City of Kotzebue, Alaska

Basic Financial Statements,
Required Supplementary Information,
Supplementary Information and Single Audit Reports
Year Ended December 31, 2023

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.

City of Kotzebue, Alaska

Basic Financial Statements, Required Supplementary Information, Supplementary Information and Single Audit Reports
Year Ended December 31, 2023

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BDO

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

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Kotzebue, Alaska

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kotzebue, Alaska, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Kotzebue, Alaska's basic financial statements as listed in the table of contents.

Summary of Opinions

Opinion Unit		*Type of Opinion*
Governmental Activities		Unmodified
Business-Type Activities		Qualified
General Fund		Unmodified
Water and Sewer Enterprise Fund		Unmodified
Refuse Enterprise Fund		Unmodified
Package Store Enterprise Fund		Qualified
Bar and Grill Enterprise Fund		Unmodified
Aggregate Remaining Fund Information		Unmodified

Qualified Opinions on Business-Type Activities and Package Store Enterprise Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Business-Type Activities and the Package Store Enterprise Fund of City of Kotzebue, Alaska, as of December 31, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, General Fund, Water and Sewer Enterprise Fund, Refuse Enterprise Fund, Bar and Grill Enterprise Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, General Fund, Water and Sewer Enterprise Fund, Refuse Enterprise Fund, Bar and Grill Enterprise Fund, and the aggregate remaining fund information of City of Kotzebue, Alaska, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified 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 City 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 qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on Business-Type Activities and Package Store Enterprise Fund

We did not observe the taking of physical inventory as of December 31, 2023 (stated at $649,637). We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures. Consequently, we were unable to determine whether any adjustments to this amount or to the amount of cost of sales (stated at $1,214,970 for the year ended December 31, 2023) were necessary.

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 City of Kotzebue, Alaska's ability to continue as a going 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 City of Kotzebue, Alaska'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 City of Kotzebue, Alaska'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 budgetary comparison information on page 49, and the Schedules of Net Pension and Other Postemployment Benefits (OPEB) Liability (Assets) and Pension and OPEB Contributions on pages 50-51, 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 statements 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 City's basic financial statements. The combining and individual fund financial statements and schedules year ended December 31, 2023 and the 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* 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 for the year ended December 31, 2023, 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 the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2023.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of Kotzebue as of and for the year ended December 31, 2022, and have issued our report thereon dated September 29, 2023, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2022, 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 2022 financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2022.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024 on our consideration of City of Kotzebue, Alaska'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 City of Kotzebue, Alaska'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 City of Kotzebue, Alaska's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
September 30, 2024

Basic Financial Statements

City of Kotzebue, Alaska

Statement of Net Position

December 31, 2023	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	$ 983,459	$ 4,411,029	$ 5,394,488
Receivables, net of allowance for uncollectible accounts:			
Accounts	208,816	446,671	655,487
Grants and shared revenues	187,826	288,020	475,846
Sales tax	576,494	-	576,494
Inventory	-	923,734	923,734
Prepaid items	484,534	-	484,534
Internal balances	(2,190,503)	2,190,503	-
Net other postemployment benefits assets	3,064,426	1,126,292	4,190,718
Capital assets:			
Land and construction in progress	45,445,128	27,562,380	73,007,508
Other capital assets being depreciated, net	14,055,126	21,803,454	35,858,580
Total Assets	62,815,306	58,752,083	121,567,389
Deferred Outflows of Resources			
Pension related	422,671	155,346	578,017
Net other postemployment benefits assets related	193,357	71,067	264,424
Total Deferred Outflows of Resources	616,028	226,413	842,441
Total Assets and Deferred Outflows of Resources	$ 63,431,334	$ 58,978,496	$ 122,409,830

