

Aleutians East Borough, Alaska

**Basic Financial Statements, Required
Supplementary Information, Supplementary
Information and Single Audit Reports
Year Ended June 30, 2023**

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Aleutians East Borough, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information and Single Audit Reports
Year Ended June 30, 2023

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Aleutians East Borough, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	6
Statement of Activities	A-2	7
Governmental Funds:		
Balance Sheet	B-1	8
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	B-2	9
Statement of Revenues, Expenditures and Changes in Fund Balances	B-3	10
Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-4	11
Enterprise Funds:		
Statement of Net Position	C-1	12
Statement of Revenues, Expenses and Changes in Net Position	C-2	13
Statement of Cash Flows	C-3	14
Notes to Basic Financial Statements		15-51
Required Supplementary Information		
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	D-1	54
Public Employees' Retirement System - Pension Plan - Schedule of the Borough's Proportionate Share of the Net Pension Liability and Schedule of the Borough's Contributions	E-1	56
Public Employees' Retirement System - OPEB Plans - Schedule of the Borough's Proportionate Share of the Net OPEB Liability (Asset) and Schedule of the Borough's Contributions:		
ARHCT	E-2	57
RMP	E-3	58
ODD	E-4	59
Notes to Required Supplementary Information		60-61
Supplementary Information		
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	F-2	64

Aleutians East Borough, Alaska

Contents

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION, continued		
Supplementary Information, continued		
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	G-1	65-68
Trust Permanent Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	H-1	69
Capital Improvements Capital Project Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	I-1	70
Bond Construction Capital Project Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	I-2	71
Schedule of Expenditures of Federal Awards	J-1	72
Notes to Schedule of Expenditures of Federal Awards		73
Schedule of State Financial Assistance	J-2	74
Notes to Schedule of State Financial Assistance		75
SINGLE AUDIT SECTION		
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>		77-78
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		79-81
Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the State of Alaska Audit Guide and Compliance Supplement for State Single Audits		82-85
Schedule of Findings and Questioned Costs		86-88
UNAUDITED		
Summary Schedule of Prior Audit Findings		89-90
Corrective Action Plan		91



Independent Auditor's Report

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aleutians East Borough (The Borough), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules of the Borough's proportionate share of the net pension and OPEB liability or asset and Borough contributions 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.



Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 statement in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough’s basic financial statements. The accompanying combining and individual fund financial statements and schedules, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of State Financial Assistance as required by the *State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules, and Schedule of Expenditures of Federal Awards, and the Schedule of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Anchorage, Alaska
XXXX, 2024

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Basic Financial Statements

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Aleutians East Borough, Alaska

Statement of Net Position

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	School District Unit
<i>June 30, 2023</i>				
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 80,220,030	\$ 565,361	\$ 80,785,391	\$ 4,727,180
Receivables, net of allowance for uncollectible accounts:				
State of Alaska	455,829	-	455,829	503,685
Accrued interest	60,362	3,082	63,444	-
Other	209,075	38,554	247,629	-
Taxes	251,841	-	251,841	-
Prepaid items	18,619	-	18,619	466,166
Inventory	-	-	-	39,637
Restricted cash and investments:				
Unspent bond proceeds	3,658,634	-	3,658,634	-
Accrued interest	3,410	-	3,410	-
Investment in Southwest Governments, LLC	415,322	-	415,322	-
Net other postemployment benefits asset	650,097	29,557	679,654	1,919,366
Lease receivable	484,368	740,061	1,224,429	-
Capital assets not being depreciated	6,414,921	-	6,414,921	-
Other capital assets, net of accumulated depreciation	62,391,110	5,828,936	68,220,046	144,198
Total Assets	155,233,618	7,205,551	162,439,169	7,800,232
Deferred Outflows of Resources				
Related to pensions	187,072	8,505	195,577	413,406
Related to other postemployment benefits	64,191	2,919	67,110	177,868
Deferred charge on refunding	200,931	-	200,931	-
Total Deferred Outflows of Resources	452,194	11,424	463,618	591,274
Total Assets and Deferred Outflows of Resources	\$ 155,685,812	\$ 7,216,975	\$ 162,902,787	\$ 8,391,506
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 368,273	\$ 137,763	\$ 506,036	\$ -
Payable to US ACOE	3,795,792	-	3,795,792	-
Accrued payroll and taxes	-	-	-	78,496
Accrued interest	53,205	-	53,205	-
Unearned revenue	1,154,180	-	1,154,180	42,106
Noncurrent liabilities:				
Due within one year:				
Leases payable	111,225	1,221	112,446	-
Bonds payable, including premium	2,250,720	-	2,250,720	-
Accrued leave	114,389	-	114,389	55,292
Due in more than one year:				
Leases payable	389,801	115,748	505,549	-
Bonds payable, including premium	12,413,542	-	12,413,542	-
Net pension liability	1,638,054	74,475	1,712,529	3,855,531
Total Liabilities	22,289,181	329,207	22,618,388	4,031,425
Deferred Inflows of Resources				
Related to leases	474,169	713,394	1,187,563	-
Related to pensions	-	-	-	6,590
Related to other postemployment benefits	51,708	2,351	54,059	145,849
Total Deferred Inflows of Resources	525,877	715,745	1,241,622	152,439
Net Position				
Net investment in capital assets	57,500,308	5,711,967	63,212,275	144,198
Restricted:				
Construction	643,898	-	643,898	-
Trust Fund	51,609,781	-	51,609,781	-
Unrestricted	23,116,767	460,056	23,576,823	4,063,444
Total Net Position	132,870,754	6,172,023	139,042,777	4,207,642
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 155,685,812	\$ 7,216,975	\$ 162,902,787	\$ 8,391,506

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska
Statement of Activities

Exhibit A-2

Year Ended June 30, 2023	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Primary Government		Total	School District
					Govern- mental Activities	Busi- ness- type Activities		
Primary Government								
Governmental Activities								
General government	\$ 2,527,915	\$ 23,468	\$ 1,096,803	\$ -	\$ (1,407,644)	\$ -	\$ (1,407,644)	
Public works	155,214	-	-	-	(155,214)	-	(155,214)	
Education	2,245,232	-	628,587	-	(1,616,645)	-	(1,616,645)	
Community services	189,139	-	-	-	(189,139)	-	(189,139)	
Health and welfare	-	-	-	-	-	-	-	
Infrastructure	4,759,290	-	-	171,334	(4,587,956)	-	(4,587,956)	
Interest on long-term debt	423,892	-	-	-	(423,892)	-	(423,892)	
Total Governmental Activities	10,300,682	23,468	1,725,390	171,334	(8,380,490)	-	(8,380,490)	
Business-type Activities								
Terminal	565,602	264,914	-	-	-	(300,688)	(300,688)	
Helicopter	1,098,426	324,574	1,341	-	-	(772,511)	(772,511)	
Total Business-type Activities	1,664,028	589,488	1,341	-	-	(1,073,199)	(1,073,199)	
Total Primary Government	11,964,710	612,956	1,726,731	171,334	(8,380,490)	(1,073,199)	(9,453,689)	
Component Unit - School District	\$ 9,381,348	\$ 348,580	\$ 1,313,309	\$ -				\$ (7,719,459)
General Revenues								
Borough fish tax					4,824,614	-	4,824,614	-
Unrestricted investment income					1,039,366	-	1,039,366	-
Restricted investment income					3,180,720	-	3,180,720	-
Local contributions					-	-	-	1,341,746
State grants and entitlements not restricted to specific program					3,150,063	-	3,150,063	4,389,550
Federal grants and entitlements not restricted to specific program					16,879	-	16,879	2,432,938
Payment in lieu of taxes					719,988	-	719,988	-
E-rate					-	-	-	916,800
Miscellaneous					729,345	-	729,345	147,297
Capital contributions from governmental activities to business-type activities					(16,948)	16,948	-	-
Transfers					(764,279)	764,279	-	-
Total General Revenues and Transfers					12,879,748	781,227	13,660,975	9,228,331
Change in Net Position					4,499,258	(291,972)	4,207,286	1,508,872
Net Position, beginning					128,371,496	6,463,995	134,835,491	2,698,770
Net Position, ending					\$ 132,870,754	\$ 6,172,023	\$ 139,042,777	\$ 4,207,642

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska

Exhibit B-1

Governmental Funds
Balance Sheet

	Major Funds					Total Govern- mental Funds
	General	Trust Permanent	Capital Improve- ments Project	Bond Construc- tion Capital Project	Nonmajor Funds	
<i>June 30, 2023</i>						
Assets						
Cash and investments	\$ 30,291,029	\$ 45,757,656	\$ 3,346,819	\$ -	\$ 824,526	\$ 80,220,030
Receivables, net:						
State of Alaska	388,488	-	67,341	-	-	455,829
Accrued interest	4,399	55,963	-	-	-	60,362
Taxes	251,841	-	-	-	-	251,841
Other	7,694	-	201,381	-	-	209,075
Lease receivable	484,368	-	-	-	-	484,368
Due from other funds	-	5,381,070	-	-	-	5,381,070
Restricted cash and investments:						
Unspent bond proceeds	-	-	-	3,658,634	-	3,658,634
Accrued interest	-	-	-	3,410	-	3,410
Investment in Southwest Governments, LLC	-	415,322	-	-	-	415,322
Prepaid items	16,632	-	-	-	1,987	18,619
Total Assets	\$ 31,444,451	\$ 51,610,011	\$ 3,615,541	\$ 3,662,044	\$ 826,513	\$ 91,158,560
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 80,846	\$ 230	\$ 287,197	\$ -	\$ -	\$ 368,273
Payable to US ACOE	-	-	-	3,795,792	-	3,795,792
Unearned revenue	-	-	971,565	-	182,615	1,154,180
Due to other funds	3,024,291	-	2,356,779	-	-	5,381,070
Total Liabilities	3,105,137	230	3,615,541	3,795,792	182,615	10,699,315
Deferred Inflows of Resources						
Related to leases	474,169	-	-	-	-	474,169
Fund Balances						
Nonspendable	16,632	-	-	-	1,987	18,619
Restricted:						
Trust fund	-	51,609,781	-	-	-	51,609,781
King Cove access project	-	-	-	-	280,770	280,770
Various capital projects	-	-	-	3,658,634	-	3,658,634
Assigned:						
Capital improvements	-	-	-	-	-	-
Maintenance	-	-	-	-	361,141	361,141
Unassigned (deficit)	27,848,513	-	-	(3,792,382)	-	24,056,131
Total Fund Balances	27,865,145	51,609,781	-	(133,748)	643,898	79,985,076
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 31,444,451	\$ 51,610,011	\$ 3,615,541	\$ 3,662,044	\$ 826,513	\$ 91,158,560

Aleutians East Borough, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2023

Total fund balances for governmental funds		\$ 79,985,076
The total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets (shown here, net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		68,806,031
Certain other postemployment benefits (OPEB) plans have been funded in excess of the required contributions. These assets are not financial resources and therefore are not reported in the funds		
Net other postemployment asset		650,097
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Lease liabilities	(501,026)	
Accrued leave	(114,389)	
Accrued interest on bonds	(53,205)	
Bonds payable, including unamortized premium	(14,664,262)	
Deferred charge on refunding	200,931	
Net pension liability	(1,638,054)	
Total long-term liabilities		(16,770,005)
Certain changes in net pension, and net other postemployment benefits liabilities and assets are deferred rather than recognized immediately. These items are amortized over time:		
Deferred outflows of resources related to pensions	187,072	
Deferred outflows of resources related to other postemployment benefits	64,191	
Deferred inflows of resources related to other postemployment benefits	(51,708)	
Total deferred pension and other postemployment benefits items		199,555
Total Net Position of Governmental Activities		\$ 132,870,754

