

## **Aleutians East Borough, Alaska**

**Basic Financial Statements, Required  
Supplementary Information, Supplementary  
Information and Single Audit Reports  
Year Ended June 30, 2024**

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



## **Aleutians East Borough, Alaska**

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Basic Financial Statements, Required Supplementary Information,  
Supplementary Information and Single Audit Reports  
Year Ended June 30, 2024

# Aleutians East Borough, Alaska

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## **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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Aleutians East Borough (The Borough), as of and for the year ended June 30, 2024, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough, as of June 30, 2024, 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 August 8, 2025 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.

BDO USA, P.C.

Anchorage, Alaska  
August 8, 2025

## Basic Financial Statements

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# Aleutians East Borough, Alaska

## Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School District
<i>June 30, 2024</i>				
<b>Assets and Deferred Outflows of Resources</b>				
<b>Assets</b>				
Cash with central treasury	\$ 3,610,607	\$ 554,649	\$ 4,165,256	\$ -
Other cash and investments	82,339,949	-	82,339,949	4,909,699
Restricted assets - Unexpended bond proceeds	3,661,660	-	3,661,660	-
Receivables:				
Intergovernmental	1,232,421	-	1,232,421	264,918
Accrued interest	96,762	2,064	98,826	-
Taxes	182,351	-	182,351	-
Other	93,142	44,956	138,098	-
Prepaid items	2,400	-	2,400	127,915
Inventory	-	-	-	70,428
Investment in Southwest Governments, LLC	450,439	-	450,439	-
Net OPEB asset	595,702	23,341	619,043	1,795,942
Lease receivable	396,006	495,226	891,232	-
Capital assets:				
Not being depreciated or amortized	6,939,527	-	6,939,527	-
Being depreciated or amortized, net	39,202,570	5,480,574	44,683,144	88,622
<b>Total Assets</b>	<b>138,803,536</b>	<b>6,600,810</b>	<b>145,404,346</b>	<b>7,257,524</b>
<b>Deferred Outflows of Resources</b>				
Pension related	209,086	8,193	217,279	376,367
OPEB related	64,227	2,517	66,744	207,657
Deferred charge on refunding	164,399	-	164,399	-
<b>Total Deferred Outflows of Resources</b>	<b>437,712</b>	<b>10,710</b>	<b>448,422</b>	<b>584,024</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 139,241,248</b>	<b>\$ 6,611,520</b>	<b>\$ 145,852,768</b>	<b>\$ 7,841,548</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Liabilities</b>				
Accounts payable	\$ 314,822	\$ 107,458	\$ 422,280	\$ 40,060
Payable to the US ACOE	3,293,110	-	3,293,110	-
Accrued payroll and taxes	-	-	-	80,850
Accrued interest	44,066	-	44,066	-
Unearned revenue	1,644,465	-	1,644,465	25,622
Noncurrent liabilities:				
Due within one year:				
Bonds payable	2,276,677	-	2,276,677	-
Leases	118,866	1,281	120,147	-
Accrued leave	113,381	-	113,381	51,524
Due in more than one year:				
Bonds payable	10,181,145	-	10,181,145	-
Leases	270,934	114,467	385,401	-
Net pension liability	1,290,249	50,555	1,340,804	3,268,468
<b>Total Liabilities</b>	<b>19,547,715</b>	<b>273,761</b>	<b>19,821,476</b>	<b>3,466,524</b>
<b>Deferred Inflows of Resources</b>				
Lease related	382,020	463,911	845,931	-
OPEB related	27,734	1,087	28,821	108,916
<b>Total Deferred Inflows of Resources</b>	<b>409,754</b>	<b>464,998</b>	<b>874,752</b>	<b>108,916</b>
<b>Net Position</b>				
Net investment in capital assets	33,827,424	5,364,826	39,192,250	88,622
Restricted:				
Permanent fund, expendable	55,984,232	-	55,984,232	-
OPEB benefits	595,702	23,341	619,043	1,795,942
Unrestricted	28,876,421	484,594	29,361,015	2,381,544
<b>Total Net Position</b>	<b>119,283,779</b>	<b>5,872,761</b>	<b>125,156,540</b>	<b>4,266,108</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 139,241,248</b>	<b>\$ 6,611,520</b>	<b>\$ 145,852,768</b>	<b>\$ 7,841,548</b>

See accompanying notes to basic financial statements.

## Aleutians East Borough, Alaska

Exhibit A-2

## Statement of Activities

Year Ended June 30, 2024	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		School District	
					Govern- mental Activities	Business- type Activities		Total
Primary Government								
Governmental Activities								
General government	\$ 2,567,579	\$ 146,442	\$ 10,939	\$ -	\$ (2,410,198)	\$ -	\$ (2,410,198)	
Public works	4,464,295	-	3,566	2,463,922	(1,996,807)	-	(1,996,807)	
Education	1,418,911	-	-	-	(1,418,911)	-	(1,418,911)	
Community services	197,289	-	-	-	(197,289)	-	(197,289)	
Interest on long-term debt	373,003	-	1,098,921	-	725,918	-	725,918	
Total Governmental Activities	9,021,077	146,442	1,113,426	2,463,922	(5,297,287)	-	(5,297,287)	
Business-type Activities								
Terminal	611,739	272,802	-	-	-	(338,937)	(338,937)	
Helicopter	1,189,980	341,770	569	-	-	(847,641)	(847,641)	
Total Business-type Activities	1,801,719	614,572	569	-	-	(1,186,578)	(1,186,578)	
Total Primary Government	10,822,796	761,014	1,113,995	2,463,922	(5,297,287)	(1,186,578)	(6,483,865)	
Component Unit - School District	\$ 10,551,529	\$ 340,857	\$ 1,499,691	\$ -				\$ (8,710,981)
General Revenues								
Borough fish tax					2,781,707	-	2,781,707	-
Grants and entitlements not restricted to specific program					3,904,903	-	3,904,903	6,232,895
Investment earnings and interest					6,400,080	31,443	6,431,523	15,847
Support from primary government					-	-	-	1,057,406
Other					97,830	-	97,830	1,463,299
Net transfers of Harbor assets to US ACOE					(20,618,335)	-	(20,618,335)	-
Transfers					(855,873)	855,873	-	-
Total General Revenues and Transfers					(8,289,688)	887,316	(7,402,372)	8,769,447
Change in Net Position					(13,586,975)	(299,262)	(13,886,237)	58,466
Net Position, beginning					132,870,754	6,172,023	139,042,777	4,207,642
Net Position, ending					\$ 119,283,779	\$ 5,872,761	\$ 125,156,540	\$ 4,266,108

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	Permanent	Debt Service	Capital Improve- ments Project	Bond Construc- tion Capital Project	Nonmajor Funds	
<i>June 30, 2024</i>							
<b>Assets</b>							
Cash with central treasury	\$ 3,442,670	\$ -	\$ -	\$ -	\$ 49,098	\$ 118,839	\$ 3,610,607
Other cash and investments	30,880,108	46,508,548	-	4,785,325	-	165,968	82,339,949
Restricted assets - Unexpended bond proceeds	-	-	-	-	3,661,660	-	3,661,660
Receivables, net:							
Intergovernmental	-	-	6,781	1,225,640	-	-	1,232,421
Accrued interest	4,524	86,332	-	-	5,906	-	96,762
Taxes	182,351	-	-	-	-	-	182,351
Other	93,142	-	-	-	-	-	93,142
Lease receivable	396,006	-	-	-	-	-	396,006
Due from other funds	4,144,743	8,945,343	-	-	-	-	13,090,086
Investment in Southwest Governments, LLC	-	450,439	-	-	-	-	450,439
Prepaid items	-	-	-	-	-	2,400	2,400
<b>Total Assets</b>	<b>\$39,143,544</b>	<b>\$55,990,662</b>	<b>\$ 6,781</b>	<b>\$6,010,965</b>	<b>\$3,716,664</b>	<b>\$ 287,207</b>	<b>\$ 105,155,823</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 79,854	\$ 6,430	-	\$ 228,538	\$ -	\$ -	\$ 314,822
Payable to US ACOE	-	-	-	-	3,293,110	-	3,293,110
Unearned revenue	-	-	-	1,644,465	-	-	1,644,465
Due to other funds	8,945,343	-	6,781	4,137,962	-	-	13,090,086
<b>Total Liabilities</b>	<b>9,025,197</b>	<b>6,430</b>	<b>6,781</b>	<b>6,010,965</b>	<b>3,293,110</b>	<b>-</b>	<b>18,342,483</b>
<b>Deferred Inflows of Resources</b>							
Lease related	382,020	-	-	-	-	-	382,020
<b>Fund Balances</b>							
Nonspendable:							
Prepaid items	-	-	-	-	-	2,400	2,400
Permanent fund corpus	-	-	-	-	-	-	-
Restricted:							
Permanent fund	-	55,984,232	-	-	-	-	55,984,232
Capital projects	-	-	-	-	3,667,566	-	3,667,566
Assigned:							
Maintenance	-	-	-	-	-	284,807	284,807
Unassigned (deficit)	29,736,327	-	-	-	(3,244,012)	-	26,492,315
<b>Total Fund Balances</b>	<b>29,736,327</b>	<b>55,984,232</b>	<b>-</b>	<b>-</b>	<b>423,554</b>	<b>287,207</b>	<b>86,431,320</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$39,143,544</b>	<b>\$55,990,662</b>	<b>\$ 6,781</b>	<b>\$6,010,965</b>	<b>\$3,716,664</b>	<b>\$ 287,207</b>	<b>\$ 105,155,823</b>

See accompanying notes to basic financial statements.