City of Kotzebue, Alaska

Statement of Net Position, continued

December 31, 2023	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	$ 341,220	$ 370,224	$ 711,444
Accrued payroll and payroll liabilities	135,490	20,311	155,801
Unearned revenue	6,303	-	6,303
Noncurrent liabilities:			
Due within one year -			
accrued leave	189,607	27,525	217,132
Due in more than one year:			
Net pension liability	6,433,211	2,364,441	8,797,652
Landfill closure costs	-	338,614	338,614
Total Liabilities	7,105,831	3,121,115	10,226,946
Deferred Inflows of Resources			
Lease related	84,178	-	84,178
Net other postemployment benefits assets related	189,274	69,566	258,840
Total Deferred Inflows of Resources	273,452	69,566	343,018
Net Position			
Net investment in capital assets	59,500,254	49,083,140	108,583,394
Unrestricted (deficit)	(3,448,203)	6,704,675	3,256,472
Total Net Position	56,052,051	55,787,815	111,839,866
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 63,431,334	$ 58,978,496	$ 122,409,830

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Statement of Activities

Year Ended December 31, 2023	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants & Contri-butions	Program Revenues: Capital Grants & Contri-butions	Net (Expense) Revenue and Changes in Net Position: Govern-mental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Totals
Governmental Activities							
General government	$ 2,150,515	$ 663,585	$ 100,206	$ -	$ (1,386,724)	$ -	$ (1,386,724)
Public safety	3,911,884	979,972	1,509,365	-	(1,422,547)	-	(1,422,547)
Public works	3,997,988	-	(7,008)	9,443,924	5,438,928	-	5,438,928
Community services	189,508	70,399	-	-	(119,109)	-	(119,109)
Small boat harbor	47,742	-	-	-	(47,742)	-	(47,742)
Parks and recreation	410,974	-	(956)	-	(411,930)	-	(411,930)
Total Governmental Activities	10,708,611	1,713,956	1,601,607	9,443,924	2,050,876	-	2,050,876
Business-type Activities							
Water and sewer utility	3,717,577	2,710,178	13,650	1,264,187	-	270,438	270,438
Refuse	1,307,617	1,066,914	8,912	-	-	(231,791)	(231,791)
Package store	538,784	1,577,773	4,206	-	-	1,043,195	1,043,195
Total Business-type Activities	5,563,978	5,354,865	26,768	1,264,187	-	1,081,842	1,081,842
Totals	$16,272,589	$7,068,821	$ 1,628,375	$10,708,111	2,050,876	1,081,842	3,132,718
	General Revenues						
	Taxes:						
	Sales taxes				4,787,049	-	4,787,049
	Penalties and interest on delinquent taxes				59,286	-	59,286
	Other taxes				626,027	-	626,027
	Grants and entitlements not restricted to a specific purpose				216,319	-	216,319
	Investment income				29,256	-	29,256
	Other				272,867	-	272,867
	Total General Revenues and Transfers				5,990,804	-	5,990,804
	Change in net position				8,041,680	1,081,842	9,123,522
	Net Position, beginning				48,010,371	54,705,973	102,716,344
	Net Position, ending				$ 56,052,051	$ 55,787,815	$ 111,839,866

See accompanying notes to basic financial statements.

Exhibit B-1

City of Kotzebue, Alaska

Governmental Funds
Balance Sheet

December 31, 2023		General Fund		Nonmajor Funds		Total Governmental Funds
Assets						
Cash and investments	$	670,872	$	312,587	$	983,459
Receivables:						
Accounts, net of allowance for uncollectible accounts		208,816		-		208,816
Grants and shared revenues		98,555		89,271		187,826
Sales tax		576,494		-		576,494
Total receivables		883,865		89,271		973,136
Prepaid items		412,279		72,255		484,534
Total Assets	$	1,967,016	$	474,113	$	2,441,129
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	$	167,588	$	173,632	$	341,220
Accrued payroll and payroll liabilities		135,490		-		135,490
Due to other funds		1,733,627		456,876		2,190,503
Unearned revenue		-		6,303		6,303
Total Liabilities		2,036,705		636,811		2,673,516
Deferred Inflows of Resources						
Delinquent sales taxes		9,478		-		9,478
Lease related		84,178		-		84,178
E-911		6,042		-		6,042
Total Deferred Inflows of Resources		99,698		-		99,698
Fund Balances						
Nonspendable - prepaid items		412,279		72,255		484,534
Assigned - public safety		-		160,095		160,095
Unassigned		(581,666)		(395,048)		(976,714)
Total Fund Balances		(169,387)		(162,698)		(332,085)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	1,967,016	$	474,113	$	2,441,129

See accompanying notes to basic financial statements.