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

	Major Funds						Total Govern- mental Funds
	General	Trust Permanent	Debt Service	Capital Improve- ments Capital Project	Bond Construc- tion Capital Project	Nonmajor Funds	
<i>Year Ended June 30, 2023</i>							
Revenues							
Federal government	\$ 736,867	\$ -	\$ -	\$ 1,128,536	\$ -	\$ 465,558	\$ 2,330,961
State of Alaska	3,802,302	-	-	171,334	-	-	3,973,636
Borough raw fish tax	4,824,614	-	-	-	-	-	4,824,614
Investment income	917,831	3,180,720	-	-	121,535	-	4,220,086
Other	42,601	29,636	-	191,550	-	-	263,787
Total Revenues	10,324,215	3,210,356	-	1,491,420	121,535	465,558	15,613,084
Expenditures							
Current:							
General government	2,794,113	42,843	-	-	-	-	2,836,956
Public works	123,902	-	-	-	-	89,176	213,078
Education	1,699,032	-	-	-	-	-	1,699,032
Community services	189,139	-	-	-	-	-	189,139
Infrastructure	-	-	-	1,243,015	564,583	-	1,807,598
Debt service:							
Principal	-	-	1,830,000	-	-	-	1,830,000
Interest	-	-	646,386	-	-	-	646,386
Capital outlay	-	-	-	1,047,687	-	465,558	1,513,245
Total Expenditures	4,806,186	42,843	2,476,386	2,290,702	564,583	554,734	10,735,434
Excess of Revenues Over (Under) Expenditures	5,518,029	3,167,513	(2,476,386)	(799,282)	(443,048)	(89,176)	4,877,650
Other Financing Sources (Uses)							
Transfers in	-	-	2,476,386	799,282	-	-	3,275,668
Transfers out	(4,039,947)	-	-	-	-	-	(4,039,947)
Net Other Financing Sources (Uses)	(4,039,947)	-	2,476,386	799,282	-	-	(764,279)
Net Change in Fund Balances	1,478,082	3,167,513	-	-	(443,048)	(89,176)	4,113,371
Fund Balances, beginning	26,387,063	48,442,268	-	-	309,300	733,074	75,871,705
Fund Balances (deficit), ending	\$ 27,865,145	\$ 51,609,781	\$ -	\$ -	\$ (133,748)	\$ 643,898	\$ 79,985,076

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska
Reconciliation of Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Net change in fund balances - All governmental funds \$ 4,113,371

The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation, and amortization expense. Additionally, transfers of capital assets to proprietary funds is not a current use of resources and is not reported on the fund financial statements.

Amount by which depreciation, and amortization expense of \$3,569,142 exceeded capital outlays of \$1,426,926 in the current period	\$ (2,142,216)	
Capital asset transferd from governmental fund for use in the Terminal Enterprise Fund	(16,948)	(2,159,164)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Repayment of principal on bonds	1,830,000	
Decrease in unamortized bond premium	278,931	
Decrease in lease liabilities	105,812	
Decrease in deferred charge on refunding	(36,533)	
	2,178,210	2,178,210

Certain revenue and expenses reported in the Statement of Activities do not represent the receipt or use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:

Increase in accrued leave	(821)	
Decrease in accrued interest	8,035	
Decrease in net pension liability and related deferred outflows and inflows of resources	192,696	
Decrease in net other postemployment benefits liability, asset and related deferred outflows and inflows of resources	166,931	
	366,841	366,841

Total Change in Net Position of Governmental Activities \$ 4,499,258

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska
Enterprise Funds
Statement of Net Position

<i>June 30, 2023</i>	Major Funds		Total
	Terminal	Helicopter	
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and investments	\$ 475,111	\$ 90,250	\$ 565,361
Leases receivable - current portion	244,833	-	244,833
Receivables, net	3,082	38,554	41,636
Total Current Assets	723,026	128,804	851,830
Noncurrent Assets			
Leases receivable	495,228	-	495,228
Net other postemployment benefits asset	-	29,557	29,557
Depreciable assets, net of accumulated depreciation	5,792,364	36,572	5,828,936
Total Noncurrent Assets	6,287,592	66,129	6,353,721
Total Assets	7,010,618	194,933	7,205,551
Deferred Outflows of Resources			
Related to pensions	-	8,505	8,505
Related to other postemployment benefits	-	2,919	2,919
Total Deferred Outflows of Resources	-	11,424	11,424
Total Assets and Deferred Outflows of Resources	\$ 7,010,618	\$ 206,357	\$ 7,216,975
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ -	\$ 137,763	\$ 137,763
Leases payable	1,221	-	1,221
Total Current Liabilities	1,221	137,763	138,984
Noncurrent Liabilities			
Lease liability	115,748	-	115,748
Net pension liability	-	74,475	74,475
Total Noncurrent Liabilities	115,748	74,475	190,223
Total Liabilities	116,969	212,238	329,207
Deferred Inflows of Resources			
Related to leases	713,394	-	713,394
Related to other postemployment benefits	-	2,351	2,351
Total Deferred Inflows of Resources	713,394	2,351	715,745
Net Position			
Net Investment in capital assets	5,675,395	36,572	5,711,967
Unrestricted (deficit)	504,860	(44,804)	460,056
Total Net Position	6,180,255	(8,232)	6,172,023
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,010,618	\$ 206,357	\$ 7,216,975

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2023	Major Funds		Total
	Terminal	Helicopter	
Operating Revenues	\$ 264,914	\$ 324,574	\$ 589,488
Operating Expenses			
Salaries and benefits	70,094	40,669	110,763
Professional services	-	945,708	945,708
Telephone	2,545	72	2,617
Supplies	2,037	12,146	14,183
Utilities	102,273	-	102,273
Fuel	35,614	96,039	131,653
Maintenance	9,123	-	9,123
Depreciation and amortization	338,009	3,792	341,801
Total Operating Expenses	559,695	1,098,426	1,658,121
Operating Loss	(294,781)	(773,852)	(1,068,633)
Nonoperating Revenues and (Expenses)			
Transfer of capital assets from governmental activities	16,948	-	16,948
Transfers in	-	764,279	764,279
Interest expense	(5,907)	-	(5,907)
State PERS relief	-	1,341	1,341
Total Nonoperating Revenues (Expenses)	11,041	765,620	776,661
Change in Net Position	(283,740)	(8,232)	(291,972)
Net Position, beginning	6,463,995	-	6,463,995
Net Position, ending	\$ 6,180,255	\$ (8,232)	\$ 6,172,023

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska

Enterprise Funds
Statement of Cash Flows

Year Ended June 30, 2023	Major Funds		Total
	Terminal	Helicopter	
Cash Flows from (for) Operating Activities			
Receipts from customers	\$ 261,008	\$ 318,860	\$ 579,868
Payments for goods and services	(151,592)	(1,012,996)	(1,164,588)
Payments for salaries and benefits	(70,094)	(56,837)	(126,931)
Net cash flows from (for) operating activities	39,322	(750,973)	(711,651)
Cash Flows for Capital and Related Financing Activities			
Acquisition and construction of capital assets	(9,753)	(21,484)	(31,237)
Payment of leases	(1,162)	-	(1,162)
Interest paid	(5,907)	-	(5,907)
Net cash flows for capital and related financing activities	(16,822)	(21,484)	(38,306)
Cash Flows from Noncapital Financing Activities			
Transfers in	-	764,279	764,279
Net Increase in Cash	22,500	(8,178)	14,322
Cash and Cash Equivalents, beginning	452,611	98,428	551,039
Cash and Cash Equivalents, ending	\$ 475,111	\$ 90,250	\$ 565,361
Reconciliation of Operating Loss to Net			
Cash Flows from (for) Operating Activities			
Operating Loss	\$ (294,781)	\$ (773,852)	\$(1,068,633)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:			
Depreciation and amortization	338,009	3,792	341,801
Noncash expense - PERS relief	-	1,341	1,341
(Increase) decrease in assets and deferred outflows of resources:			
Receivables, net	36	(5,714)	(5,678)
Leases receivable	8,210	-	8,210
Net other postemployment benefits asset	-	14,575	14,575
Deferred outflows of resources related to pensions	-	1,180	1,180
Deferred outflows of resources related to other postemployment benefits	-	(837)	(837)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	-	40,969	40,969
Net pension liability	-	12,940	12,940
Deferred inflows of resources related to leases	(12,152)	-	(12,152)
Deferred inflows of resources related to pensions	-	(24,539)	(24,539)
Deferred inflows of resources related to other postemployment benefits	-	(20,828)	(20,828)
Net Cash Flows from (for) Operating Activities	\$ 39,322	\$ (750,973)	\$ (711,651)
Noncash Capital and Related Financing Activities			
Capital assets acquired with leases	\$ 11,144	\$ -	\$ 11,144
Capital assets transferred from governmental activities	16,948	-	16,948

See accompanying notes to basic financial statements.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements June 30, 2023

1. Summary of Significant Accounting Policies

The financial statements of the Aleutians East Borough, Alaska (the Borough) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(a) Reporting Entity

The Aleutians East Borough, Alaska (the Borough) was incorporated October 23, 1987, under the laws of the State of Alaska as a second-class borough. All significant activities with which the Borough exercises oversight responsibilities have been included in the Borough's government-wide financial statements.

The accompanying financial statements include all activities of the Borough (the primary government) and the Aleutians East Borough School District (School District). The Borough Assembly, as the oversight authority, approves the total annual budget of the School District and also makes annual contributions to it. Based on financial interdependence, budget approval, responsibility for debt, and accountability and control of fiscal matters, the School District is a component unit of the Borough. The School District's audited financial statements may be obtained from their office at the address below:

Aleutians East Borough School District
PO Box 429
Sand Point, Alaska 99661-0429

No other entities exist over which the Borough has oversight responsibility.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all nonfiduciary activities of the Borough. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The governmental fund financial statements report used the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Borough considers revenues to be available if they are collected within 180 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to accrued leave, pension and other postemployment benefits are recorded only to the extent they have matured.

Major revenue sources susceptible to accrual include intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as needed.

(d) Major Funds

The Borough reports the following major governmental funds:

- General Fund - Reports as the primary operating fund of the Borough. This fund is used to account for all financial resources not reported in other funds.
- Trust Permanent Fund - Accounts for all investment activity, deposits and disbursements related to the Trust Permanent Fund established by the Assembly. The Borough Assembly may, in any fiscal year, appropriate an amount not to exceed four percent (4%) of the five-year average fund market value, to be computed using the prior five calendar years market value. Additional income is added to the fund. The fund corpus is to be held in perpetuity except in circumstances of natural disaster or financial emergency.
- Debt Service Fund - Accounts for all expenditures made for the retirement of and interest on general obligation bonds.
- Capital Improvements Capital Project Fund - Accounts for all revenue received and expenditures made for the development and administration of capital projects.
- Bond Construction Capital Project Fund - Accounts for all expenditures made on projects funded by bond proceeds.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

The Borough reports the following major proprietary funds:

- Terminal Enterprise Fund - Accounts for all activity associated with construction, operation, and maintenance of the airport terminal located in Cold Bay.
- Helicopter Enterprise Fund - Accounts for all activity associated with helicopter operations in Akutan.