**Aleutians East Borough, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**  
**June 30, 2024**

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Total fund balances for governmental funds		\$ 86,431,320
The total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.		46,142,097
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 OPEB asset		595,702
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
General obligation bonds	\$ (11,885,000)	
Premiums on general obligation bonds	(572,822)	
Deferred charge on refunding	164,399	
Accrued interest on general obligation bonds	(44,066)	
Lease liabilities	(389,800)	
Accrued leave	(113,381)	
Net pension liability	(1,290,249)	
Total long-term liabilities		(14,130,919)
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	209,086	
Deferred outflows of resources related to OPEB assets	64,227	
Deferred inflows of resources related to OPEB assets	(27,734)	
Total deferred pension and OPEB items		245,579
<b>Total Net Position of Governmental Activities</b>		<b>\$ 119,283,779</b>

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*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	Permanent	Debt Service	Capital Improve- ments Capital Project	Bond Construc- tion Capital Project	Nonmajor Funds	
Year Ended June 30, 2024							
Revenues							
Intergovernmental:							
Federal	\$ 780,933	\$ -	\$ -	\$ 1,949,228	\$ -	\$ 182,615	\$ 2,912,776
State of Alaska	3,147,833	-	1,098,921	332,079	-	-	4,578,833
Borough raw fish tax	2,781,707	-	-	-	-	-	2,781,707
Investment income	1,557,616	4,412,509	-	249,669	172,642	7,644	6,400,080
Other	209,155	35,117	-	-	-	-	244,272
Total Revenues	8,477,244	4,447,626	1,098,921	2,530,976	172,642	190,259	16,917,668
Expenditures							
Current:							
General government	2,697,408	73,175	-	-	-	-	2,770,583
Public works	126,764	-	-	-	-	83,565	210,329
Education	854,510	-	-	-	-	-	854,510
Community services	197,289	-	-	-	-	-	197,289
Debt service:							
Principal	111,226	-	1,965,000	-	-	-	2,076,226
Interest	22,525	-	564,525	-	-	-	587,050
Capital outlay	-	-	-	3,121,609	(384,660)	182,615	2,919,564
Total Expenditures	4,009,722	73,175	2,529,525	3,121,609	(384,660)	266,180	9,615,551
Excess of Revenues Over (Under) Expenditures	4,467,522	4,374,451	(1,430,604)	(590,633)	557,302	(75,921)	7,302,117
Other Financing Sources (Uses)							
Transfers in	280,770	-	1,430,604	590,633	-	-	2,302,007
Transfers out	(2,877,110)	-	-	-	-	(280,770)	(3,157,880)
Net Other Financing Sources (Uses)	(2,596,340)	-	1,430,604	590,633	-	(280,770)	(855,873)
Net Change in Fund Balances	1,871,182	4,374,451	-	-	557,302	(356,691)	6,446,244
Fund Balances (deficit), beginning	27,865,145	51,609,781	-	-	(133,748)	643,898	79,985,076
Fund Balances, ending	\$ 29,736,327	\$ 55,984,232	\$ -	\$ -	\$ 423,554	\$ 287,207	\$ 86,431,320

*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, 2024**

Net change in fund balance - total governmental funds \$ 6,446,244

Amounts reported for governmental activities in the statement of  
 Activities are 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:

Capital outlay	1,100,963	
Abandonment of construction work-in-process	(386,904)	
Transfer of Harbor assets to the US ACOE	(21,716,099)	
Transfer of Harbor assets from the US ACOE	1,097,764	
Depreciation and amortization	<u>(2,759,658)</u>	
		(22,663,934)

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:

Principal payments on general obligation bonds	1,965,000	
Amortization of bond premiums	241,440	
Principal paid on lease liabilities	111,226	
Amortization of deferred charge on refunding	<u>(36,533)</u>	
		2,281,133

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

Accrued leave	1,008	
Accrued interest	9,140	
Net pension liability and related deferred outflows and inflows of resources	369,819	
Net OPEB asset and related deferred outflows and inflows of resources	<u>(30,385)</u>	
		<u>349,582</u>

**Total Change in Net Position of Governmental Activities \$ (13,586,975)**

*See accompanying notes to basic financial statements.*

**Aleutians East Borough, Alaska**  
**Proprietary Funds**  
**Statement of Net Position**

<i>June 30, 2024</i>	Terminal	Helicopter	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash with central treasury	\$ 502,111	\$ 52,538	\$ 554,649
Lease receivables	257,359	-	257,359
Receivables	2,064	44,956	47,020
<b>Total Current Assets</b>	<b>761,534</b>	<b>97,494</b>	<b>859,028</b>
<b>Noncurrent Assets</b>			
Lease receivables	237,867	-	237,867
Net OPEB asset	-	23,341	23,341
Capital assets, net	5,453,019	27,555	5,480,574
<b>Total Noncurrent Assets</b>	<b>5,690,886</b>	<b>50,896</b>	<b>5,741,782</b>
<b>Total Assets</b>	<b>6,452,420</b>	<b>148,390</b>	<b>6,600,810</b>
<b>Deferred Outflows of Resources</b>			
Pension related	-	8,193	8,193
OPEB related	-	2,517	2,517
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>10,710</b>	<b>10,710</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 6,452,420</b>	<b>\$ 159,100</b>	<b>\$ 6,611,520</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ -	\$ 107,458	\$ 107,458
Lease liability	1,281	-	1,281
<b>Total Current Liabilities</b>	<b>1,281</b>	<b>107,458</b>	<b>108,739</b>
<b>Noncurrent Liabilities</b>			
Lease liability	114,467	-	114,467
Net pension liability	-	50,555	50,555
<b>Total Noncurrent Liabilities</b>	<b>114,467</b>	<b>50,555</b>	<b>165,022</b>
<b>Total Liabilities</b>	<b>115,748</b>	<b>158,013</b>	<b>273,761</b>
<b>Deferred Inflows of Resources</b>			
Lease related	463,911	-	463,911
OPEB related	-	1,087	1,087
<b>Total Deferred Inflows of Resources</b>	<b>463,911</b>	<b>1,087</b>	<b>464,998</b>
<b>Net Position</b>			
Net Investment in capital assets	5,337,271	27,555	5,364,826
Restricted for OPEB benefits	-	23,341	23,341
Unrestricted (deficit)	535,490	(50,896)	484,594
<b>Total Net Position</b>	<b>5,872,761</b>	<b>-</b>	<b>5,872,761</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 6,452,420</b>	<b>\$ 159,100</b>	<b>\$ 6,611,520</b>

*See accompanying notes to basic financial statements.*

## Aleutians East Borough, Alaska

## Proprietary Funds

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

<i>Year Ended June 30, 2024</i>	Terminal	Helicopter	Total
<b>Operating Revenues</b>	\$ 272,802	\$ 341,770	\$ 614,572
<b>Operating Expenses</b>			
Salaries and benefits	62,937	33,617	96,554
Professional services	-	1,054,606	1,054,606
Telephone	2,234	433	2,667
Supplies	1,714	4,620	6,334
Utilities	120,262	-	120,262
Fuel	42,217	87,687	129,904
Maintenance	37,182	-	37,182
Depreciation and amortization	339,345	9,017	348,362
<b>Total Operating Expenses</b>	605,891	1,189,980	1,795,871
<b>Operating Loss</b>	(333,089)	(848,210)	(1,181,299)
<b>Nonoperating Revenues (Expenses)</b>			
Interest - lease related	31,443	-	31,443
Interest expense	(5,848)	-	(5,848)
Intergovernmental revenue	-	569	569
<b>Loss before transfers</b>	(307,494)	(847,641)	(1,155,135)
<b>Transfers in</b>	-	855,873	855,873
<b>Change in Net Position</b>	(307,494)	8,232	(299,262)
<b>Net Position, beginning</b>	6,180,255	(8,232)	6,172,023
<b>Net Position, ending</b>	\$ 5,872,761	\$ -	\$ 5,872,761

See accompanying notes to basic financial statements.