Exhibit B-2

City of Kotzebue, Alaska

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

December 31, 2023

Total fund balances for governmental funds		$ (332,085)
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation consist of:		
Land and land improvements	$ 575,000	
Construction in progress	44,870,128	
Infrastructure	3,501,315	
Buildings	8,442,815	
Small boat harbor	9,590,671	
Machinery and equipment	5,822,577	
Total capital assets	72,802,506	
Less accumulated depreciation	(13,302,252)	
Total capital assets, net of accumulated depreciation		59,500,254
PERS ARHCT and ODD net other postemployment benefits assets plan has been funded in excess of required contributions. This asset is not a financial resource and therefore it is not reported in the funds.		3,064,426
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:		
Delinquent sales taxes receivable	9,478	
E-911 surcharge accounts receivable	6,042	
Total other long-term assets		15,520
Long-term liabilities are not deemed due and payable in the current period and therefore are not reported as governmental fund liabilities. The liabilities consist of:		
Accrued leave	(189,607)	
Net pension liability	(6,433,211)	
Total long-term liabilities		(6,622,818)
Certain changes in net pension and OPEB liabilities are deferred rather than recognized immediately. These items are amortized over time.		
Deferred outflows of resources related to pensions	422,671	
Deferred outflows of resources related to OPEB	193,357	
Deferred inflows of resources related to OPEB	(189,274)	
Total deferred pension and OPEB items		426,754
Total Net Position of Governmental Activities		$ 56,052,051

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2023	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Government	$ 9,443,924	$ 65,699	$ 9,509,623
State of Alaska	1,501,165	61,138	1,562,303
Local Sources:			
Taxes	5,462,884	-	5,462,884
Charges for services	1,529,972	-	1,529,972
Investment income	29,256	-	29,256
Other	391,152	289,730	680,882
Total Revenues	18,358,353	416,567	18,774,920
Expenditures			
Current:			
General government	2,109,913	47,724	2,157,637
Public safety	3,995,622	-	3,995,622
Public works	2,631,351	-	2,631,351
Community services	81,128	108,380	189,508
Small boat harbor	47,742	-	47,742
Parks and recreation	294,088	-	294,088
Nondepartmental	10,316	-	10,316
Capital outlay	9,469,532	840,127	10,309,659
Total Expenditures	18,639,692	996,231	19,635,923
Excess of revenues over (under) expenditures	(281,339)	(579,664)	(861,003)
Other Financing Sources (Uses)			
Transfers in	-	24,085	24,085
Transfers out	(24,085)	-	(24,085)
Net Other Financing Sources (Uses)	(24,085)	24,085	-
Net change in fund balances	(305,424)	(555,579)	(861,003)
Fund Balances, beginning	136,037	392,881	528,918
Fund Balances, ending	$ (169,387)	$ (162,698)	$ (332,085)

See accompanying notes to basic financial statements.

Exhibit B-4

City of Kotzebue, Alaska

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended December 31, 2023

Net change in fund balances - total governmental funds		$ (861,003)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of these assets is allocated other their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($9,794,101) exceeded depreciation ($1,268,858) in the current year.		8,525,243
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in unavailable delinquent sales taxes	9,478	
Decrease in unavailable revenue of ARPA fund	(1,054)	
		8,424
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in government funds.		
Decrease in accrued leave	9,225	
Net increase in net pension liability and related deferred accounts	(33,174)	
Net increase in net other postemployment benefits assets and related deferred accounts	392,965	
		369,016
Change in Net Position of Governmental Activities		$ 8,041,680

See accompanying notes to basic financial statements.