(e) Budgetary Information

The Borough Assembly is required to approve an annual budget before the start of the new fiscal year. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. Budgets are prepared and presented on the modified accrual basis of accounting. Any revisions to the budget must be approved by passage of an ordinance by the Assembly. The Borough Assembly authorizes formal budget revisions several times each year to adjust revenues and expenditures to available resources and program needs. The final revised and approved budget is presented in these financial statements. The General Fund has a legally adopted annual budget. The other governmental funds, including special revenue funds, do not have legally adopted annual budgets.

(f) Assets and Liabilities

Cash and Investments

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

Investments are stated at fair value. Investments of all funds outside of the Trust Permanent Fund are managed within the Borough's central treasury.

Investments in Southwest Governments, LLC

The Borough's investment in Southwest Governments, LLC is accounted for under the equity method. Under the equity method, original investments are recorded at cost and adjusted by the Borough's share of undistributed earnings or losses. The Borough would recognize an impairment loss when there is a loss in value in the equity method investment which is other than a temporary decline.

Receivables

All receivables are shown net of an allowance for uncollectible accounts.

Interfund Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered. All amounts due to/from other funds are short-term in nature. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

The Borough's property, plant, equipment, and infrastructure with useful lives of more than 1 year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Borough maintains infrastructure asset records consistent with all other capital assets. Donated assets are recorded at the acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The Borough generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives in years for depreciable assets are as follows:

Buildings and improvements	25 years
Infrastructure	30 years
Furniture, vehicles and equipment	3-7 years

Accrued Leave

It is the Borough's policy to permit employees to accumulate earned but unused annual leave. Compensated absences are reported as accrued in government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenue

Amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met are recorded as unearned revenue.

Long-term Debt

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Governmental fund financial statements recognize proceeds of debt and premiums as other financing sources of the current period.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

(g) Pensions and Other Postemployment Benefits (OPEB)

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

(h) Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Generally, the Borough reports deferred charges on bond refunding and pension and OPEB related items as deferred outflows of resources. These items are amortized to expense over time.

In addition to the liabilities, the financial statements may also present deferred inflows of resources. Deferred inflows of resources represent an acquisition of fund balance or net position that applies to a future period and will not be recognized until later. The Borough reports certain lease and OPEB related items as deferred inflows of resources in the government-wide financial statements. In the governmental funds, the Borough reports deferred inflows related to leases. These items are amortized as a reduction of expense over varying periods of time based on their nature.

(i) Leases

Lessor

The Borough is a lessor for ten noncancellable leases of office space, land and buildings. Remaining lease terms range from 3 to 32 years with fixed payments due monthly or annually. The Borough recognizes leases receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements. The Borough does not consider its leasing activities to be a significant component of their principal ongoing operations.

At the commencement of a lease, the Borough initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the leases receivable and adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Borough uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the leases receivable are composed of fixed payments from the lessees.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

The Borough monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the leases receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the leases receivable.

Lessee

The Borough is a lessee under three noncancellable leases of land, buildings, and equipment. The Borough recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The Borough recognizes lease liabilities with an initial term of greater than twelve months and an individual value of \$5,000 or more. Remaining lease terms range from 3 to 38 years with fixed payments due monthly or annually.

At the commencement of a lease, the Borough initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Borough determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Borough uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Borough generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Borough is reasonably certain to exercise.

The Borough monitors changes in circumstances that would require a remeasurement of its lease payable and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

(j) Fund Balances

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

Restricted

Reflects funds with externally imposed constraints placed on them by either creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Committed

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Assembly. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those requirements. Committed amounts cannot be used for any other purpose unless the Borough Assembly removes the constraint through a subsequent formal modification or rescinding action.

Assigned

This classification reflects the amounts constrained by the Borough's assembly members' "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Deficit Fund Balance

As of June 30, 2023 the Bond Construction Capital Project Fund had a deficit in fund balance of \$3,792,382 due to cumulative expenditures being more than revenues. Management is evaluating options to address the fund balance deficit in future periods.

(k) Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Unrestricted

This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as needed.

(l) Use of Estimates

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

(m) Grants and Other Intergovernmental Revenues

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

2. Cash and Investments

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

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the Borough's deposit and investment balances to the financial statements as of June 30, 2023.

	Book Balance	Bank Balance
Bank deposits and petty cash	\$ 3,410,131	\$ 3,523,222
Investments	81,033,894	81,033,894
Total Cash and Investments	\$ 84,444,025	\$ 84,557,116
Cash and investments	\$ 80,785,391	
Restricted cash and investments - unspent bond proceeds	3,658,634	
Total Cash and Investments	\$ 84,444,025	

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Cash and investments are further categorized as follows:

	Bank Deposits and Petty Cash	Investments	Total
Unrestricted cash and investments	\$ 3,284,607	\$ 31,743,128	\$ 35,027,735
Restricted cash and investments	96,620	3,562,014	3,658,634
General cash and investments	3,381,227	35,305,142	38,686,369
Trust Permanent Fund	28,905	45,728,751	45,757,656
Total Cash and Investments	\$ 3,410,132	\$ 81,033,893	\$ 84,444,025

General Investments

Investment Policy

The investment policy for funds other than the Trust Permanent Fund authorizes the Borough to invest only in the following instruments: U.S. Treasury securities; other obligations guaranteed by the U.S. government or its agencies or instrumentalities; repurchase agreements with financial institutions; certificates of deposits and other deposits at banks and savings and loan associations (collateralized); uncollateralized deposits at banks and savings and loan associations to the extent that the deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation; bonds and notes issued by any state or political subdivision thereof graded A or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation; prime commercial paper graded A1 or higher by Moody's Investor's Service, Inc. or P1 or higher by Standard and Poor's Corporation; obligations of corporations graded "Baa" or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation and issued in the United States and denominated in U.S. dollars; the Alaska Municipal League Investment Pool (AMLIP); and income producing real estate investments.

General investment balances and maturities at June 30, 2023 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in years)	
		Less than 1	1-5
Money market funds	\$ 1,440,505	\$ 1,440,505	\$ -
U.S. treasuries	6,575,108	6,195,064	380,044
U.S. mortgage back securities	343,213	343,213	-
U.S. government agencies	704,930	704,930	-
Local government investment pool (AMLIP)	26,241,386	26,241,386	-
Total General Investments	\$ 35,305,142	\$ 34,925,098	\$ 380,044

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Fair Value Measurement

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

For its general investments, the Borough has the following recurring fair value measurements as of June 30, 2023:

U.S. treasury securities of \$6,538,277 are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales (Level 2 inputs).

The Borough has investments in money market funds totaling \$1,440,505 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2023. The Borough's investment in AMLIP of \$26,241,420 is measured at net asset value, as of June 30, 2023. Management believes these values approximate fair value.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the duration of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Borough has no formal policy relating to interest rate risk.

Credit Risk

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

The Borough's investments in U.S. treasury bonds are rated AA+ by Standard and Poor's. The AMLIP is an external investment pool and is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The Pool is incorporated in the State of Alaska as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager. The manager is required to produce monthly disclosure statements on the Pool. The Pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the Pool is voluntary. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. On a monthly basis, the investments in the Pool are reviewed for fair value by an independent pricing service. As of June 30, 2023, the fair value of the investments in the Pool approximates amortized cost and is equal to the value of Pool shares.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's deposit policy for custodial credit risk is to collateralize its primary demand deposit account. As of June 30, 2023, the Borough had no bank deposits that were not insured or collateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Borough has no debt securities exposed to custodial credit risk at June 30, 2023 because the investments were held by a custodian in the name of the Borough.

Concentration of Credit Risk

The Borough aims to diversify and limit concentration investment risk by investing in a variety of issuers and fixed income securities; however, the Borough has no formal policy addressing concentration of credit risk. The Borough has no investments from any one issuer that represents 5% or more of total investments.

Trust Permanent Fund Investments

The Trust Permanent Fund is reporting \$45,757,656 in cash and investments at June 30, 2023.

Investment Policy

The investment policy for the Trust Permanent Fund authorizes the Borough to invest in domestic (U.S.) equities (both large cap and mid cap), international equities, emerging market equities, real estate investment trusts, and fixed income investments. For 2023, the target allocation was 22% U.S. equities (large cap), 10% U.S. equities (mid-cap), 5% U.S. equities (small-cap), 6% international equities, 4% emerging market equities, 3% real estate investment trusts, 5% infrastructure, 3% commodities, 10% alternative beta, 18% U.S. fixed income, 5% U.S. high yield credit, 2% U.S. TIPS, 5% international fixed income, and 2% cash. A range of 12-32% for U.S. equities (large cap), 5-15% for U.S. equities (mid-cap), 0-10% for U.S. equities (small-cap), 0-12% international equities, 0-8% emerging market equities, 0-6% real estate investment trusts, 0-10% infrastructure, 0-6% commodities, 0-15% alternative beta, 8-28% U.S. fixed income, 0-10% U.S. high yield credit, 0-10% U.S. TIPS, 0-10% international fixed income, and 0-10% cash are allowed to accommodate normal market fluctuations and prevent frequent rebalancing.

Interest Rate Risk

Because the Trust Permanent Fund is designed to hold principal investments perpetually in trust for the future earnings to benefit the present and future generations of Borough residents, there are no maturity limitations in the policy. The policy focuses more on limiting interest rate risk by diversification in many investment types. A segmented time distribution of all investment types is presented below in an effort to disclose those investment types and amounts that are subject to interest rate risk.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Trust Permanent Fund investment balances and maturities at June 30, 2023 are as follows:

<i>Investment Type</i>	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. treasuries	\$ 6,009,247	\$ 549,806	\$ 3,657,720	\$ 1,801,721	\$ -
U.S. TIPS	1,600,046	1,600,046	-	-	-
U.S. Agencies	304,015	-	136,049	167,966	-
Mortgage backed securities	256,243	-	95,593	144,353	16,297
Corporate bonds	2,057,890	445,663	910,543	701,684	-
Total Subject to Interest Rate Risk	10,227,441	\$2,595,515	\$ 4,799,905	\$ 2,815,724	\$ 16,297
U.S. equities (large cap)	10,072,155				
U.S. equities (mid cap)	5,037,906				
U.S. equities (small cap)	2,281,100				
International equities	2,745,157				
Emerging market equities	1,828,412				
Real estate investment trusts	922,651				
Infrastructure	2,292,959				
Commodities	1,372,071				
Alternative beta	4,064,856				
U.S. high yield credit	2,168,541				
International fixed income	2,285,628				
Money market funds	429,874				
Total Trust Permanent Fund	\$ 45,728,751				

As of June 30, 2023, an actual asset allocation to target allocation is presented below. All categories fell within the allowable range at June 30, 2023.

