of payment. Sales tax should be collected on the full sales price of the product.

Gift cards / gift certificates – purchases of gift cards or gift certificates are not considered to be a sale subject to sales tax. The “buyer” of the gift card / certificate is simply changing currency from one form into another. The sales tax liability is not created until the gift card / certificate is redeemed.

Shipping / delivery Charges – shipping and delivery charges associated with the sale of products or goods are generally considered part of the sales price, subject to sales tax. For more detailed discussion on shipping & delivery charges, please see Interpretation 2021.01.

Core charges – Core charges associated with the purchase of certain products or goods are considered part of the selling price of the product(s) or good(s) being purchased. Accordingly, core charges are subject to sales tax at the time of purchase of the associated product(s) or good(s).

Core charges and the sales tax associated with the core charge are refundable to the buyer when the buyer returns the old part to the seller.

Summary:

The Uniform Code clearly requires sales tax to be added to the sales price of the transaction. The Code does not allow for inclusion of sales tax in the sales price.

In addition, the Uniform Code outlines that the sales price subject to sales tax is the full amount paid by the buyer, regardless of the method of payment. Finally, any charge that is considered part of the selling price of the transaction should also be considered part of the selling price subject to any tax cap / maximum tax calculation on the transaction.



Interpretation 2021.04

DRAFT



To: ARSSTC Board

From: Clinton Singletary, Statewide Municipal Sales Tax Director

Date: October 20, 2021

Re: Member Payout Date

AMSTP staff have historically targeted the 10th of the month as the deadline for initiating ACH payouts to member jurisdictions. The 10th of the month was picked to allow sufficient time for payments made on the last day of the month to work their way through our bank account.

With the growth in the volume of returns filed each month, AMSTP staff are now finding it difficult to meet the 10th of the month deadline. Additional time is needed to properly reconcile filings / payments and verify accuracy of our primary reports prior to issuing the payouts to members.

With the Board's approval, AMSTP staff are requesting that we shift our payout initiation deadline to the 15th of each month.