Exhibit C-1

City of Kotzebue, Alaska

Enterprise Funds
Statement of Net Position

December 31, 2023	Major Funds: Water and Sewer Utility	Major Funds: Refuse	Major Funds: Package Store	Nonmajor Fund: Bar and Grill Enterprise Fund	Total Enterprise Funds
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	$ 1,633,172	$ -	$ 2,777,857	$ -	$ 4,411,029
Receivables:					
Accounts	357,372	185,225	-	-	542,597
Grants	288,020	-	-	-	288,020
Allowance for uncollectible accounts	(51,460)	(44,466)	-	-	(95,926)
Net receivables	593,932	140,759	-	-	734,691
Inventory	274,097	-	649,637	-	923,734
Due from other funds	2,986,818	-	-	-	2,986,818
Total Current Assets	5,488,019	140,759	3,427,494	-	9,056,272
Noncurrent Assets					
Net other postemployment benefits assets	574,303	374,970	177,019	-	1,126,292
Property, plant, and equipment:					
Property, plant, and equipment	118,002,318	7,762,753	-	25,335	125,790,406
Accumulated depreciation	(70,555,524)	(5,869,048)	-	-	(76,424,572)
Net property, plant, and equipment	47,446,794	1,893,705	-	25,335	49,365,834
Total Noncurrent Assets	48,021,097	2,268,675	177,019	25,335	50,492,126
Total Assets	53,509,116	2,409,434	3,604,513	25,335	59,548,398
Deferred Outflows of Resources					
Pension related	79,215	51,717	24,414	-	155,346
OPEB related	36,237	23,660	11,170	-	71,067
Total Assets and Deferred Outflows of Resources	$53,624,568	$2,484,811	$3,640,097	$ 25,335	$59,774,811

City of Kotzebue, Alaska

Enterprise Funds
Statement of Net Position, continued

December 31, 2023	Major Funds: Water and Sewer Utility	Major Funds: Refuse	Major Funds: Package Store	Nonmajor Fund: Bar and Grill Enterprise Fund	Total Enterprise Funds
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Accounts payable	$ 331,481	$ 21,998	$ 16,745	$ -	$ 370,224
Accrued payroll and payroll liabilities	9,820	5,666	4,825	-	20,311
Accrued leave	17,172	2,071	8,282	-	27,525
Due to other funds	-	447,989	-	348,326	796,315
Total Current Liabilities	358,473	477,724	29,852	348,326	1,214,375
Noncurrent Liabilities					
Net pension liability	1,205,682	787,164	371,595	-	2,364,441
Landfill closure costs	-	338,614	-	-	338,614
Total Noncurrent Liabilities	1,205,682	1,125,778	371,595	-	2,703,055
Total Liabilities	1,564,155	1,603,502	401,447	348,326	3,917,430
Deferred Inflows of Resources					
OPEB related	35,472	23,160	10,934	-	69,566
Total Deferred Inflows of Resources	35,472	23,160	10,934	-	69,566
Net Position					
Net investment in capital assets	47,164,100	1,893,705	-	25,335	49,083,140
Unrestricted (deficit)	4,860,841	(1,035,556)	3,227,716	(348,326)	6,704,675
Total Net Position (Deficit)	52,024,941	858,149	3,227,716	(322,991)	55,787,815
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 53,624,568	$ 2,484,811	$ 3,640,097	$ 25,335	$ 59,774,811

See accompanying notes to basic financial statements.

Exhibit C-2

City of Kotzebue, Alaska

Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Position

	Major Funds			Nonmajor Fund	
Year Ended December 31, 2023	Water and Sewer Utility	Refuse	Package Store	Bar and Grill Enterprise Fund	Total Enterprise Funds
Operating Revenues					
Water use charges and connect fees	$ 1,841,820	$ -	$ -	$ -	$ 1,841,820
Sewer use charges and connect fees	826,103	-	-	-	826,103
Refuse and landfill	-	1,066,914	-	-	1,066,914
Net alcohol sales and permitting fees	-	-	1,577,773	-	1,577,773
Other operating revenues	42,255	-	-	-	42,255
Total Operating Revenues	2,710,178	1,066,914	1,577,773	-	5,354,865
Operating Expenses					
Administration	316,447	110,000	154,000	-	580,447
Water	1,213,448	-	-	-	1,213,448
Sewer	807,172	-	-	-	807,172
Refuse and landfill	-	990,149	-	-	990,149
Package store and distribution site	-	-	384,784	-	384,784
Depreciation	1,380,510	203,731	-	-	1,584,241
Total Operating Expenses	3,717,577	1,303,880	538,784	-	5,560,241
Income (loss) from operations	(1,007,399)	(236,966)	1,038,989	-	(205,376)
Nonoperating Revenues (Expenses)					
State PERS relief	13,650	8,912	4,206	-	26,768
Landfill closure liability reduction	-	(3,737)	-	-	(3,737)
Net Nonoperating Revenues	13,650	5,175	4,206	-	23,031
Income (loss) before transfers and capital contribution	(993,749)	(231,791)	1,043,195	-	(182,345)
Other Financing Sources					
Capital contributions - grants	1,264,187	-	-	-	1,264,187
Net Other Financing Sources	1,264,187	-	-	-	1,264,187
Change in net position	270,438	(231,791)	1,043,195	-	1,081,842
Net Position (Deficit), beginning	51,754,503	1,089,940	2,184,521	(322,991)	54,705,973
Net Position (Deficit), ending	$52,024,941	$ 858,149	$3,227,716	$(322,991)	$ 55,787,815