<i>Investment Type</i>	Actual \$	Actual vs. Target Allocation			% out of Policy Range
		% Actual	% Target	% Difference	
U.S. equities (large cap)	\$ 10,072,155	22.01%	22.00%	0.01 %	n/a
U.S. equities (mid cap)	5,037,906	11.01%	10.00%	1.01 %	n/a
U.S. equities (small cap)	2,281,100	4.98%	5.00%	(0.02)%	n/a
International equities	2,745,157	6.00%	6.00%	0.00 %	n/a
Emerging market equities	1,828,412	4.00%	4.00%	0.00 %	n/a
Real estate investment trusts	922,651	2.02%	3.00%	(0.98)%	n/a
Infrastructure	2,292,959	5.01%	5.00%	0.01 %	n/a
Commodities	1,372,071	3.00%	3.00%	0.00 %	n/a
Alternative beta	4,064,856	8.88%	10.00%	(1.12)%	n/a
U.S. high yield credit	2,168,541	4.74%	5.00%	(0.26)%	n/a
International fixed income	2,285,628	5.00%	5.00%	0.00 %	n/a
U.S. fixed income	8,627,395	18.85%	18.00%	0.85 %	n/a
U.S. TIPS	1,600,046	3.50%	2.00%	1.50 %	n/a
Money market funds	429,874	1.00%	2.00%	(1.00)%	n/a
Total Investments	\$ 45,728,751	100.00%	100.00%	0.00 %	n/a

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Fair Value Measurement

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

For its Trust Permanent Fund investments, the Borough has the following recurring fair value measurements as of June 30, 2023:

Investments are classified in the fair value hierarchy as follows:

<i>Investments by Fair Value Level</i>	Fair Value	Level 1	Level 2
U.S. treasuries	\$ 6,009,247	\$ -	\$ 6,009,247
U.S. TIPS	1,600,046	-	1,600,046
U.S. agencies	304,015	-	304,015
Mortgage backed securities	256,243	-	256,243
Corporate bonds	2,057,890	-	2,057,890
U.S. equities (large cap)	10,072,155	10,072,155	-
U.S. equities (mid cap)	5,037,906	5,037,906	-
U.S. equities (small cap)	2,281,100	2,281,100	-
International equities	2,745,157	2,745,157	-
Emerging market equities	1,828,412	1,828,412	-
Real estate investment trusts	922,651	922,651	-
Infrastructure	2,292,959	2,292,959	-
Commodities	1,372,071	1,372,071	-
Alternative beta	4,064,856	4,064,856	-
U.S. high yield credit	2,168,541	2,168,541	-
International fixed income	2,285,628	2,285,628	-
Total Investments by Fair Value Level	45,298,877	\$ 35,071,436	\$ 10,227,441
<i>Investments Measured at Amortized Cost -</i>			
<u>Money market funds</u>	<u>429,874</u>		
Total Investments	\$ 45,728,751		

The Trust Permanent Fund's investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified as Level 2 of the fair value hierarchy are valued using models with various inputs such as but not limited to daily cash flow, snapshots of market indices and spread scales.

The Borough's investments in infrastructure and commodities asset classes are held in exchange-traded funds.

The Borough has investments in money market funds totaling \$429,874 that are not held at fair value but are instead recorded at amortized cost as of June 30, 2023.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Credit Risk

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

<i>Investment Type</i>	Fair Value	Credit Quality Ratings		
		Moody's		Not Rated
		Aaa to A3	Baa1 to Baa3	
U.S. fixed income	\$ 16,250,645	\$ 14,087,115	\$ 664,531	\$ 1,498,999
U.S. TIPS	1,600,046	-	-	1,600,046
Total Subject to Interest Rate Risk	17,850,691	\$ 14,087,115	\$ 664,531	\$ 3,099,045
Investments Not Subject to Credit Risk	27,878,060			
Total Investments	\$ 45,728,751			

The Trust Permanent Fund policies specifically limit the types of investments that can be purchased in an effort to limit credit risk. The policies allow for the investment in U.S. treasuries and U.S. agencies and obligations guaranteed by the U.S. government or its agencies and instrumentalities. The policies limit corporate bonds to those investments graded "B-" or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation and issued in the United States and denominated in U.S. dollars. Not more than 15% of the fixed income portfolio may be held in B- rated securities.

Concentration of Credit Risk

The Trust Permanent Fund aims to diversify and limit concentration investment risk by investing in a variety of issuers and fixed income securities; however, the Trust Permanent Fund has no formal policy addressing concentration of credit risk. The Borough had the following investments that were greater than 5% of total investments, including iShares Core S&P 500 ETF with 22.03%, iShares Core S&P Mid-Cap ETF with 10.01%, iShares Core MSCI EAFE ETF with 6.00%, U.S. Treasury Department, including United States Treasury NTS with 13.14%, and Flexshares Stoxx Global Broad Infrastructure, with 5.01%.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Trust Permanent Fund has no formal policy addressing foreign currency risk. As of June 30, 2023, a total of \$4,573,569 (9.99%) of the total fund value is invested in international and emerging market equities that are considered subject to foreign currency risk. Such investments are held in dollar-denominated exchange-traded funds or index mutual funds, which are broadly diversified across currencies, which effectively limits the foreign currency risk.

Custodial Credit Risk

This is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments that are in the possession of an outside party. The Borough has no investments exposed to custodial credit risk at June 30, 2023 because the investments were held by a custodian in the name of the Borough.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

3. Investments in Southwest Governments, LLC

The Borough has an interest in Southwest Governments, LLC. The partnership was formed by the City of Akutan (40%), the City of Sand Point (20%), the City of King Cove (10%), and the Borough (30%). The Borough leases office space from the partnership. There was one withdrawal payment from the partnership in 2023 in the amount of \$60,000. The Borough's share of the partnership's net income in 2023 was \$29,636. This amount was recorded as other income in the Trust Permanent Fund. The balance of the Borough's investment at June 30, 2023 was \$415,322.

4. Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

Governmental Activities	Balance July 1, 2022	Additions	Deletions and Transfers	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 5,443,288	\$ -	\$ -	\$ 5,443,288
Construction in progress	696,417	762,806	(487,590)	971,633
Total capital assets not being depreciated	6,139,705	762,806	(487,590)	6,414,921
Capital assets being depreciated or amortized:				
Buildings and improvements	43,365,252	521,992	-	43,887,244
Right of use assets	710,130	-	-	710,130
Infrastructure	101,648,145	612,770	-	102,260,915
Furniture and equipment	238,750	-	-	238,750
Vehicles	497,424	-	-	497,424
Total capital assets being depreciated or amortized:	146,459,701	1,134,762	-	147,594,463
Less accumulated depreciation	81,516,471	3,451,402	-	84,967,873
Less accumulated amortization	117,740	117,740	-	235,480
Total capital assets being depreciated or amortized, net	64,825,490	(2,434,380)	-	62,391,110
Governmental Activities Capital Assets, net	\$ 70,965,195	\$ (1,671,574)	\$ (487,590)	\$ 68,806,031

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Business-type Activities	Balance July 1, 2022	Additions and Transfers	Deletions	Balance June 30, 2023
Capital assets being depreciated or amortized:				
Terminal	\$ 9,420,006	\$ 26,702	\$ -	\$ 9,446,708
Right to use assets - Terminal	108,656	11,144	-	119,800
Helicopter	23,597	21,484	-	45,081
Total capital assets being depreciated or amortized	9,552,259	59,330	-	9,611,589
Less accumulated depreciation	3,437,993	338,712	-	3,776,705
Less accumulated amortization	2,859	3,089	-	5,948
Total capital assets being depreciated or amortized, net	6,111,407	(282,471)	-	5,828,936
Business-type Activities				
Capital Assets, net	\$ 6,111,407	\$ (282,471)	\$ -	\$ 5,828,936
Depreciation and amortization expense was charged to the functions as follows for the year ended June 30, 2023:				
Governmental Activities				
Public works			\$	33,021
General government				124,548
Education				546,200
Infrastructure				2,865,373
Total Depreciation and Amortization Expense - Governmental Activities			\$	3,569,142
Business-type Activities				
Terminal			\$	338,009
Helicopter				3,792
Total Depreciation and Amortization Expense - Business-type Activities			\$	341,801

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

5. Interfund Transfers

Interfund receivables and payables are shown as “due from other funds” and “due to other funds” in each individual fund. These balances at June 30, 2023, were as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ -	\$ 2,981,202
Capital Improvements Capital Project Fund	-	2,399,868
Trust Permanent Fund	5,831,070	-
Total Interfund Balances	\$ 5,831,070	\$ 5,831,070

A schedule of interfund transfers for the year ended June 30, 2023, follows:

From the General Fund to:

Capital Improvements Capital Project Fund for capital projects and acquisitions	\$ 799,282	
Debt Service Fund for debt service	2,476,386	
Helicopter Enterprise Fund for operating subsidy	764,279	
Total Transfers from the General Fund	\$ 4,039,947	

In addition to the transfers noted above, the Borough transferred capital assets with a book value of \$16,948 from governmental activities into the Terminal Enterprise Fund.

6. Long-term Liabilities

Following is a summary of the changes in long-term liabilities of the Borough for the year ended June 30, 2023:

Governmental Activities	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Bonds Payable:					
General Obligation bonds	\$ 15,680,000	\$ -	\$ (1,830,000)	\$ 13,850,000	\$ 1,965,000
Issuance premiums	1,093,193	-	(278,931)	814,262	285,720
Total bonds payable	16,773,193	-	(2,108,931)	14,664,262	2,250,720
Leases payable	606,838	-	(105,812)	501,026	111,225
Accrued leave	113,568	72,989	(72,168)	114,389	114,389
Total Governmental Activities	\$ 17,493,599	\$ 72,989	\$ (2,286,911)	\$ 15,279,677	\$ 2,476,334

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

For governmental activities, accrued leave is generally liquidated by the General Fund.

General obligation bonds payable at June 30, 2023, are comprised of the following:

\$2,205,000 - 2015 Refunding series one bonds, due in annual installments ranging from \$95,000 to \$245,000 through October 1, 2025; interest rate is 5.0 percent	\$ 360,000
\$17,155,000 - 2016 Refunding series three bonds, due in annual installments ranging from \$990,000 to \$2,155,000 through December 1, 2028; interest rate is variable from 4.0 to 5.0 percent	11,160,000
\$2,895,000 - 2021 Refunding series for refinancing of 2010 series three general obligation bonds, due in annual installments ranging from \$285,000 to \$305,000 through December 1, 2030; interest rate is variable from 0.2 to 2.0 percent	2,330,000
Total Bonds Payable	\$ 13,850,000

Annual required installments on all Borough general obligation bonds as of June 30 are as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2024	\$ 1,965,000	\$ 564,525	\$ 2,529,525
2025	2,075,000	476,149	2,551,149
2026	2,200,000	381,158	2,581,158
2027	2,220,000	281,852	2,501,852
2028	2,340,000	178,323	2,518,323
2029-2031	3,050,000	80,677	3,130,677
	\$ 13,850,000	\$ 1,962,684	\$ 15,812,684

Business-type Activities	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Leases payable:	\$ 106,987	\$ 11,144	\$ (1,162)	\$ 116,969	\$ 1,221

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

7. Leases Receivable and Leases Payable

Leases Receivable

During the current fiscal year, the Borough, as lessor, had leases for office space, land, and tidelands. The leases range for two to thirty-two years and the Borough will receive annual payments listed in the table below. The Borough recognized lease revenue and interest revenue during the current fiscal year related to all leases as stated in the table below. Also, the Borough has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term.