## Aleutians East Borough, Alaska

Proprietary Funds  
Statement of Cash Flows

<i>Year Ended June 30, 2024</i>	Terminal	Helicopter	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 27,969	\$ 335,368	\$ 363,337
Cash paid for goods and services	(203,609)	(1,195,336)	(1,398,945)
Cash paid for salaries and benefits	(62,937)	(33,617)	(96,554)
Net cash used for operating activities	(238,577)	(893,585)	(1,132,162)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers in	-	855,873	855,873
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from leasing activities	272,646	-	272,646
Principal paid on leases	(1,221)	-	(1,221)
Interest paid on leases	(5,848)	-	(5,848)
Net cash provided by capital and related financing activities	265,577	-	265,577
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	27,000	(37,712)	(10,712)
<b>Cash and Cash Equivalents, beginning</b>	475,111	90,250	565,361
<b>Cash and Cash Equivalents, ending</b>	\$ 502,111	\$ 52,538	\$ 554,649
<b>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</b>			
Operating Loss	\$ (333,089)	\$ (848,210)	\$ (1,181,299)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation and amortization	339,345	9,017	348,362
Lease revenue	(244,833)	-	(244,833)
Nonemployer pension and OPEB expense	-	569	569
Change in operating assets and liabilities and deferred outflows and inflows of resources that provided (used) cash:			
Receivables	-	(6,402)	(6,402)
Net OPEB	-	6,216	6,216
Pensions and OPEB related deferred outflows of resources	-	714	714
Accounts payable	-	(30,305)	(30,305)
Net pension liability	-	(23,920)	(23,920)
OPEB related deferred inflows of resources	-	(1,264)	(1,264)
<b>Net Cash Used for Operating Activities</b>	\$ (238,577)	\$ (893,585)	\$ (1,132,162)
<b>Noncash Noncapital Financing Activities</b>			
Intergovernment nonemployer pension and OPEB contributions	\$ -	\$ 569	\$ 569

See accompanying notes to basic financial statements.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements June 30, 2024

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### 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

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### *(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.
- Permanent Fund - Accounts for all investment activity, deposits and disbursements related to the Permanent Fund established by the Assembly, Code Section 6.04.40. The Borough Assembly may, in any fiscal year, appropriate an amount not to exceed four percent (4%) of the five-year average fund fair value, to be computed using the prior five calendar years fair value. Additional income is added to the fund. The fund corpus is to be held in perpetuity.
- 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

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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**

Certain investments of the Permanent Fund are deposited or invested in individual segregated bank accounts. Moneys of all other funds are maintained or invested in a common group of bank accounts. Collectively, these common bank accounts and investments represent the central treasury. Each fund whose moneys are included in the central treasury has equity therein. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments with central treasury" or is included in "due to other funds" if negative.

For purposes of the statements of cash flows, cash and investments with central treasury held by proprietary funds are treated as cash equivalents.

Investments are stated at fair value. For marketable debt and equity securities fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Investments of all funds outside of the Permanent Fund are managed within the Borough's central treasury.

The Borough has primarily certain cash with the Alaska Municipal League Investment Pool, Inc. The Borough's investment in AMLIP represents its share of ownership in the pool rather than ownership of specific securities. AMLIP is considered to be an external investment pool as defined by generally accepted accounting principles. AMLIP is not SEC-registered and is unrated. Regulatory oversight of the pool is established by Alaska Statute 37.23. 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.

# **Aleutians East Borough, Alaska**

## **Notes to Basic Financial Statements**

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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, 2024, the fair value of the investments in the pool approximates amortized cost and is equal to the value of pool shares.

### **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".

### **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, 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.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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

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

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### **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 Liabilities**

In the government-wide and proprietary fund financial statements, general obligation bonds and other long-term obligations are reported as liabilities. In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed within the year the bonds are sold.

In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### ***(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

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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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.

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.

During 2024, the City recognized \$390,982 in lease related inflows that included \$54,335 in interest revenue.

#### ***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.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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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) Subscription-Based Information Technology Agreements***

The Borough recognizes subscription-based information technology arrangement (SBITA) liabilities with an initial term of greater than twelve months and an individual value of \$5,000 or more. All of the Boroughs SBITA's have noncancelable terms of 12 months or less or have an individual value of less than \$5,000.

### ***(k) 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

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### ***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.

### ***(I) 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, other borrowings, or accounts payable 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.

#### **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.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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### ***(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.

### ***(n) Recently Adopted and Issued Accounting Pronouncements***

GASB Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62, was issued in June 2022. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as adjusted or restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The Borough adopted the standard on July 1, 2023 and the impact on the Borough was not significant.

GASB Statement No. 101, *Compensated Absences* was issued in June 2022. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement also requires that a liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. The requirements of this statement are effective for the Borough’s fiscal year beginning July 1, 2024. Early adoption is permitted. The Borough is currently evaluating the impact GASB 101 will have on its future financial statements.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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GASB Statement No. 102, *Certain Risk Disclosures* was issue in December 2023. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this statement are effective for the Borough's fiscal year beginning July 1, 2024. Early adoption is permitted. The Borough is currently evaluating the impact GASB 102 will have on its future financial statements.

GASB Statement No. 103, Financial Reporting Model Improvements was issued in April 2024. This statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- Management's discussion and analysis (MD&A)—the statement improves the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. The statement also will provide clarity regarding what information should be presented in MD&A.
- Unusual or infrequent items—the statement requires a separate presentation of unusual or infrequent items to provide clarity regarding which items should be reported separately from other inflows and outflows of resources.
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position—the statement standardizes the definition of operating revenues and expenses and of nonoperating revenues, thereby improving comparability between governments. The statement also requires the addition of a subtotal for operating income (loss) and noncapital subsidies in proprietary fund statements of revenues, expenses, and changes in fund net position.
- Information about major component units in basic financial statements—the statement requires presentation of each major component unit separately in the reporting entity's statements of net position and activities.
- Budgetary comparison information—the statement requires that budgetary comparison information be presented as RSI. The statement also requires that separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results are required to be presented. An explanation of significant variations between original and final budget amounts and final budget amounts and actual results also is required to be presented in notes to RSI.
- Financial trends information in the statistical section—the statement requires that governments engaged only in business-type activities or only in business-type and fiduciary activities present in the statistical section revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.

The requirements of this statement are effective for the Borough's fiscal year beginning July 1, 2025. Early adoption is permitted. The Borough is currently evaluating the impact GASB 103 will have on its future financial statements.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

GASB Statement No. 104, *Disclosure of Certain Capital Assets* was issued in September 2024. This statement requires lease related assets, subscription assets, and certain intangible assets to be disclosed separately in the capital assets note disclosures. Additionally, this Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this statement are effective for the Borough's fiscal year beginning July 1, 2025. Early adoption is permitted. The Borough does not expect the adoption of GASB 104 to have a material effect on its financial statements.

## 2. Deposits and Investments

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows: Level 1: Quoted prices for identical investments in active markets; Level 2: Observable inputs other than those in Level 1; and Level 3: Unobservable inputs. The Borough has the following recurring fair value measurements as of June 30, 2024.