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Enterprise Funds
Statement of Cash Flows

Year Ended December 31, 2023	Major Funds: Water and Sewer Utility	Refuse	Package Store	Total Enterprise Funds
Cash Flows from (for) Operating Activities				
Receipts from customers and users	$ 2,554,424	$ 998,390	$ 3,178,056	$ 6,730,870
Payments to suppliers	(1,803,147)	(356,118)	(1,523,496)	(3,682,761)
Payments to employees	(889,973)	(573,416)	(316,098)	(1,779,487)
Payments for interfund services used	(286,000)	(110,000)	(154,000)	(550,000)
Net cash flows from (for) operating activities	(424,696)	(41,144)	1,184,462	718,622
Cash Flows from (for) Noncapital Financing Activities				
Decrease (increase) in due to from other funds	(1,287,033)	41,144	-	(1,245,889)
Cash Flows from (for) Capital and Related Financing Activities				
Capital grants received	1,795,390	-	-	1,795,390
Acquisition and construction of capital assets	(981,492)	-	-	(981,492)
Net cash flows from capital and related financing activities	813,898	-	-	813,898
Net increase (decrease) in cash and investments	(897,831)	-	1,184,462	286,631
Cash and Investments, beginning	2,531,003	-	1,593,395	4,124,398
Cash and Investments, ending	$ 1,633,172	$ -	$ 2,777,857	$ 4,411,029

City of Kotzebue, Alaska

Enterprise Funds
Statement of Cash Flows, continued

	Major Funds			
Year Ended December 31, 2023	Water and Sewer Utility	Refuse	Package Store	Total Enterprise Funds
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:				
Income (loss) from operations	$ (1,007,399)	$ (236,966)	$ 1,038,989	$ (205,376)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Noncash expense (income) - PERS relief	13,650	8,912	4,206	26,768
Decrease in allowance for uncollectible accounts	(39,610)	(63,510)	-	(103,120)
Depreciation	1,380,510	203,731	-	1,584,241
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(116,144)	(5,014)	-	(121,158)
Inventory	(73,831)	-	230,045	156,214
Net other postemployment benefits assets	(278,484)	(117,151)	43,390	(352,245)
Deferred outflows of resources - pension relatec	(24,496)	(4,027)	16,357	(12,166)
Deferred outflows of resources - OPEB related	(6,000)	2,693	11,359	8,052
Increase (decrease) in liabilities:				
Accounts payable	(762,209)	18,960	10,138	(733,111)
Accrued payroll and payroll liabilities	(2,203)	468	(469)	(2,204)
Accrued leave	(4,001)	(9,711)	3,479	(10,233)
Net pension liability	490,451	163,807	(161,314)	492,944
Deferred inflows of resources - OPEB related	5,070	(3,336)	(11,718)	(9,984)
Net Cash Flows from (for) Operating Activities	$ (424,696)	$ (41,144)	$ 1,184,462	$ 718,622
Noncash Capital and Related Financing Activities				
Capital assets purchased on account	$ 282,694	$ -	$ -	$ 282,694

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies

Reporting City

City of Kotzebue, Alaska (the City) was incorporated on October 14, 1958. The City operates under a Council-Manager form of government and provides a full range of services including public safety, streets, sanitation, water and sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements included in this report are for City of Kotzebue, Alaska only. There are no other component units for which City of Kotzebue, Alaska is financially accountable, nor do any special financial relationships exist between the City and any other City.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and 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 funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except reimbursement grants to be available if they are collected within 60 days after year end. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to accrued leave are recorded only to the extent they have matured.