	Payment Amount	Lease Revenue	Lease Interest	Leases Receivable	Deferred Inflows
General Fund	\$ 111,265	\$ 84,103	\$ 27,162	\$ 484,368	\$ 474,169
Terminal Fund	\$ 223,695	\$ 189,366	\$ 34,329	\$ 740,061	\$ 713,394

Included in the balances above are subleases of office space between the Borough and related parties the City of Akutan, City of King Cove, and City of Sand Point. As of June 30, 2023 the outstanding receivables for the City of Akutan, City of King Cove, and City of Sand Point were \$155,127, \$75,859, and \$35,943, respectively.

Schedule of future payments that are included in the measurement of the lease receivable for the General fund is as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2024	\$ 88,362	\$ 22,893	\$ 111,255
2025	94,173	18,379	112,552
2026	70,426	13,565	83,991
2027	75,521	9,931	85,452
2028	9,576	7,510	17,086
2029-2033	19,585	34,715	54,300
2034-2038	24,996	29,304	54,300
2039-2043	31,902	22,398	54,300
2044-2048	37,356	13,584	50,940
2049-2053	32,471	5,029	37,500
	\$ 484,368	\$ 177,308	\$ 661,676

Schedule of future payments that are included in the measurement of the lease receivable for the terminal fund is as follows:

<i>Year Ending June 30,</i>	Principal	Interest	Total
2024	\$ 244,833	\$ 31,443	\$ 276,276
2025	257,360	18,916	276,276
2026	110,435	9,385	119,820
2027	54,875	5,125	60,000
2028	57,682	2,318	60,000
2029	14,876	124	15,000
	\$ 740,061	\$ 67,311	\$ 807,372

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Leases Payable

The Borough has multiple lease agreements ranging from three to thirty-seven years as lessee for the use of copiers, an airport terminal, and office building space. As of June 30, 2023, the value of the lease liability was \$617,994. During the year, the Borough made interest and principal payments of \$140,820. The leases have an incremental borrowing rate of 5%. The value of the right-to-use asset as of the end of the current fiscal year was \$588,566 and had accumulated amortization of \$241,364. For the year ended June 30, 2023 the Borough had amortization expense of \$117,740 and \$3,089 in the General fund and Terminal fund, respectively.

	Initial Lease Liability	June 30, 2023 Lease Liability	Principal and Interest Payments	Net Book Value of Right-to-use Asset	Accumulated Amortization
Governmental Activities	\$ 710,130	\$ 501,026	\$ 133,751	\$ 474,650	\$ 235,480
Business-type Activities	\$ 108,656	\$ 116,969	\$ 7,069	\$ 113,852	\$ 5,948

The future principal and interest lease payments for the General Fund as of June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 111,225	\$ 22,526	\$ 133,751
2025	118,866	16,785	135,651
2026	125,118	10,710	135,828
2027	134,299	4,246	138,545
2028	11,518	48	11,566
Totals	\$ 501,026	\$ 54,315	\$ 555,341

The future principal and interest lease payments for the Terminal Fund as of June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,221	\$ 5,848	\$ 7,069
2025	1,282	5,787	7,069
2026	1,346	5,723	7,069
2027	1,413	5,656	7,069
2028	1,484	5,585	7,069
2029-2033	8,607	26,737	35,344
2034-2038	10,985	24,359	35,344
2039-2043	14,020	21,324	35,344
2044-2048	17,894	17,451	35,345
2049-2053	22,838	12,507	35,345
2054-2058	29,147	6,197	35,344
2059	6,732	337	7,069
Totals	\$ 116,969	\$ 137,511	\$ 254,480

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

8. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

The Borough participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

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

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

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

Historical Context and Special Funding Situation

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

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

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

Contribution rates for the year ended June 30, 2023 were determined in the June 30, 2021 actuarial valuations. The Borough's contribution rates for the 2023 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	24.79%	2.79%
Postemployment healthcare (ARHCT)	7.43%	-%	-%
Total Contribution Rates	22.00%	24.79%	2.79%

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

In 2023, the Borough was credited with the following contributions to the pension plan:

	Measurement Period July 1, 2021 to June 30, 2022	Borough Fiscal Year July 1, 2022 to June 30, 2023
Employer contributions (including DBUL)	\$ 148,427	\$ 146,615
Nonemployer contributions (on-behalf)	79,730	24,727
Total Contributions	\$ 228,157	\$ 171,342

In addition, employee contributions to the Plan totaled \$46,553 during the Borough's fiscal year.

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

At June 30, 2023, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Borough were as follows:

Borough proportionate share of NPL	\$ 1,712,529
State's proportionate share of NPL associated with the Borough	472,305
Total Net Pension Liability	\$ 2,184,834

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2022 measurement date, the Borough's proportion was 0.03360 percent, which was a(n) decrease (increase) of 0.00417 from its proportion measured as of June 30, 2021.

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Aleutians East Borough, Alaska

Notes to Basic Financial Statements

For the year ended June 30, 2023, the Borough recognized pension expense of \$(196,989) and on-behalf revenue of \$(6,126) for support provided by the State. At June 30, 2023, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 48,962	\$ -
Borough contributions subsequent to the measurement date	146,615	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 195,577	\$ -

The \$146,615 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2023	\$	(5,821)
2024		(14,920)
2025		(35,817)
2026		105,520
Total Amortization	\$	48,962

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Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. Assumptions at the measurement date of June 30, 2022:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Mortality	<p>Peace Officer/Firefighter: Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time.</p> <p>Post-commencement mortality rates were based on:</p> <ul style="list-style-type: none">Healthy Retirees - Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.Disabled Retirees - Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.Beneficiaries - Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement, applied after the death of original member. <p>Others: Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time.</p>

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Post-commencement mortality rates were based on:

Healthy Retirees - Based on 98% of male and 106% of female rates of Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Disabled Retirees - Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.

Beneficiaries - Based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement, applied after the death of original member.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	27%	6.51%
Global equity (non-U.S.)	18%	5.70%
Aggregate bonds	21%	0.31%
Opportunistic	6%	0.00%
Real assets	14%	3.71%
Private equity	14%	9.61%
Cash equivalents	-%	(0.50%)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Borough's proportionate share of the net pension liability	0.03360%	\$ 2,308,433	\$ 1,712,529	\$ 1,212,590

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website <https://drb.alaska.gov/docs/reports/>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2023 to cover a portion of the Borough's employer match contributions. For the year ended June 30, 2023, forfeitures reduced pension expense by zero.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended June 30, 2023, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2023 were \$29,096 and \$46,553, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

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

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website <https://drb.alaska.gov/docs/reports/>.

Employer Contribution Rate

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

Employer contribution rates for the year ended June 30, 2023 were as follows:

	Other	Peace/Fire
Alaska Retiree Healthcare Trust	0.00%	0.00%
Retiree Medical Plan	1.10%	1.10%
Occupational Death and Disability Benefits	0.30%	0.68%
Total Contribution Rates	1.40%	1.78%

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

In 2023, the Borough was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2021 to June 30, 2022	Borough Fiscal Year July 1, 2022 to June 30, 2023
Employer contributions - ARHCT	\$ 35,523	\$ -
Employer contributions - RMP	5,626	6,188
Employer contributions - ODD	1,630	1,687
Total Contributions	\$ 42,779	\$ 7,875

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

At June 30, 2023, the Borough reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

Borough's proportionate share of NOA - ARHCT	\$ 655,721
Borough's proportionate share of NOA - RMP	11,548
Borough's proportionate share of NOA - ODD	12,385
Total Borough's Proportionate Share of Net OPEB Asset	\$ 679,654
State's proportionate share of the ARHCT NOA associated with the Borough	188,495
Total Net OPEB Asset	\$ 868,149

The total OPEB assets for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 to calculate the net OPEB assets as of that date. The Borough's proportion of the net OPEB assets is based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2021 Measurement Date Employer Proportion	June 30, 2022 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB assets:			
ARHCT	0.03794%	0.03333%	(0.00461)%
RMP	0.03174%	0.03325%	0.00151%
ODD	0.02696%	0.02825%	0.00129%

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

For the year ended June 30, 2023, the Borough recognized OPEB expense of \$(165,824). Of this amount, \$(64,030) was recorded as on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

<i>Plan</i>	OPEB Expense	On-behalf Revenue
ARHCT	\$ (168,314)	\$ (64,030)
RMP	2,597	-
ODD	(107)	-
Total	\$ (165,824)	\$ (64,030)

At June 30, 2023, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ 572	\$ -	\$ 572
Changes in assumptions	-	2,236	-	2,236
Difference between projected and actual investment earnings	37,201	1,647	419	39,267
Changes in proportion and differences between Borough contributions and proportionate share of contributions	16,445	181	534	17,160
Borough contributions subsequent to the measurement date	-	6,188	1,687	7,875
Total Deferred Outflows of Resources Related to OPEB Plans	\$ 53,646	\$ 10,824	\$ 2,640	\$ 67,110

<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ (4,641)	\$ (454)	\$ (4,063)	\$ (9,158)
Changes in assumptions	(30,092)	(13,846)	(79)	(44,017)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	-	(132)	(752)	(884)
Total Deferred Inflows of Resources Related to OPEB Plans	\$ (34,733)	\$ (14,432)	\$ (4,894)	\$ (54,059)

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Amounts reported as deferred outflows of resources related to OPEB plans resulting from Borough contributions subsequent to the measurement date will be recognized as an increase in the net OPEB assets in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending June 30,</i>	ARHCT	RMP	ODD	Total
2023	\$ (24,536)	\$ (1,639)	\$ (793)	\$ (26,968)
2024	(13,047)	(1,720)	(814)	(15,581)
2025	(29,391)	(1,974)	(880)	(32,245)
2026	85,886	220	(244)	85,862
2027	-	(2,108)	(534)	(2,642)
Thereafter	-	(2,574)	(676)	(3,250)
Total Amortization	\$ 18,912	\$ (9,795)	\$ (3,941)	\$ 5,176

Actuarial Assumptions

The total OPEB asset for each plan was determined by actuarial valuations as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Graded by service, from 8.50% to 3.85% for Peace Officer/Firefighter. Graded by service from 6.75% to 2.85% for all others.
Allocation methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Healthcare cost trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Mortality

Peace Officer/Firefighter: Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement.

Post-commencement mortality rates were based on:

Healthy Retirees - Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Disabled Retirees - Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiaries - Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement, applied after the death of original member.

Others: Pre-commencement mortality rates were based on the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time.

Post-commencement mortality rates were based on:

Healthy Retirees - Based on 98% of male and 106% of female rates of Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Disabled Retirees - Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiaries - Based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement, applied after the death of original member.

(ODD Plan)

Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. Post-disability mortality in accordance with the RP-2014 Disabled Table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

Participation (ARHCT)

100% of system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022 are summarized in the following table:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	27%	6.51 %
Global equity (non-U.S.)	18%	5.70 %
Aggregate bonds	21%	0.31 %
Opportunistic	6%	0.00 %
Real assets	14%	3.71 %
Private equity	14%	9.61 %
Cash equivalents	-%	(0.50)%

Discount Rate

The discount rate used to measure the total OPEB asset for each plan as of June 30, 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position for each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset for each plan.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

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

The following presents the Borough's proportionate share of the net OPEB asset calculated using the discount rate of 7.25%, as well as what the Borough's proportionate share of the respective plan's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Borough's proportionate share of the net OPEB liability:				
ARHCT	0.033333%	\$ 359,593	\$ 655,721	\$ 878,893
RMP	0.033225%	\$ (2,124)	\$ 11,548	\$ 19,155
ODD	0.028225%	\$ 11,667	\$ 12,385	\$ 12,947

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

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

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Borough's proportionate share of the net OPEB liability:				
ARHCT	0.033333%	\$ 905,147	\$ 655,721	\$ 357,858
RMP	0.033225%	\$ 23,406	\$ 11,548	\$ (4,424)
ODD	0.028225%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2022, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,237 per year for each full-time employee, and \$1.43 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In fiscal year 2023, the Borough contributed \$16,964 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

9. Deferred Compensation Plan

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the Internal Revenue Code, all assets and income of the Plan are held in trust for the exclusive benefit of participants and their beneficiaries.