Investments by fair value level	Fair value measurements using		
	Total	Level 1	Level 2
General			
Debt securities:			
Money market funds	\$ 44,820	44,820	—
U.S. treasuries	11,848,428	—	11,848,428
U.S. agencies	1,280,413	—	1,280,413
Domestic corporate bonds	3,631,451	—	3,631,451
Foreign corporate bonds	487,163	—	487,163
Total Central Treasury	17,292,275	44,820	17,247,455
Permanent Fund:			
Debt securities:			
Money market funds	1,364,767	1,364,767	—
U.S. treasuries	6,116,634	—	6,116,634
U.S. agencies	456,520	—	456,520
Domestic corporate bonds	1,855,768	—	1,855,768
Foreign corporate bonds	222,928	—	222,928
Mutual and exchange traded funds:			
Equity funds	31,656,131	31,656,131	—
Bond funds	4,835,800	4,835,800	—
Total Permanent Fund	46,508,548	37,856,698	8,651,850
<b>Investment by Fair Value Level</b>	<b>\$ 63,800,823</b>	<b>\$ 37,901,518</b>	<b>25,899,305</b>
General Investments at Amortized Cost:			
AMLIP	22,141,713		
<b>Total Investments</b>	<b>\$ 85,942,536</b>		

Debt and equity securities classified in Level 1 of their fair value hierarchy are valued using prices quoted in the active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

As of June 30, 2024, the Borough's investments matured as follows:

Investment type		Fair value	Investment maturities (in years)			
			Less than 1 or no scheduled maturity	1 to 5	6 to 10	More than 10
General						
Debt securities:						
Money market funds	\$	44,820	44,820	—	—	—
AMLIP		22,141,713	22,141,713	—	—	—
U.S. treasuries		11,848,427	9,647,398	2,201,029	—	—
U.S. agencies		1,280,414	685,930	552,881	—	41,603
Domestic corporate bonds		3,631,451	2,748,192	883,259	—	—
Foreign corporate bonds		487,163	369,660	117,503	—	—
Total Central Treasury		39,433,988	35,637,713	3,754,672	—	41,603
Permanent Fund:						
Debt securities:						
Money market funds		1,364,767	1,364,767	—	—	—
U.S. treasuries		6,116,634	—	4,373,828	1,742,806	—
U.S. agencies		456,520	—	164,759	291,761	—
Domestic corporate bonds		1,855,768	—	1,239,379	616,389	—
Foreign corporate bonds		222,928	—	60,626	162,302	—
Mutual and exchange traded funds:						
Equity funds		31,656,131	31,656,131	—	—	—
Bond funds		4,835,800	4,835,800	—	—	—
Total Permanent Fund		46,508,548	37,856,698	5,838,592	2,813,258	—
Investment by Maturity	\$	85,942,536	73,494,411	9,593,264	2,813,258	41,603

### Interest Rate Risk

The risk that change in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligation. Borough Code authorizes investments in the following: 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 AMLIP; and income producing real estate investments.

In addition to the above, certain additional investments are authorized for the Permanent Fund only. They are as follows: domestic (U.S.) equities (both large cap and mid cap), international equities, emerging market equities, and real estate investment trusts.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

As of June 30, 2024, the Borough's applicable debt securities were rated as follows:

Investment	Moody's Investor's Service	S & P Global Ratings Service
Domestic corporate bonds	Baa3 - A1	BBB- - A
Foreign corporate bonds	Aaa	AAA
AMLIP	N/A	AAAm
Federated Government Obligations Fund	Aaa-mf	AAAm
Vanguard Total International Bond Fund	A1	A+
Vanguard High-Yield Corporate Bond Fund	Ba3	BB-

### Concentration of Credit Risk

The Borough places no limit on the amount it may invest in any one issuer. With the exception of the Permanent Fund, the Borough has no investments from any one issuer that represents 5% or more of total investments other than U.S. government securities or external investment pools such as AMLIP. The Permanent Fund does have three investments that exceed 5% of its total investment balance as follows:

Investment	Amount
iShares Core S&P 500	\$ 9,424,395
iShares Core S&P Mid Cap	4,221,340
Vanguard Total International Bond Fund	2,629,494

As of June 30, 2024, an actual asset allocation to target allocation is presented below for the Permanent Fund. All categories fell within the allowable range at June 30, 2024.

Investment Type	Actual \$	Actual vs. Target Allocation			% out of Policy Range
		% Actual	% Target	% Difference	
U.S. equities (large cap)	\$ 10,472,360	22.54%	22.00%	0.54 %	n/a
U.S. equities (mid cap)	4,706,781	10.12%	10.00%	0.12 %	n/a
U.S. equities (small cap)	2,192,183	4.71%	5.00%	(0.29)%	n/a
International equities	3,655,483	7.86%	6.00%	1.86 %	n/a
Emerging market equities	1,898,334	4.08%	4.00%	0.08 %	n/a
Real estate investment trusts	1,259,354	2.71%	3.00%	(0.29)%	n/a
Infrastructure	2,201,375	4.73%	5.00%	(0.27)%	n/a
Commodities	1,382,196	2.97%	3.00%	(0.03)%	n/a
Alternative beta	3,888,065	8.36%	10.00%	(1.64)%	n/a
U.S. high yield credit	2,206,306	4.74%	5.00%	(0.26)%	n/a
International fixed income	2,852,422	6.13%	5.00%	1.13 %	n/a
U.S. fixed income	8,428,922	18.12%	18.00%	0.12 %	n/a
U.S. TIPS	-	0.00%	2.00%	(2.00)%	n/a
Money market funds	1,364,767	2.93%	2.00%	0.93 %	n/a
<b>Total Investments</b>	<b>\$ 46,508,548</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.00 %</b>	<b>n/a</b>

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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### *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. As of June 30, 2024, the Borough's deposits were covered by federal depository insurance or by collateral held by the Borough's agent or pledging financial institution's trust department or agent in the name of the Borough and, thus, had no deposits that were exposed to custodial credit risk.

### *Custodial Credit Risk - Investments*

For an investment, this is a 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 had no debt securities exposed to custodial credit risk at June 30, 2024 because the investments were held by a custodian in the name of the Borough.

### *Foreign Currency Risk*

The Borough's exposure to foreign currency risk derives from its positions in foreign currency-denominated debt and equity securities. The Borough's investment policies do not address foreign currency denominated investments. The Borough holds no foreign currency denominated debt or equity securities as of June 30, 2024, and thus, is not exposed to any foreign currency risk as of June 30, 2024.

### *Reconciliation to Statement of Net Position*

Deposits and investments of the primary government are reported as follows on the statement of net position, as of June 30, 2024:

		Central Treasury	General	Permanent Fund	Total
Cash and restricted cash	\$	4,165,256	59,073	—	4,224,329
Investments		—	39,433,988	46,508,548	85,942,536
<b>Total Primary Government</b>	<b>\$</b>	<b>4,165,256</b>	<b>39,493,061</b>	<b>46,508,548</b>	<b>90,166,865</b>

## 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. The Borough's share of the partnership's net income in 2024 was \$35,115. This amount was recorded as other income in the Permanent Fund. The balance of the Borough's investment at June 30, 2024 was \$450,439.

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# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

### 4. Capital Assets

Capital asset activity for the year ended June 30, 2024 is as follows:

Governmental activities	Beginning balance	Additions	Transfers	Ending balance
Capital assets, not being depreciated or amortized:				
Land	\$ 5,443,288	\$ —	\$ —	\$ 5,443,288
Construction work-in-progress	971,633	1,034,744	(510,138)	1,496,239
Total	6,414,921	1,034,744	(510,138)	6,939,527
Capital assets, being depreciated or amortized:				
Buildings and improvements	43,887,244	123,234	—	44,010,478
Furniture and equipment	238,750	66,219	—	304,969
Vehicles	497,424	—	—	497,424
Infrastructure	102,260,915	1,097,764	(34,548,201)	68,810,478
Right-to-use assets - Office space	699,701	—	—	699,701
Right-to-use assets - Office equipment	10,429	—	—	10,429
Total	147,594,463	1,287,217	(34,548,201)	114,333,479
Less accumulated:				
Depreciation	84,967,873	2,641,918	(12,832,102)	74,777,689
Amortization	235,480	117,740	—	353,220
Total	85,203,353	2,759,658	(12,832,102)	75,130,909
Total capital assets being depreciated or amortized	62,391,110	(1,472,441)	(21,716,099)	39,202,570
Total governmental activities, net	\$ 68,806,031	\$ (437,697)	\$ (22,226,237)	\$ 46,142,097

During fiscal year 2024, the Borough transferred capital assets from the Akutan Harbor with a net book value of \$21,716,100 to the United States Army Corp. of Engineers (USACE). In addition as a result of the USACE's final accounting for the False Pass Harbor project the Borough recognized infrastructure assets of \$1,097,764 for the Borough's portion of the project cost.