Sales taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Most other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major Governmental Funds

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Major Proprietary Funds

The *Water and Sewer Utility Enterprise Fund* is used to account for the operations of the City's water system and the wastewater utility.

The *Refuse Enterprise Fund* is used to account for the operations of the City's solid waste and landfill activities.

The *Package Store Enterprise Fund* is used to account for the operations of the City's liquor store activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

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

Inventory

Inventories are valued at the lower of cost or market in the proprietary funds. Cost is determined by the first-in, first-out method. The cost is recorded as an expense at the time individual inventory items are consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the 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.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Accrued Leave

All full-time employees are eligible for paid personal leave. Accrued leave is recorded as an expense in the 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 (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City has recorded additions to infrastructure capital assets (e.g. roads, sidewalks, etc.) prospectively from the GASB Statement 34 implementation date, which was June 30, 2003. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized. Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 - 40 years
Improvements other than buildings	10 - 25 years
Machinery and equipment	5 - 25 years

Long-term Debt

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

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 fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council - the government's highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Manager have the authority to assign amounts to be used for specific purposes. 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 Fund Balance - 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 City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Unearned Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as unearned revenue.

Pensions and Other Postemployment Benefits (OPEB)

All full-time permanent employees of the City participate in the Public Employees' Retirement System ("PERS") administered by the State of Alaska.

For purposes of measuring the net pension and net OPEB liability, 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's 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.

Budgets and Budgetary Compliance

Kotzebue City Code requires that the City Manager prepare and submit a budget to the Council by November 1st of each year. The Council will hold public hearings on the budget and must adopt the budget and make the appropriation ordinance not later than December 15th. If the Council does not adopt a budget, the original budget submission shall become the budget. The City Council may amend the budget at any time, following the public hearing process. All appropriations lapse at year end, unless they have been expended or lawfully encumbered.

2. Cash and Investments

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

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City’s deposit and investment balances to the financial statements at December 31, 2023.

Bank deposits	$ 4,763,224
Investments:	
Alaska Municipal League Investment Pool (AMLIP)	393,275
Certificates of deposit	237,989
Total Cash and Investments	**$ 5,394,488**

Investments

Investment Policy

The City is authorized to invest in the following instruments. All securities purchased by the City and all other City investments must mature not later than the time indicated below, measured from the date of the City's investment transaction.

1. Obligations of, or obligations insured or guaranteed by the United States or an agency or instrumentality of the United States – up to ten (10) years.

2. Certificates of deposit and other deposits at banks and savings and loans associations – up to ten (10) years.

3. Federally insured deposits at banks and savings and loan associations – up to ten (10) years.

4. Bonds and notes which are issued by a State or political subdivision thereof, or pursuant to the Tribal Tax Statutes Act 26 U.S.C. Sec. 7871 and which are rated AA or higher by a nationally recognized rating service – up to ten (10) years.

5. Commercial paper issued by corporations and having the highest rating given by a nationally recognized rating service - two hundred seventy (270) days.

6. Bankers acceptances drawn on and accepted (a) at banks, all of whose debt issues are rated at least AA or its equivalent by a nationally recognized rating service or (b) if the bank is a subsidiary of one bank holding company, all of whose commercially held paper has the highest rating given by a nationally recognized rating service or whose debt issues meet the requirements in (a) above - one hundred eighty (180) days.

7. Money market mutual funds whose portfolio consists entirely of instruments - maturity date not applicable, which are U.S. government, or U.S. government guaranteed obligations, which have a constant net asset value.
8. Repurchase agreements, the securities underlying the agreement being any of the items listed in subsection 1 and 6 of this section which meet a margin requirement of 102%.

9. The Alaska Municipal League Investment Pool, made in accordance with terms of that Pool's "Common Investment Agreement."