10. Contribution to Aleutians East Borough School District

During the year ended June 30, 2023, the Borough contributed \$1,361,746 to the Aleutians East Borough School District, which is a component unit of the Borough. Of this amount, \$1,155,000 was for a local contribution and \$206,746 was for in-kind support related to facility maintenance, insurance and usage of space.

11. Commitments and Contingencies

(a) Grants

The Borough participates in a number of federal and state grant programs. These programs are subject to program compliance audits by grantors or their representatives. The amount, if any, of expenditures that may be disallowed by granting agencies cannot be determined at this time, although the Borough expects such amounts, if any, to be immaterial.

(b) Helicopter Transportation Contract

During fiscal year 2014, the Borough entered into a contract to transport people and mail from Akutan Airport to the City of Akutan. On January 30, 2019, the Borough entered into a Helicopter Services Agreement with Maritime Helicopters (Maritime). Maritime agreed to provide Essential Air Service (EAS) between Akutan, and the Akutan Airport located on Akun Island and the Borough agreed to pay 50% of the EAS costs for the services provided by Maritime. The original term of this agreement began on February 1, 2020 and ended on December 31, 2020. This agreement was extended two times with a termination on March 31, 2023. On March 28, 2023, the Borough and Maritime entered into another Helicopter Services Agreement, which began on April 1, 2023 and ends March 31, 2024. For the services outlined in the agreement, the Borough agrees to pay Maritime

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

a monthly rate of \$86,676 for the period of April 1, 2023 through March 31, 2024 totaling \$1,040,113; a monthly rate of \$91,507 for the period of April 1, 2024 through March 31, 2025 totaling \$1,098,078 and a monthly rate of \$96,016 for the period of April 1, 2025 through March 31, 2026 totaling \$1,152,195. In turn, Maritime agrees to pay the Borough a monthly payment for fuel, transportation and hangar usage services.

(c) Litigation

A restitution payable by the Army Corps of Engineers of \$20,650,253 was awarded on December 5, 2017 in regard to the claim from Kelly-Ryan, Inc., against the Army Corps of Engineers arising from a contract dispute relating to the construction of the False Pass Harbor. Originally the project cooperation agreement between the Department of the Army and the Borough provided for cost sharing on the part of the Borough, which made the Borough liable for part of the restitution awarded. However, in December 2020, the President signed the Omnibus/COVID Bill into law. The legislation included the WRDA Bill, and the False Pass provision, which states:

“In a case in which the Armed Services Board of Contract Appeals or other court of competent jurisdiction has rendered a decision during the period beginning on December 1, 2017, and ending on December 31, 2022, awarding damages to a contractor relating to the adjudication of claims arising from the construction of an authorized water resources development project, notwithstanding the terms of the Project Partnership Agreement, the Secretary shall waive payment of the share of the non-Federal interest of those damages, including attorney’s fees, if - (1)(A) the contracting officer was instructed by the Corps of Engineers to modify the terms of the contract or terminate the contract; and (B) the Armed Services Board of Contract Appeals or other court of competent jurisdiction determined that the failure of the contracting officer to timely take the action described in subparagraph (A) was a material breach of the contract that resulted in damages to the contractor awarded by the Armed Services Board of Contract Appeals or the court, as applicable; or (2) the claims arose from construction of a project deauthorized under this title.”

Therefore, the Borough is no longer responsible for the restitution award.

The Borough entered into a Project Partnership Agreement with the Army Corps of Engineers for the False Pass Harbor Project. In August 2022, the Borough received notification from the Army Corps of Engineers stating that the project accounting has been completed and adjusted for the provisions of Section 349 of the WRDA bill. That provision removed the contract claim judgment from the project cost share.

The Corps completed their accounting and determined that the final amount owed by the Borough for the second 10% is \$612,770. The Corps stated that the second 10% could be paid for now or over a period of 30 years utilizing the Federal finance rate as defined by Section 106 of WRDA 1986. The Borough Assembly decided to pay the second 10% in full. In October 2022, the Borough paid the Corps \$612,770.

12. Subsequent Events

In preparing these financial statements, the Borough has evaluated all other events and transactions for potential recognition or disclosure through **XXXX, 2024**, the date the financial statements were issued.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The following new accounting standards were considered and if applicable, implemented by the Borough for 2023 reporting:

GASB Statement No. 91 - *Conduit Debt Obligations* - Effective for year-end June 30, 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. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* - Effective for year-end June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB Statement No. 99 - *Omnibus 2022* - Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end June 30, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end June 30, 2024.

The following accounting standards have upcoming implementation dates. Management has not yet fully evaluated these statements, and actual impacts have not yet been determined:

GASB Statement No. 100 - *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62 - Effective for year-end June 30, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101 - *Compensated Absences* - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Aleutians East Borough, Alaska

Notes to Basic Financial Statements

GASB Statement No. 102 - Certain Risk Disclosures - Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

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Required Supplementary Information

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Aleutians East Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2023</i>	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Federal government	\$ 630,000	\$ 630,000	\$ 736,867	\$ 106,867
State of Alaska	2,545,087	3,289,444	3,802,302	512,858
Borough raw fish tax	3,500,000	4,000,000	4,824,614	824,614
Investment income	15,000	15,000	917,831	902,831
Other	75,000	75,000	42,601	(32,399)
Total Revenues	6,765,087	8,009,444	10,324,215	2,314,771
Expenditures				
Current:				
General government	2,829,258	3,339,258	2,794,113	545,145
Public works	259,168	259,168	123,902	135,266
Education	1,155,000	1,155,000	1,699,032	(544,032)
Community services	177,500	199,500	189,139	10,361
Total Expenditures	4,420,926	4,952,926	4,806,186	146,740
Excess of Revenues Over Expenditures	2,344,161	3,056,518	5,518,029	2,461,511
Other Financing Uses				
Transfers out	-	-	(4,039,947)	(4,039,947)
Net Change in Fund Balance	<u>\$2,344,161</u>	<u>\$ 3,056,518</u>	1,478,082	<u>\$ (1,578,436)</u>
Fund Balance, beginning			<u>26,387,063</u>	
Fund Balance, ending			<u>\$ 27,865,145</u>	

See accompanying notes to Required Supplementary Information.

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

<i>Years Ended June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Borough's Proportion of the Net Pension Liability	0.03360%	0.03777%	0.02968%	0.02944%	0.02926%	0.03046%	0.03650%	0.03284%	0.02858%
Borough's Proportionate Share of the Net Pension Liability	\$1,712,529	\$1,385,594	\$1,751,249	\$1,611,440	\$1,453,693	\$1,574,500	\$2,040,097	\$1,592,614	\$1,332,935
State of Alaska Proportionate Share of the Net Pension Liability	472,305	189,274	725,062	641,549	419,234	588,884	260,943	426,877	782,704
Total Net Pension Liability	\$2,184,834	\$1,574,868	\$2,476,311	\$2,252,989	\$1,872,927	\$2,163,384	\$2,301,040	\$2,019,491	\$2,115,639
Borough's Covered Payroll	\$ 976,541	\$ 998,652	\$ 953,677	\$ 925,266	\$ 871,241	\$ 532,514	\$ 616,773	\$ 576,627	\$ 498,241
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	175.37%	138.75%	183.63%	174.16%	166.85%	295.67%	330.77%	276.19%	267.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.97%	76.46%	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%	63.37%

Schedule of the Borough's Contributions

<i>Years Ended June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 146,615	\$ 148,427	\$ 154,895	\$ 145,741	\$ 156,444	\$ 144,604	\$ 117,153	\$ 135,690	\$ 126,858
Contributions Relative to the Contractually Required Contribution	146,615	148,427	154,895	145,741	156,444	144,604	117,153	135,690	126,858
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 907,112	\$ 976,541	\$ 998,652	\$ 953,677	\$ 925,266	\$ 871,241	\$ 532,514	\$ 616,773	\$ 576,627
Contributions as a Percentage of Covered Payroll	16.16%	15.20%	15.51%	15.28%	16.91%	16.60%	22.00%	22.00%	22.00%

See accompanying notes to Required Supplementary Information.

Aleutians East Borough, Alaska

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

Years Ended June 30,	ARHCT					
	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.03333%	0.03794%	0.02973%	0.02949%	0.02921%	0.03052%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (655,721)	\$ (973,329)	\$ (134,651)	\$ 43,757	\$ 299,740	\$ 257,835
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	(188,495)	(123,597)	(56,002)	17,287	87,351	96,277
Total Net OPEB Liability (Asset)	\$ (844,216)	\$ (1,096,926)	\$ (190,653)	\$ 61,044	\$ 387,091	\$ 354,112
Borough's Covered Payroll	\$ 450,750	\$ 533,861	\$ 521,918	\$ 512,113	\$ 497,243	\$ 532,514
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-145.47%	-182.32%	-25.80%	8.54%	60.28%	48.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	128.51%	135.54%	106.15%	98.13%	88.12%	89.68%

Schedule of the Borough's Contributions

Years Ended June 30,	ARHCT					
	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ -	\$ 35,523	\$ 47,845	\$ 57,219	\$ 53,413	\$ 45,399
Contributions Relative to the Contractually Required Contribution	-	35,523	47,845	57,219	53,413	45,399
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 344,607	\$ 450,750	\$ 533,861	\$ 521,918	\$ 512,113	\$ 497,243
Contributions as a Percentage of Covered Payroll	0.00%	7.88%	8.96%	10.96%	10.43%	9.13%

See accompanying notes to Required Supplementary Information.

Aleutians East Borough, Alaska

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

Years Ended June 30,	RMP					
	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.03325%	0.03174%	0.03195%	0.03314%	0.03305%	0.03299%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (11,548)	\$ (8,520)	\$ 2,266	\$ 7,928	\$ 4,205	\$ 1,721
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (11,548)	\$ (8,520)	\$ 2,266	\$ 7,928	\$ 4,205	\$ 1,721
Borough's Covered Payroll	\$ 525,791	\$ 464,790	\$ 431,760	\$ 413,153	\$ 373,998	\$ 532,514
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-2.20%	-1.83%	0.52%	1.92%	1.12%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	120.08%	115.10%	95.23%	83.17%	88.71%	93.98%

Schedule of the Borough's Contributions

Years Ended June 30,	RMP					
	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 6,188	\$ 5,626	\$ 5,891	\$ 5,699	\$ 3,889	\$ 3,852
Contributions Relative to the Contractually Required Contribution	6,188	5,626	5,891	5,699	3,889	3,852
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 562,505	\$ 525,791	\$ 464,790	\$ 431,760	\$ 413,153	\$ 373,998
Contributions as a Percentage of Covered Payroll	1.10%	1.07%	1.27%	1.32%	0.94%	1.03%

See accompanying notes to Required Supplementary Information.