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# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

<b>Business-type Activities</b>	Balance July 1, 2023	Additions and Transfers	Deletions	Balance June 30, 2024
Capital assets being depreciated or amortized:				
Terminal	\$ 9,446,708	\$ -	\$ -	\$ 9,446,708
Right to use assets - Terminal	119,800	-	-	119,800
Helicopter	45,081	-	-	45,081
Total capital assets being depreciated or amortized	9,611,589	-	-	9,611,589
Less accumulated depreciation and amortization	3,782,653	348,362	-	4,131,015
Total capital assets being depreciated or amortized, net	5,828,936	(348,362)	-	5,480,574
<b>Business-type Activities</b>				
<b>Capital Assets, net</b>	\$ 5,828,936	\$ (348,362)	\$ -	\$ 5,480,574
Depreciation and amortization expense was charged to the functions as follows for the year ended June 30, 2024:				
<b>Governmental Activities</b>				
General government			\$	127,260
Public works				33,021
Education				564,401
Infrastructure				2,034,976
<b>Total Depreciation and Amortization Expense - Governmental Activities</b>			\$	2,759,658
<b>Business-type Activities</b>				
Terminal			\$	33,345
Helicopter				9,017
<b>Total Depreciation and Amortization Expense - Business-type Activities</b>			\$	348,362

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

### 5. Interfund Receivables, Payables, and 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, 2024 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 4,144,743	\$ 8,945,343
Capital Improvements Capital Project Fund	-	4,137,962
Debt Service	-	6,781
Permanent Fund	8,945,343	-
<b>Total Interfund Balances</b>	<b>\$ 13,090,086</b>	<b>\$ 13,090,086</b>

A schedule of interfund transfers for the year ended June 30, 2024, follows:

From the General Fund to:

Capital Improvements Capital Project Fund for capital projects and acquisitions	\$ 590,633
Debt Service Fund for debt service	1,430,604
Helicopter Enterprise Fund for operating subsidy	855,873
<b>Total Transfers from the General Fund</b>	<b>\$ 2,877,110</b>

From the King Cove Access Capital Project Fund to:

General Fund (for purpose)	280,770
<b>Total Transfers</b>	<b>\$ 3,157,880</b>

### 6. Long-term Liabilities

General obligation bonds payable at June 30, 2024, are comprised of the following:

\$2,205,000 - 2015 Refunding series one bonds, due in annual installments ranging from \$95,000 to \$110,000 through October 1, 2025; interest rate is 5.0 percent	\$ 205,000
\$17,155,000 - 2016 Refunding series three bonds, due in annual installments ranging from \$1,680,000 to \$2,155,000 through December 1, 2028; interest rate is variable from 4.0 to 5.0 percent	9,635,000
\$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	2,045,000
<b>Total Bonds Payable</b>	<b>\$ 11,885,000</b>

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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
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	3,050,000	80,677	3,130,677
2030-2031	605,000	12,209	617,209
	\$ 11,885,000	\$ 1,397,159	\$ 13,282,159

### Lease Liabilities

The future principal and interest lease payments for Governmental Activities as of June 30, 2024 are as follows:

<i>Fiscal Year Ending June 30,</i>	Principal	Interest	Total
2025	\$ 118,866	\$ 16,729	\$ 135,595
2026	125,118	10,766	135,884
2027	134,299	4,246	138,545
2028	11,517	48	11,565
Totals	\$ 389,800	\$ 31,789	\$ 421,589

The future principal and interest lease payments for the Terminal Fund as of June 30, 2024 are as follows:

<i>Fiscal Year Ending June 30,</i>	Principal	Interest	Total
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	1,558	5,511	7,069
2030-2034	9,038	26,307	35,345
2035-2039	11,535	23,810	35,345
2040-2044	14,721	20,624	35,345
2045-2049	18,788	16,557	35,345
2050-2054	23,980	11,365	35,345
2055-2059	30,603	4,742	35,345
Totals	\$ 115,748	\$ 131,667	\$ 247,415

## Aleutians East Borough, Alaska

### Notes to Basic Financial Statements

#### Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities of the Borough for the year ended June 30, 2024:

<b>Governmental Activities</b>	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
General obligation bonds	\$ 13,850,000	\$ -	\$ (1,965,000)	\$ 11,885,000	\$ 2,075,000
Issuance premiums	814,262	-	(241,440)	572,822	201,677
Total bonds payable	14,664,262		(2,206,440)	12,457,822	2,276,677
Leases	501,026	-	(111,226)	389,800	118,866
Accrued leave	114,389	113,381	(114,389)	113,381	113,381
Net pension liability	1,638,055	-	(347,806)	1,290,249	-
<b>Total Governmental Activities</b>	<b>\$ 16,917,732</b>	<b>\$ 113,381</b>	<b>\$ (2,779,861)</b>	<b>\$ 14,251,252</b>	<b>\$ 2,508,924</b>

<b>Business-type Activities</b>	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Leases	\$ 116,969	\$ -	\$ (1,221)	\$ 115,748	\$ 1,281
Net pension liability	74,475	-	(23,920)	50,555	-
<b>Total Business-type Activities</b>	<b>\$ 191,444</b>	<b>\$ -</b>	<b>\$ (25,141)</b>	<b>\$ 166,303</b>	<b>\$ 1,281</b>

For governmental activities, accrued leave is generally liquidated by the General Fund. Pension liabilities are paid out of funds based on a percentage of payroll.

#### 8. Retirement Commitments

*Alaska Public Employees' Retirement System (PERS)*

##### **(a) PERS – Plan Description and Contributions**

All full-time employees and certain permanent part time employees of the Borough participate in the PERS - cost-sharing multiple-employer defined benefit or defined contribution pension and postemployment healthcare plans administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). The ARMB has the authority to establish and amend the benefit terms. PERS issues a publicly available financial report that can be obtained at <https://drb.alaska.gov/docs/reports/#pers>.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

PERS provides retirement, disability, death, and postemployment health benefits. Benefits vest with five years of credited service. Employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

PERS benefits are earned based on the following tiers:

1. Tier 1 employee: entered system between January 1, 1961 and June 30, 1986 - 5 years credited service for pension and OPEB benefits.
2. Tier 2 employee: entered system between July 1, 1986 and June 30, 1996 - 5 years credited service for pension and OPEB benefits.
3. Tier 3 employee: entered system between July 1, 1996 and June 30, 2005 - 5 years credited service for pension benefits and 10 years credited service for OPEB benefits.

Active PERS members are required to contribute 6.75% (general members) or 7.5% (police and fire) and 8% (defined contribution plan) of their annual covered salary and the actuarially determined contribution rates as follows:

	Others	Police/fire
Defined benefit plans:		
Pension	18.47 %	18.47 %
Alaska Healthcare Retirement Trust	—	—
Occupational Death and Disability	0.30	0.68
Retiree Medical Plan	1.01	1.01
Defined contribution - Pension	5.00	5.00

Alaska Statute 39.35.255(a) capped the employer rate at 22% (22% for pension and 0% for AHCRT), with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. The contribution requirements of plan members and the Borough are established and may be amended by the ARMB. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

(A) Amount calculated for the statutory employer contribution rate of 22% on eligible salary less:

(B) Total of the employer contributions for:

- (1) Defined contribution employer matching amount
- (2) Major medical
- (3) Occupational death & disability, and
- (4) Health reimbursement arrangement

The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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The defined benefit portion (Tiers I, II and III) of PERS has been closed to new entrants since July 1, 2006.

### ***(b) Defined Benefit Pension Plan***

#### **Pension Benefits**

Pension benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2.00% for the first ten years of service and 2.50% for all service over 10 years. The percentage multipliers for all other participants are 2.00% for the first 10 years, 2.25% for the next 10 years, and 2.50% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2.00%.

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost-of-living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan's Administrator if the funding ratio of the Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

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

As of June 30, 2024, the Borough reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Borough were as follows:

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Borough's proportionate share of the net pension liability	\$	1,340,804
State's proportionate share of the net pension liability associated with the Borough		446,202
Total	\$	1,787,006

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## Aleutians East Borough, Alaska

### Notes to Basic Financial Statements

The June 30, 2024 net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Borough's proportion of the net pension liability was based on a projection on of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. As of June 30, 2023, the Borough's proportion was .0259%, which was a decrease of .0077% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Borough recognized pension benefit of \$141,380 and revenue of \$49,110 for support provided by the State. As of June 30, 2024, 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	\$ 34,997	—
Borough contributions subsequent to the measurement date	182,282	—
Total	\$ 217,279	—

The Borough reported \$182,282 as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

#### Year ending June 30

2025	\$ (13,273)
2026	(29,356)
2027	79,417
2028	(1,791)
Total Amortization	\$ 34,997

#### Pension Plan Fiduciary Net Position

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

#### (c) PERS – Defined Benefit OPEB Plans

PERS includes three cost-sharing OPEB plans. Certain amounts for the three OPEB plans have been combined as certain amounts related to the Occupational Death and Disability and Retiree Medical plans are not significant.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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### Alaska Retiree Healthcare Trust (ARHCT)

ARHCT, a healthcare trust fund of the State, provides major medical coverage to retirees of the defined benefit plan. The ARHCT is self-funded and self-insured. The ARHCT is closed to all new members effective July 1, 2006. Major medical benefits are provided to retirees and their surviving spouses at no premium cost for all Tier 1 members or disabled retirees. Tier 2 and 3 members, and their surviving spouses, must pay the full monthly premium if they are under age 60 and will receive benefits at no premium cost if they are over age 60. Tier 3 members must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, peace officers, and their surviving spouses, with 25 years of peace officer membership service and all other members and their surviving spouses with 30 years of membership service receive benefits at no premium cost, regardless of their age or date of hire. Peace officers/firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

### Occupational Death and Disability Plan (ODD)

ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS.

### Retiree Medical Plan (RMP)

RMP provides major medical coverage to retirees of the DCR Plan. The RMP is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible.

### OPEB Assets, OPEB Benefit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2024, the Borough reported an asset for its proportionate share of the net OPEB asset that reflected increases for State OPEB support provided to the Borough. The amount recognized by the Borough as its proportionate share of net OPEB assets, the related State support, and the total portion of the net OPEB assets that was associated with the Borough were as follows:

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Borough's proportionate share of the net OPEB assets	\$	619,043
State's proportionate share of the net OPEB asset associated with the Borough (ARHCT)		199,722
Total	\$	818,765

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The net OPEB assets were measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as June 30, 2022. The Borough's proportion of the ARHCT net OPEB asset was based on a projection of the present value of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating political subdivisions and the State, actuarially determined. The Borough's proportion of the ODD and RMP plans' net OPEB asset was based on the Borough's ODD and RMP contributions relative to the total actual ODD and RMP contributions from all participating political subdivisions and the State. As of June 30, 2023, the Borough's proportion was 2.561%

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

(ARHCT), 3.30% (RMP), and 2.755% (ODD) which was decreases of .772%, and .747%, and .07%, respectively, from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Borough recognized an employer OPEB expense of \$21,022 and a nonemployer benefit of \$34,036, related to increases in the Borough's proportionate share of the net OPEB asset and the State's proportionate share attributable to the Borough. As of June 30, 2024, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

	Deferred outflows of resources			
	AHCRT	ODD	RMP	Total
Net difference between projected and actual earnings on OPEB plan investments	\$ 26,819	\$ 326	\$ 1,312	\$ 28,457
Changes in proportion and difference between Borough contributions and proportionate share of contributions	27,465	599	144	28,208
Change in assumptions	—	—	1,685	1,685
Difference between actual and expected experience	1,223	—	478	1,701
Borough contributions subsequent to the measurement date	—	1,533	5,160	6,693
Total	\$ 55,507	\$ 2,458	\$ 8,779	\$ 66,744

	Deferred inflows of resources			
	AHCRT	ODD	RMP	Total
Changes in proportion and difference between Borough contributions and proportionate share of contributions	\$ —	\$ 595	\$ 107	\$ 702
Change in assumptions	10,843	59	12,741	23,643
Difference between actual and expected experience	—	3,970	506	4,476
Total	\$ 10,843	\$ 4,624	\$ 13,354	\$ 28,821

The Borough reported \$6,693 as deferred outflows of resources related to OPEB plans resulting from Borough contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB assets in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense (benefit) as follows:

Year ending June 30	AHCRT	ODD	RMP	Total
2025	\$ 6,177	\$ (893)	\$ (1,980)	\$ 3,304
2026	(24,226)	(958)	(2,232)	(27,416)
2027	64,355	(336)	(55)	63,964
2028	(1,642)	(620)	(2,365)	(4,627)
2029	-	(511)	(1,677)	(2,188)
Thereafter	-	(381)	(1,426)	(1,807)
	\$ 44,664	\$ (3,699)	\$ (9,735)	\$ 31,230

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

### OPEB Plans' Fiduciary Net Position

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

#### (d) Actuarial Assumptions

The total pension and OPEB liability (asset) were determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

	Pension	OPEB
Inflation rate	2.50 %	2.50 %
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	3.85 to 8.50	3.85 to 8.50
Others	2.85 to 6.75	2.85 to 6.75
Discount	7.25 %	7.25 %
Investment rate of return	7.25	7.25
Healthcare cost and trend rates:		
Pre-65 medical	N/A	6.7 grading down to 4.5
Post 65 medical	N/A	5.5 grading down to 4.5
Prescription drugs	N/A	7.2 grading down to 4.5
EGWP	N/A	7.2 grading down to 4.5
Participation rates	N/A	100% of system paid members and spouses and 20% of non-system paid members and spouses

Pre-termination mortality rates for peace officers and firefighters were based upon the Pub-2010 Safety Employee table, amount weighted, for pension and Pub-2010 Safety Employee table, headcount-weighted, for OPEB, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Pre-termination mortality rates for others were based upon the Pub-2010 General Employee table, amount weighted, for pension and Pub-2010 General Employee table, headcount-weighted, for OPEB, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. +

Post-termination mortality rates were based on 101% of male and 108% of female rates of the Pub-2010 General Retire table, amount-weighted for pension, headcount-weighted for OPEB, and projected with MP-2021 generational improvement.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The assumptions used in the June 30, 2022 actuarial valuation are the same as those used in the June 30, 2021 valuation except that per capita claims costs were updated to reflect recent experience and 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.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

The long-term expected rate of return on pension and OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target allocation	Long - term expected real rate of return
Asset class:		
Broad domestic equity	27.00 %	6.17 %
Global equity	22.00	6.55
Aggregate bonds	23.00	1.63
Real assets	14.00	4.87
Private equity	14.00	11.57
Cash equivalents	—	0.49
Total	100.00 %	

### Discount Rate

The discount rate used to measure the total pension and total OPEB liabilities was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

### Sensitivity of the Borough's proportionate share of the net pension liability and OPEB liability (asset) to changes in the discount rate.

The following presents the Borough's proportionate share of the net pension liability and OPEB liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Borough's proportionate share of the net pension and OPEB liability (assets) would be if it were calculated using a discount rate that is 1-percentage point-lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Plan	1% decrease (6.25)%	Discount rate (7.25)%	1% increase (8.25)%
Pension	\$ 1,800,025	\$ 1,340,804	\$ 952,897
ARHCT	(391,666)	(589,243)	(755,219)
ODD	(13,279)	(14,132)	(14,797)
RMP	2,124	(15,668)	(21,974)

## Aleutians East Borough, Alaska

### Notes to Basic Financial Statements

**Sensitivity of the Borough's proportionate share of the collective net OPEB liability (asset) to changes in the healthcare cost trends rates.**

The following presents the Borough's proportionate share of the collective net OPEB liability for each plan, as well as the Borough's proportionate share of each plans collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan	1% decrease	Current trend rate	1% increase
ARHCT	\$ (774,204)	\$ (589,243)	\$ (369,005)
ODD	N/A	(14,132)	N/A
RMP	(23,406)	(15,668)	4,424

#### **(e) PERS – Defined Contribution Plan**

The State of Alaska Legislature approved SB 141 to create the PERS Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II, or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and 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, 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.

Employees are required to contribute 8% of their annual covered salary, and the Borough is required to make the following contributions:

	Others Tier IV	Police/fire Tier IV
Individual account	6.31%	6.69%
Health reimbursement arrangement (HRA)*	3.00	3.00
	9.31%	9.69%

\* HRA - AS 39.30.370 requires that the employer contribute "an amount equal to three percent (3%) of the employer's average annual employee compensation." For actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period.

Employees are immediately and fully vested in their own contributions and related earnings (losses). Employees vest in employer contributions and related earnings (losses), after five years of service. Employees are partially vested in the employer contributions and the related earnings (losses), in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service. The Borough's contribution to PERS, including the HRA contribution, for the year ended June 30, 2024 was \$41,394.

# Aleutians East Borough, Alaska

## Notes to Basic Financial Statements

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### 9. Deferred Compensation Plan

The Borough has a deferred compensation plan created and amended in accordance with Internal Revenue Code Section 457. This plan is available to all Borough 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 unforeseeable emergency. The Borough is the administrator of the plan and all amounts deferred under this plan are held in a trust that was established for the exclusive benefit of plan participants. There are no separately available audited financial statements for this plan. This plan does not meet the definition of a pension plan under current accounting guidance and does not meet the reporting criteria for inclusion as a fiduciary fund.

### 10. Commitments and Contingencies

#### *(a) Grants*

The Borough receives numerous grants, which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, would not be material to the financial statements

#### *(b) Litigation*

In the opinion of management and the Borough attorney, no litigation is pending, or to their knowledge, threatened, which is likely to result, either individually or in the aggregate, in final judgments against the Borough, which would have a material effect on its financial statements.