Aleutians East Borough, Alaska

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

Years Ended June 30,	ODD					
	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.02825%	0.02696%	0.02560%	0.02633%	0.03305%	0.03299%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (12,385)	\$ (11,882)	\$ (6,978)	\$ (6,385)	\$ (6,418)	\$ (4,681)
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (12,385)	\$ (11,882)	\$ (6,978)	\$ (6,385)	\$ (6,418)	\$ (4,681)
Borough's Covered Payroll	\$ 525,791	\$ 464,790	\$ 431,760	\$ 373,998	\$ 373,998	\$ 532,514
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-2.36%	-2.56%	-1.62%	-1.71%	-1.72%	-0.88%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	348.80%	374.22%	283.80%	297.43%	270.62%	212.97%

Schedule of the Borough's Contributions

Years Ended June 30,	ODD					
	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 1,687	\$ 1,630	\$ 1,438	\$ 1,123	\$ 1,075	\$ 598
Contributions Relative to the Contractually Required Contribution	1,687	1,630	1,438	1,123	1,075	598
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 562,505	\$ 525,791	\$ 464,790	\$ 431,760	\$ 413,153	\$ 373,998
Contributions as a Percentage of Covered Payroll	0.30%	0.31%	0.31%	0.26%	0.26%	0.16%

See accompanying notes to Required Supplementary Information.

Aleutians East Borough, Alaska

Notes to Required Supplementary Information Year Ended June 30, 2023

1. Budgetary Comparison Schedule

The budgetary comparison schedule is presented on the modified accrual basis of accounting.

The COVID-19 Special Revenue Fund, Trust Permanent Fund, Capital Improvements Capital Project Fund, and Bond Construction Capital Project Fund do not have a legally adopted budget; therefore, no budgetary comparison schedule has been presented for these funds.

2. Public Employees' Retirement System Pension Plan

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

These tables are presented based on the Plan measurement date. For June 30, 2023, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

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

Schedule of the Borough's Contributions

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

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

Aleutians East Borough, Alaska

Notes to Required Supplementary Information, continued

3. Public Employees' Retirement System OPEB Plans

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

This table is presented based on the Plan measurement date. For June 30, 2023, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2021, rolled forward to the measurement date of June 30, 2022 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

In 2022, the discount rate was lowered from 7.38% to 7.25%.

In 2019, an Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in largest projected subsidies to offset the cost of prescription drug coverage.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the Borough will present only those years for which information is available.

Schedule of the Borough's Contributions

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

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

Supplementary Information

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Aleutians East Borough, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet

<i>June 30, 2023</i>	Covid-19 Special Revenue	Maint- enance Reserve Capital Project	King Cove Access Capital Project	Total Nonmajor Govern- mental Funds
Assets				
Cash and investments	\$ 182,615	\$ 361,141	\$ 280,770	\$ 824,526
Prepaid items	-	1,987	-	1,987
Total Assets	\$ 182,615	\$ 363,128	\$ 280,770	\$ 826,513
Liabilities and Fund Balances				
Liabilities				
Unearned revenue	\$ 182,615	\$ -	\$ -	\$ 182,615
Total Liabilities	182,615	-	-	182,615
Fund Balance				
Nonspendable	\$ -	\$ 1,987	\$ -	\$ 1,987
Restricted:				
King Cove access project	-	-	280,770	280,770
Assigned:				
Maintenance reserve	-	361,141	-	361,141
Total Fund Balances	-	363,128	280,770	643,898
Total Liabilities and Fund Balances	\$ 182,615	\$ 363,128	\$ 280,770	\$ 826,513

Aleutians East Borough, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2023</i>	Covid-19 Special Revenue	Maint- enance Reserve Capital Project	King Cove Access Capital Project	Total Nonmajor Govern- mental Funds
Revenues:				
Federal Government	\$ 465,558	\$ -	\$ -	\$ 465,558
Expenditures				
Current:				
Public Works - maintenance	\$ -	\$ 89,176	\$ -	\$ 89,176
Capital outlay	465,558	-	-	465,558
Total expenditures	465,558	89,176	-	554,734
Net Change in Fund Balances	-	(89,176)	-	(89,176)
Fund Balances, beginning	-	452,304	280,770	733,074
Fund Balances, ending	\$ -	\$ 363,128	\$ 280,770	\$ 643,898

Aleutians East Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2023</i>	Budget	Actual	Variance
Revenues			
Federal government:			
Payments in lieu of taxes	\$ 615,000	\$ 719,988	\$ 104,988
Fish and Wildlife grants	15,000	16,879	1,879
Total Federal government	630,000	736,867	106,867
State of Alaska:			
Raw fish tax	2,244,357	2,244,357	-
State fish landing tax	100,000	70,702	(29,298)
State extraterritorial fish tax	1,500	129,756	128,256
PERS on-behalf	-	23,652	23,652
Debt reimbursement	628,587	628,587	-
Community assistance	315,000	705,248	390,248
Total State of Alaska	3,289,444	3,802,302	512,858
Borough raw fish tax	4,000,000	4,824,614	824,614
Investment income	15,000	917,831	902,831
Other	75,000	42,601	(32,399)
Total Revenues	8,009,444	10,324,215	2,314,771
Expenditures			
General government:			
Mayor's Office:			
Salaries	87,729	94,476	(6,747)
Fringe benefits	44,652	43,931	721
Travel and per diem	33,000	34,665	(1,665)
Telephone	1,000	1,007	(7)
Dues and fees	2,000	1,300	700
Supplies	1,000	474	526
Lobbying	120,600	118,796	1,804
Total Mayor's Office	289,981	294,649	(4,668)
Assembly:			
Salaries	43,000	34,200	8,800
Fringe benefits	149,000	137,024	11,976
Travel and per diem	60,000	41,872	18,128
Dues and fees	5,000	1,876	3,124
Supplies	1,000	697	303
Total Assembly	258,000	215,669	42,331

Aleutians East Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2023</i>	Budget	Actual	Variance
Expenditures, continued:			
Clerk and planning management:			
Salaries	\$ 71,995	\$ 74,286	\$ (2,291)
Fringe benefits	30,000	30,961	(961)
Travel and per diem	10,000	14,541	(4,541)
Telephone	10,000	13,833	(3,833)
Postage	1,000	190	810
Supplies	3,000	3,603	(603)
Utilities	17,000	25,095	(8,095)
Dues and fees	3,500	4,514	(1,014)
Elections	10,000	8,496	1,504
Total clerk and planning management	156,495	175,519	(19,024)
Administration:			
Salaries	205,000	190,654	14,346
Fringe benefits	84,919	88,429	(3,510)
Engineering	25,000	45,143	(20,143)
Contractual	90,000	72,644	17,356
Travel and per diem	10,000	15,427	(5,427)
Telephone	5,350	4,590	760
Postage	750	110	640
Supplies	4,000	3,037	963
Rent	10,867	10,867	-
Dues and fees	8,000	10,801	(2,801)
Total administration	443,886	441,702	2,184
Assistant administrator:			
Salaries	93,600	95,400	(1,800)
Fringe benefits	37,485	33,071	4,414
Travel and per diem	8,000	5,031	2,969
Telephone	1,250	1,409	(159)
Supplies	800	85	715
Dues and fees	1,500	680	820
Rent	10,723	10,723	-
Total assistant administrator	153,358	146,399	6,959

Aleutians East Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2023</i>	Budget	Actual	Variance
Expenditures, continued:			
Finance:			
Salaries	\$ 145,000	\$ 88,928	\$ 56,072
Fringe benefits	70,000	47,716	22,284
Contractual	100,000	25,588	74,412
Travel and per diem	8,500	7,373	1,127
Telephone	10,500	11,480	(980)
Postage	1,050	788	262
Supplies	7,000	8,957	(1,957)
Rent	6,000	5,650	350
Utilities	4,500	5,592	(1,092)
Dues and fees	2,000	1,134	866
Audit	82,500	93,243	(10,743)
Total finance	437,050	296,449	140,601
Resource department:			
Salaries	190,014	178,650	11,364
Fringe benefits	77,175	77,333	(158)
Contractual	40,000	33,198	6,802
Travel and per diem	20,000	7,238	12,762
Telephone	3,000	2,844	156
NPFMC	10,000	-	10,000
Supplies	2,500	827	1,673
Dues and fees	2,000	2,895	(895)
BOF meeting	50,000	46,645	3,355
Rent	27,632	27,631	1
Total resource department	422,321	377,261	45,060
Communications manager:			
Salaries	113,515	115,698	(2,183)
Fringe benefits	37,660	35,205	2,455
Travel and per diem	10,000	9,635	365
Telephone	2,000	1,399	601
Supplies	1,000	246	754
Dues and fees	1,100	827	273
Rent	11,142	11,142	-
Advertising	9,250	10,635	(1,385)
Website	3,000	-	3,000
Total communications manager	188,667	184,787	3,880
Other:			
Repairs	2,500	645	1,855
Utilities	20,000	37,015	(17,015)
Equipment	22,500	24,556	(2,056)
AEB vehicles	3,000	1,765	1,235
Legal	85,000	85,878	(878)
Insurance	250,000	263,332	(13,332)
Bank fees	12,000	3,281	8,719
Web service	39,500	43,795	(4,295)
PERS expenditures	35,000	192,755	(157,755)
Sand Point Pool	500,000	-	500,000
Miscellaneous	20,000	8,656	11,344
Total other	989,500	661,678	327,822
Total general government:	3,339,258	2,794,113	545,145

Aleutians East Borough, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2023</i>	Budget	Actual	Variance
Expenditures, continued:			
Public works:			
Salaries	\$ 76,388	\$ 11,472	\$ 64,916
Fringe benefits	35,280	1,506	33,774
Travel and per diem	18,000	-	18,000
Supplies	4,000	4,810	(810)
Dues and fees	1,000	-	1,000
Utilities	2,000	2,466	(466)
King Cove access project:			
Supplies	2,500	2,281	219
Maintenance	115,000	101,367	13,633
Contractual	5,000	-	5,000
Total public works	259,168	123,902	135,266
Education:			
Local school contribution	1,100,000	1,644,032	(544,032)
Student scholarships	35,000	35,000	-
Student travel	20,000	20,000	-
Total education	1,155,000	1,699,032	(544,032)
Community services:			
Contribution to Eastern Aleutians Tribes	150,000	150,000	-
Community assistance - Nelson Lagoon	16,000	15,789	211
Donations	23,500	13,350	10,150
KSDP contribution	10,000	10,000	-
Total community services	199,500	189,139	10,361
Total Expenditures	4,952,926	4,806,186	146,740
Excess of Revenues Over Expenditures	3,056,518	5,518,029	2,461,511
Other Financing Uses			
Transfers out	-	(4,039,947)	(4,039,947)
Net Change in Fund Balance	\$ 3,056,518	1,478,082	\$ (1,578,436)
Fund Balance, beginning		26,387,063	
Fund Balance, ending		\$ 27,865,145	

Aleutians East Borough, Alaska
Trust Permanent Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2023

Revenues

Investment income	\$ 3,180,720
Other income	29,636

Total Revenues	3,210,356
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Expenditures - current - general government - management fee	42,843
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Net Change in Fund Balance	3,167,513
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Fund Balance, beginning	48,442,268
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Fund Balance, ending	\$ 51,609,781
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Aleutians East Borough, Alaska
Capital Improvements Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2023

Revenues	
Federal government	\$ 1,128,536
State of Alaska	171,334
Other	191,550
Total Revenues	1,491,420
Expenditures	
Current - infrastructure:	
Salaries	13,486
Contractual	665,419
Travel	2,933
Repairs	561,177
Capital outlay	1,047,687
Total Expenditures	2,290,702
Excess of Revenues Over (Under) Expenditures	(799,282)
Other Financing Sources	
Transfers in	799,282
Net Change in Fund Balance	-
Fund Balance, beginning	-
Fund Balance, ending	\$ -

Aleutians East Borough, Alaska
Bond Construction Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2023

Revenues	
Investment income	\$ 121,535
Total Revenues	121,535
Expenditures	
Current - infrastructure - contractual	564,583
Excess of Revenues Over (Under) Expenditures	(443,048)
Other Financing Sources	
Transfers in	-
Net Change in Fund Balance	(443,048)
Fund Balance, beginning	309,300
Fund Balance (Deficit), ending	\$ (133,748)

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Aleutians East Borough, Alaska
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Award Amount	Provided to Subre- cipients	Total Federal Expend- itures
Department of the Treasury					
Local Assistance and Tribal Consistency Fund	21.032		\$2,038,800	\$ -	\$ 47,835
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		648,173	-	465,558
Total Department of the Treasury					513,393
Department of Commerce					
Passed through the National Fish and Wildlife Foundation:					
Unallied Science Program	11.472	0303.22.073568	521,062	-	317,472
Unallied Science Program	11.472	0303.23.076659	474,690	-	57,987
Total Assistance Listing 11.472				-	375,459
Total Department of Commerce				-	375,459
Department Health and Human Services					
Community Project Funding	93.493		2,000,000	-	87,455
Total Expenditures of Federal Awards				\$ -	\$ 976,307

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Aleutians East Borough, Alaska

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards (the “Schedules”) includes the federal award activity of Aleutians East Borough, Alaska (the Borough) excluding its component unit, Aleutians East Borough School District, under programs of the federal government for the year ended June 30, 2023. The information in the Schedules is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Borough.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The Borough has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Aleutians East Borough, Alaska
Schedule of State Financial Assistance
Year Ended June 30, 2023

State Agency/Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	State Expend- itures
Department of Commerce, Community and Economic Development				
King Cove Access Project	14-RR-067	\$ 1,958,992	\$ -	\$ 171,334
Department of Education and Early Development				
* Debt Retirement Program	N/A	-	-	628,587
Department of Transportation and Public Facilities				
Harbor Bond Reimbursement	N/A	388,488		388,488
Total State Financial Assistance			\$ -	\$ 1,188,409

* Denotes major program

The accompanying notes are an integral part of this schedule.

Aleutians East Borough, Alaska

Notes to the Schedule of State Financial Assistance Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the “Schedule”) includes the state award activity of Aleutians East Borough, Alaska (the Borough) excluding its component unit, Aleutians East Borough School District, under programs of the State of Alaska for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the Borough, it is not intended to and does not present the financial position, changes in net position or cash flows of the Borough.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting.

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Single Audit Section

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

Honorable Mayor and Borough Assembly
Aleutians East Borough, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aleutians East Borough, (the Borough) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated XXXX, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 a 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough'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*.

Borough's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Borough's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anchorage, Alaska

XXXX, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on Compliance

Opinion on Compliance for Each Major Federal Program

We have audited Aleutians East Borough's (the Borough) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Borough's major federal programs for the year ended June 30, 2023. The Borough's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough's compliance with the compliance requirements referred to above.



Other Matter - Federal Expenditures Not Included in the Compliance Audit

The Borough's basic financial statements include the operations of its discretely presented component unit, the Aleutians East Borough School District (the School District) which expended \$3,432,453 in federal awards, which are not included in the Borough's schedule of federal awards during the year ended June 30, 2023. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of the School District because it engaged other auditors to perform an audit of compliance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Borough's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Borough's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anchorage, Alaska

XXXX, 2024

Independent Auditor’s Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on Compliance for Each Major State Program

Opinion on Compliance for Each Major State Program

We have audited Aleutians East Borough’s (the Borough) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the Borough’s major state programs for the year ended June 30, 2023. The Borough’s major state programs are identified in the accompanying Schedule of State Financial Assistance.

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Our responsibilities under those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Borough’s compliance with the types of compliance requirements referred to above.



Other Matter - State Expenditures Not Included in the Compliance Audit

The Borough's basic financial statements include the operations of its component unit, the Aleutians East Borough School District (the School District) which expended \$4,860,150 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2023. Our compliance audit, described in the Opinion on Each Major State Program, did not include the operations of the School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* for the year ended June 30, 2023.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Borough's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Borough's compliance based on our audit. 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, *Government Auditing Standards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the types of compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Borough's compliance with the requirements of the state program as a whole.



In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Borough's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Borough's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Anchorage, Alaska
XXXX, 2024

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Aleutians East Borough, Alaska

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor 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

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Federal Assistance

<i>Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds	Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

State Financial Assistance

Type of auditor's report issued on compliance for major State programs: Unmodified

Internal control over major state programs:

Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes no

Dollar threshold used to determine a state major program: \$ 750,000

Auditee qualified as low-risk auditee? yes no

Aleutians East Borough, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2023

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

<u>Finding 2023-001</u>	Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency
<i>Criteria</i>	<i>Government Auditing Standards</i> states that management is responsible for establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met; using resources efficiently, economically, effectively, and equitably, and safeguarding resources; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Internal controls over financial reporting should allow management to prevent or detect and correct misstatements on a timely basis.
<i>Condition</i>	We noted that while management began taking steps in 2022 to improve segregation of duties between initiation and review/approval of cash disbursements prior to posting, the finance director has the ability to initiate and approve wire transfers, and ACH transactions without secondary approval.
<i>Cause</i>	Internal controls were not in place throughout the entire fiscal year to ensure that all transactions were reviewed and approved by an individual who did not initiate the transaction.
<i>Effect or potential effect</i>	Lack of proper internal controls related to cash disbursements and segregation of duties increases the risk that inappropriate or inaccurate transactions will be recorded to the general ledger.
<i>Recommendation</i>	Management should establish policies requiring all transactions to be reviewed and approved by a second individual who is knowledgeable of the transaction prior to disbursement, and that documentation of this review be retained.
<i>Views of responsible officials</i>	Management concurs with the finding and has established policies requiring all transactions be reviewed and approved by a second individual who is knowledgeable of the transaction prior to disbursement.

Aleutians East Borough, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2023

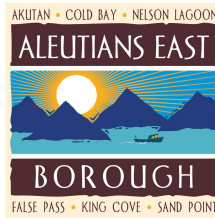
<u>Finding 2023-002</u>	General Ledger Reconciliation and External Financial Reporting - Significant Deficiency
<i>Criteria</i>	Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); 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. The general ledger and accounting records should accurately report financial transactions and year-end balances in accordance with GAAP.
<i>Condition</i>	A significant adjustment was made to the general ledger and the financial statements during the course of the audit. Specifically, the adjustment was required to properly record PERS benefits expense and accounts receivable from state sources.
<i>Cause</i>	Internal controls were not operating effectively to ensure that all general ledger accounts were properly reconciled and adjusted at year-end for GAAP-based financial reporting.
<i>Effect or potential effect</i>	PERS expense and accounts receivable accounts were misstated, requiring adjustment. Without such adjustment, the financial statements would have been misstated.
<i>Recommendation</i>	Management should closely review the activity in the general ledger. Information should be reviewed for completeness and accuracy. Year-end balances should be reviewed in a timely manner.
<i>Views of responsible officials</i>	Management concurs with the finding and has hired a full charge bookkeeper to assist with timely reconciliation of the general ledger.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Section IV - State Award Findings and Questioned Costs

There were no findings and questioned costs for State of Alaska awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.



Aleutians East Borough, Alaska

Summary Schedule of Prior Audit Findings Year Ended June 30, 2023

Finding 2022-001 **General Ledger Reconciliation and External Financial Reporting - Material Weakness in Internal Control**

Finding Internal controls were not established to ensure that all general ledger accounts were properly reconciled and adjusted at year-end for GAAP-based financial reporting.

Status Aleutians East Borough has hired a full-charge bookkeeper to assist management with year-end reconciliations, closing entries, and audit preparation. The bookkeeper has sufficient skills, knowledge, and experience to assist management in ensuring that all accounts are properly reconciled, and all necessary year-end adjusting entries are posted timely prior to commencement of the financial statement audit. We consider this finding partially resolved. See finding 2023-002 in the current year.

Finding 2022-002 **Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency**

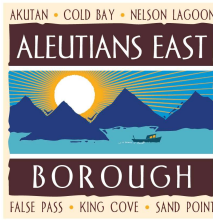
Finding Internal controls were not in place throughout the entire fiscal year to ensure that all transactions were reviewed and approved by an individual who did not initiate the transaction.

Status Aleutians East Borough has taken steps to ensure expense transactions are reviewed and approved prior to being posted to the general ledger. However, the finance director has the ability to initiate and approve ACH transactions without secondary approval. We consider this finding partially resolved. See finding 2023-001 in the current year.

Finding 2022-003 **Journal Entry Review - Internal Control over Financial Reporting - Significant Deficiency**

Finding Internal controls were not established to ensure that all journal entries are reviewed and approved by an individual who did not prepare the entry and who is knowledgeable of the facts and circumstances related to the entry.

Status This finding has been resolved.



Aleutians East Borough, Alaska

Summary Schedule of Prior Audit Findings, continued Year Ended June 30, 2023

Finding 2022-004 **Noncompliance and Significant deficiency in Internal Control - Subrecipient Monitoring**

Finding Internal controls were not in place throughout the entire fiscal year to ensure that all required subrecipient monitoring responsibilities took place.

Status This finding has been resolved.

Finding 2022-005 **Deadline for Federal Single Audit - Noncompliance and Internal Control over Compliance - Significant Deficiency**

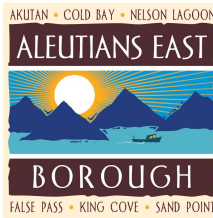
Finding The Form SF-SAC for the fiscal year ended June 30, 2022 was not filed on time.

Status This finding has been resolved.

Finding 2022-006 **Deadline for State Single Audit - Noncompliance and Internal Control over Compliance - Significant Deficiency**

Finding **Noncompliance and Internal Control over Compliance**

Status This finding has been resolved



Aleutians East Borough, Alaska

Corrective Action Plan Year Ended June 30, 2023

Name of Contact Person Anne Bailey, Borough Administrator
 abailey@aeboro.org
 907-274-7580

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

Finding 2023-001	Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency
<i>Corrective Action Plan</i>	Prior to fiscal year end 2023, management established policies requiring all transactions be reviewed and approved by a second individual who is knowledgeable of the transaction prior to disbursement, and that documentation of this review has been retained. Dual control within the ACH system has been established.
<i>Expected Completion Date</i>	June 30, 2023
Finding 2023-002	General Ledger Reconciliation and External Financial Reporting - Significant Deficiency
<i>Corrective Action Plan</i>	The Aleutians East Borough has hired a contract accountant to assist management with monthly and year-end reconciliations, closing entries, and audit preparation. The contract accountant has sufficient skills, knowledge and experience to assist management in ensuring that all accounts are properly reconciled, and all necessary year-end adjusting entries are posted timely prior to commencement of the financial statement audit.
<i>Expected Completion Date</i>	June 30, 2023