## 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, 2024</i>	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 630,000	\$ 630,000	\$ 780,933	\$ 150,933
State of Alaska	2,316,500	2,316,500	3,147,833	831,333
Borough raw fish tax	4,000,000	4,000,000	2,781,707	(1,218,293)
Investment income	500,000	500,000	1,557,616	1,057,616
Other	79,000	79,000	209,155	130,155
<b>Total Revenues</b>	<b>7,525,500</b>	<b>7,525,500</b>	<b>8,477,244</b>	<b>951,744</b>
<b>Expenditures</b>				
Current:				
General government	2,899,711	2,934,638	2,697,408	237,230
Public works	222,500	224,453	126,764	97,689
Education	855,000	855,000	854,510	490
Community services	199,289	199,289	197,289	2,000
Debt Service:				
Principal	-	-	111,226	(111,226)
Interest	-	-	22,525	(22,525)
<b>Total Expenditures</b>	<b>4,176,500</b>	<b>4,213,380</b>	<b>4,009,722</b>	<b>203,658</b>
<b>Excess of Revenues Over Expenditures</b>	<b>3,349,000</b>	<b>3,312,120</b>	<b>4,467,522</b>	<b>1,155,402</b>
<b>Other Financing Uses</b>				
Transfers in	42,850	42,850	280,770	237,920
Transfers out	(3,054,285)	(2,284,403)	(2,877,110)	(592,707)
<b>Net Change in Fund Balance</b>	<b>\$ 337,565</b>	<b>\$ 1,070,567</b>	<b>1,871,182</b>	<b>800,615</b>
<b>Fund Balance, beginning</b>	<b>27,865,145</b>	<b>27,865,145</b>	<b>27,865,145</b>	<b>-</b>
<b>Fund Balance, ending</b>	<b>\$28,202,710</b>	<b>\$28,935,712</b>	<b>\$29,736,327</b>	<b>\$ 800,615</b>

*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>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Borough's Proportion of the Net Pension Liability	0.02590%	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	\$ 1,340,804	\$ 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	446,202	472,305	189,274	725,062	641,549	419,234	588,884	260,943	426,877	782,704
Total Net Pension Liability	\$ 1,787,006	\$ 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	\$ 907,112	\$ 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	147.81%	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	68.23%	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>	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 182,282	\$ 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	182,282	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	\$ 870,343	\$ 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	20.94%	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						
	2024	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.02561%	0.03333%	0.03794%	0.02973%	0.02949%	0.02921%	0.03052%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (589,243)	\$ (655,721)	\$ (973,329)	\$ (134,651)	\$ 43,757	\$ 299,740	\$ 257,835
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	(199,722)	(188,495)	(123,597)	(56,002)	17,287	87,351	96,277
Total Net OPEB Liability (Asset)	\$ (788,965)	\$ (844,216)	\$ (1,096,926)	\$ (190,653)	\$ 61,044	\$ 387,091	\$ 354,112
Borough's Covered Payroll	\$ 344,607	\$ 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	-170.99%	-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)	133.96%	128.51%	135.54%	106.15%	98.13%	88.12%	89.68%

## Schedule of the Borough's Contributions

Years Ended June 30,	ARHCT						
	2024	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	\$ 359,422	\$ 344,607	\$ 450,750	\$ 533,861	\$ 521,918	\$ 512,113	\$ 497,243
Contributions as a Percentage of Covered Payroll	0.00%	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						
	2024	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.03300%	0.03325%	0.03174%	0.03195%	0.03314%	0.03305%	0.03299%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (15,668)	\$ (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)	\$ (15,668)	\$ (11,548)	\$ (8,520)	\$ 2,266	\$ 7,928	\$ 4,205	\$ 1,721
Borough's Covered Payroll	\$ 562,505	\$ 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	-2.79%	-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)	124.29%	120.08%	115.10%	95.23%	83.17%	88.71%	93.98%

## Schedule of the Borough's Contributions

Years Ended June 30,	RMP						
	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 5,160	\$ 6,188	\$ 5,626	\$ 5,891	\$ 5,699	\$ 3,889	\$ 3,852
Contributions Relative to the Contractually Required Contribution	5,160	6,188	5,626	5,891	5,699	3,889	3,852
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 510,920	\$ 562,505	\$ 525,791	\$ 464,790	\$ 431,760	\$ 413,153	\$ 373,998
Contributions as a Percentage of Covered Payroll	1.01%	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						
	2024	2023	2022	2021	2020	2019	2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.02755%	0.02825%	0.02696%	0.02560%	0.02633%	0.03305%	0.03299%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (14,132)	\$ (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)	\$ (14,132)	\$ (12,385)	\$ (11,882)	\$ (6,978)	\$ (6,385)	\$ (6,418)	\$ (4,681)
Borough's Covered Payroll	\$ 562,505	\$ 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	-2.51%	-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)	349.24%	348.80%	374.22%	283.80%	297.43%	270.62%	212.97%

## Schedule of the Borough's Contributions

Years Ended June 30,	ODD						
	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	\$ 1,533	\$ 1,687	\$ 1,630	\$ 1,438	\$ 1,123	\$ 1,075	\$ 598
Contributions Relative to the Contractually Required Contribution	1,533	1,687	1,630	1,438	1,123	1,075	598
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 510,920	\$ 562,505	\$ 525,791	\$ 464,790	\$ 431,760	\$ 413,153	\$ 373,998
Contributions as a Percentage of Covered Payroll	0.30%	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, 2024

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### 1. Budgetary Comparison Schedule

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

The COVID-19 Special Revenue Fund, 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*

This table is presented based on the Plan measurement date. For June 30, 2024, the Plan measurement date is June 30, 2023.

#### *Changes in Assumptions:*

The total pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to the measurement date of June 30, 2023. The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience.

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*

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.

# Aleutians East Borough, Alaska

## Notes to Required Supplementary Information, continued

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### 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, 2024, the Plan measurement date is June 30, 2023.

#### *Changes in Assumptions:*

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2022, rolled forward to the measurement date of June 30, 2023. The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect the expected future experience. For the ARHCT and RMP plans, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial valuation.

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

Exhibit F-1

## Nonmajor Governmental Funds Combining Balance Sheet

		Maint- enance Reserve Capital Project	Total Nonmajor Govern- mental Funds
<i>June 30, 2024</i>			
<b>Assets</b>			
Cash with central treasury	\$	118,839	\$ 118,839
Other cash and investments		165,968	165,968
Prepaid items		2,400	2,400
<b>Total Assets</b>	\$	287,207	\$ 287,207
<b>Fund Balance</b>			
Nonspendable	\$	2,400	\$ 2,400
Assigned:			
Maintenance reserve		284,807	284,807
<b>Total Fund Balances</b>		287,207	287,207
<b>Total Liabilities and Fund Balances</b>	\$	287,207	\$ 287,207

## Aleutians East Borough, Alaska

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year Ended June 30, 2024</i>	COVID-19 Special Revenue	Maint- enance Reserve Capital Project	King Cove Access Capital Project	Total Nonmajor Govern- mental Funds
<b>Revenues:</b>				
Intergovernmental:				
Federal	\$ 182,615	\$ -	\$ -	\$ 182,615
Investment income	-	7,644	-	7,644
<b>Total Revenues</b>	<b>182,615</b>	<b>7,644</b>	<b>-</b>	<b>190,259</b>
<b>Expenditures</b>				
Current:				
Public Works	-	83,565	-	83,565
Capital outlay	182,615	-	-	182,615
<b>Total Expenditures</b>	<b>182,615</b>	<b>83,565</b>	<b>-</b>	<b>266,180</b>
<b>Excess of expenditures over revenues</b>	<b>-</b>	<b>(75,921)</b>	<b>-</b>	<b>(75,921)</b>
<b>Other Financing Uses</b>				
Transfers out	-	-	(280,770)	(280,770)
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(75,921)</b>	<b>(280,770)</b>	<b>(356,691)</b>
<b>Fund Balances, beginning</b>	<b>-</b>	<b>363,128</b>	<b>280,770</b>	<b>643,898</b>
<b>Fund Balances, ending</b>	<b>\$ -</b>	<b>\$ 287,207</b>	<b>\$ -</b>	<b>\$ 287,207</b>

## Aleutians East Borough, Alaska

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

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
<b>U.S. Department of the Treasury</b>					
Local Assistance and Tribal Consistency Fund	21.032		\$2,038,800	\$ -	\$ 346,500
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		648,173	-	182,615
<b>Total U.S. Department of the Treasury</b>					<b>529,115</b>
<b>U.S. Department of Commerce</b>					
Passed through the National Fish and Wildlife Foundation - Research and Development Cluster:					
Unallied Science Program	11.472	0303.22.073568	521,062	-	44,639
Unallied Science Program	11.472	0303.23.076659	474,690	-	314,027
Unallied Science Program	11.472	0303.23.076659	576,896	-	291,306
Total Assistance Listing 11.472				-	649,972
<b>Total U.S. Department of Commerce</b>				-	<b>649,972</b>
<b>Department Health and Human Services</b>					
Passed through State of Alaska Department of Health and Social Services:					
Immunization Cooperative Agreements	93.268	C0622-584-KK	54,518	-	41,100
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	C0622-584-KK	54,517	-	41,099
Congressional Directives	93.493		2,000,000	-	200,118
<b>Total U.S. Department of Health and Human Services</b>					<b>282,317</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ -</b>	<b>\$ 1,461,404</b>

The accompanying notes are an integral part of this schedule.

# Aleutians East Borough, Alaska

## Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

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### 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, 2024. 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, 2024**

State Agency/Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	State Expend- itures
<b>Department of Education and Early Development</b>				
Sand Point School	GR-23-016	\$ 1,929,575	\$ -	\$ 332,079
* Debt Retirement Program	N/A	678,079	-	678,079
				1,010,158
<b>Department of Transportation and Public Facilities</b>				
Harbor Bond Reimbursement	N/A	420,842	-	420,842
<b>Total State Financial Assistance</b>			<b>\$ -</b>	<b>\$ 1,431,000</b>

\* 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, 2024**

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### **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, 2024. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Aleutians East Borough, (the Borough) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 8, 2025.

### **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. However, material weaknesses or significant deficiencies may exist that were not identified.

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## 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*.

## 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.

BDO USA, P.C.

Anchorage, Alaska  
August 8, 2025



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## **Independent Auditor's Report on Compliance for Each Major Federal Program and 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, 2024. 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, 2024.

#### ***Basis for Opinion on Each Major Federal 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 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 \$3,645,605 in federal awards, which are not included in the Borough's schedule of federal awards during the year ended June 30, 2024. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of the School District because it was subjected to a separate audit in accordance with Uniform Guidance for the year ended June 30, 2024.

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### ***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.



## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the noncompliance findings identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## **Report on Internal Control Over Compliance**

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.



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.

Government Auditing Standards requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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.

BDO USA, P.C.

Anchorage, Alaska  
August 8, 2025



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## **Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance 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* that could have a direct and material effect on each of the Borough's major state programs for the year ended June 30, 2024. 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, 2024.

#### ***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*. Our responsibilities under those standards and the *State of Alaska Audit Guide* 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 state program. 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 \$3,939,155 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2024. Our compliance audit, described in the Opinion on Each Major State Program, does 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* for the year ended June 30, 2024.

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### ***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* requirements 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*, 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* requirements, 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.



## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the State of Alaska Audit Guide and which are described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Borough's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

The Borough is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Borough's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

## Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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.



*Government Auditing Standards* requires the auditor to perform limited procedures on the Borough's response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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*. Accordingly, this report is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska  
August 8, 2025

# Aleutians East Borough, Alaska

## Schedule of Findings and Questioned Costs Year Ended June 30, 2024

### 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

Listing Number	Name of Federal Program or Cluster	Agency
11.472	Research & Development Cluster - Unallied Science Program	Department of Commerce

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, 2024

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

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

#### Section III - Federal Award Findings and Questioned Costs

<b><u>Finding 2024-001</u></b>	<b>Deadline for Federal Single Audit - Noncompliance and Internal Control Over Compliance - Significant Deficiency</b>
<i>Agency</i>	Department of Commerce
<i>Pass-through Entity</i>	National Oceanic and Atmospheric Association
<i>Assistance Listing</i>	11.472
<i>Program</i>	Research and Development Cluster
<i>Award Year</i>	2022-2024
<i>Criteria</i>	The Borough is required to submit the single audit report and Form SF-SAC within nine months of the fiscal year end.
<i>Condition</i>	The Form SF-SAC for the fiscal year ended June 30, 2024 was not filed on time.
<i>Cause</i>	The audit was not completed in time to file the form, due to a delay in closing the books and records.
<i>Effect or potential effect</i>	The Schedule of Expenditures of Federal Awards were not available in a timely manner in order to allow for timely submission of Form SF-SAC.
<i>Questioned costs</i>	None noted.
<i>Context</i>	The Form SF-SAC is due nine months after the fiscal year end. The form for the fiscal year ended June 30, 2024 was filed late.
<i>Identification as a repeat finding</i>	No
<i>Recommendation</i>	We recommend the Form SF-SAC is filed timely in the future.
<i>Views of responsible officials</i>	Borough management acknowledges that the SF-SAC was filed late for Fiscal Year 2024 due to unforeseen financial reporting issues. As those reporting issues have been resolved, we do not anticipate any such issues for Fiscal Year 2025.

## Aleutians East Borough, Alaska

### Schedule of Findings and Questioned Costs, continued Year Ended June 30, 2024

#### Section IV - State Award Findings and Questioned Costs

**Finding 2024-002**      **Deadline for State Single Audit - Noncompliance and Internal Control over Compliance - Significant Deficiency**

*State Agency*                      Department of Education & Early Development

*Grant Name and  
Award Number*                      Debt Retirement Program  
N/A  
*Award Year*                              FY24

*Criteria*                              2 AAC 45.010 (b) states an entity that expends a cumulative total of \$750,000 or more shall submit an audit report for the audit period by "...the earlier of 30 days after the entity receives its audit report for the audit period; or nine months after the end of the audit period" or a later date agreed upon in writing in advance of the date in this section.

*Condition*                              The State Single Audit for the fiscal year ended June 30, 2024 was not filed on time.

*Questioned costs*                      None noted.

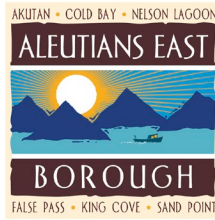
*Context*                                  The Borough's audit in accordance with 2 AAC 45 was not completed within nine months after the audit period.

*Cause*                                      The audit was not completed in time to file the form, due to a delay in closing the books and records.

*Effect or potential  
effect*                                      The Borough is not in compliance with 2 AAC 45.010 (b)(1).

*Recommendation*                      We recommend the State Single Audit is filed timely in the future.

*Views of responsible  
officials*                                      Borough Management acknowledges that the State Single Audit was filed late for Fiscal Year 2024 due to unforeseen financial reporting issues. As those reporting issues have been resolved, we do not anticipate any such issues for Fiscal Year 2025.



## Aleutians East Borough, Alaska

### Summary Schedule of Prior Audit Findings Year Ended June 30, 2024

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**Finding 2023-001**      **Segregation of Duties - Internal Control over Financial Reporting - Significant Deficiency**

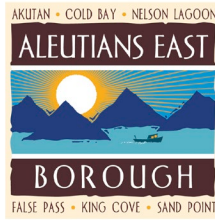
*Finding*                      Internal controls were not in place throughout the entire fiscal year to ensure that all ACH and wire transfer transactions were reviewed and approved by an individual who did not initiate the transaction.

*Status*                      This Finding did not repeat in Fiscal Year 2024.

**Finding 2023-002**      **General Ledger Reconciliation and External Financial Reporting - Significant Deficiency**

*Finding*                      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.

*Status*                      This Finding did not repeat in Fiscal Year 2024.



## Aleutians East Borough, Alaska

### Corrective Action Plan Year Ended June 30, 2024

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Name of Contact Person    Anne Bailey, Borough Administrator  
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907-274-7580

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

**Finding 2024-001      Deadline for Federal Single Audit - Noncompliance and Internal Control  
Over Compliance - Significant Deficiency**

*Corrective Action Plan*      Borough Management acknowledges that the SF-SAC was filed late for Fiscal Year 2024 due to unforeseen financial statement disclosure requirements. As those disclosures have been resolved during Fiscal Year 2024, we do not anticipate any such issues for Fiscal Year 2025.

*Expected Completion Date*      All matters relating to the financial statement disclosures were made prior to June 30, 2025.

**Finding 2024-002      Deadline for State Single Audit - Noncompliance and Internal Control over  
Compliance - Significant Deficiency**

*Corrective Action Plan*      Borough Management acknowledges that the State Single Audit was filed late for Fiscal Year 2024 due to unforeseen financial statement disclosure requirements. As those disclosures have been resolved during Fiscal Year 2024, we do not anticipate any such issues for Fiscal Year 2025.

*Expected Completion Date*      All matters relating to the financial statement disclosures were made prior to June 30, 2025.