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City of Kotzebue, Alaska's investments at December 31, 2023 consisted of nonnegotiable certificates of deposit and investment in the Alaska Municipal League Investment Pool (AMLIP), which are not subject to interest rate risk.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash and investments include $393,275 invested in the Alaska Municipal League Investment Pool). The Pool was rated a principal stability rating of AAAm by Standard & Poor's (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or visiting www.amlip.org.

The City does not have any recurring fair value measurements as of December 31, 2023.

The City has investments in certificates of deposit totaling $237,989 that are not held at fair value, but instead recorded at amortized cost as of December 31, 2023.

Alaska Statute (AS) 37.23 provides for regulatory oversight of the Pool. The Statute provides requirements regarding authorized investments and reporting. The Pool is incorporated in Alaska as a nonprofit corporation and reports to a board of directors. AS 37.23.050 requires retention of an investment manager. The manager is required to produce monthly disclosure statements for the Pool. An investment advisor monitors the performance of the investment manager to ensure compliance with investment policies. 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. The fair value of the investments in the Pool are reviewed monthly by an independent pricing service. The Pool meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity and shadow price. There are no restrictions or limitations on withdrawals from the Pool. As of December 31, 2023, the fair value of the investments in the Pool approximates the amortized cost at which they are reported. The fair value of our investments in the Pool is the same as the value of our Pool units.

Credit Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. Of the bank balance at December 31, 2023, $250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), $6,869,713 was subject to a collateral agreement with the depository financial institutions and $2,100,246 was not insured or collateralized.

3. Receivables

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2023, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental Funds	Total Governmental Funds
Accounts	$ 208,816	$ -	$ 208,816
Grants and shared revenues	98,555	89,271	187,826
Sales tax	576,494	-	576,494
Total Receivables	$ 883,865	$ 89,271	$ 973,136

	Major Enterprise Funds		
	Water & Sewer	Refuse	Total Enterprise Funds
Accounts	$ 357,372	$ 185,225	$ 542,597
Grants and shared revenues	288,020	-	288,020
Total receivables	645,392	185,225	830,617
Less allowance for uncollectible accounts	(51,460)	(44,466)	(95,926)
Net Receivables	$ 593,932	$ 140,759	$ 734,691

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

4. Capital Assets

Capital asset activity for the year ended December 31, 2023 follows:

Governmental Activities	Balance December 31, 2022	Additions & Reclass	Deletions & Reclass	Balance December 31, 2023
Capital assets not being depreciated:				
Land and land improvements	$ 575,000	$ -	$ -	$ 575,000
Construction in progress	38,527,072	9,637,974	(3,294,918)	44,870,128
Total assets not being depreciated	39,102,072	9,637,974	(3,294,918)	45,445,128
Capital assets being depreciated:				
Infrastructure	773,908	2,727,407	-	3,501,315
Buildings	8,442,815	-	-	8,442,815
Small boat harbor	9,590,671	-	-	9,590,671
Machinery and equipment	5,098,939	723,638	-	5,822,577
Total capital assets being depreciated	23,906,333	3,451,045	-	27,357,378
Less accumulated depreciation for:				
Infrastructure	64,492	233,420	-	297,912
Buildings	4,990,900	212,878	-	5,203,778
Small boat harbor	3,652,884	482,040	-	4,134,924
Machinery and equipment	3,325,118	340,520	-	3,665,638
Total accumulated depreciation	12,033,394	1,268,858	-	13,302,252
Total capital assets being depreciated, net	11,872,939	2,182,187	-	14,055,126
Governmental Activity Capital Assets, net	$ 50,975,011	$ 11,820,161	$ (3,294,918)	$ 59,500,254

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Business-type Activities	Balance December 31, 2022	Additions & Reclass	Deletions & Reclass	Balance December 31, 2023
Capital assets not being depreciated:				
Land and land improvements	$ 230,983	$ -	$ -	$ 230,983
Construction in progress	26,067,210	1,264,187	-	27,331,397
Total assets not being depreciated	26,298,193	1,264,187	-	27,562,380
Capital assets being depreciated:				
Buildings	2,381,895	-	-	2,381,895
Improvements other than buildings	89,804,214	-	-	89,804,214
Machinery and equipment	6,041,917	-	-	6,041,917
Total capital assets being depreciated	98,228,026	-	-	98,228,026
Less accumulated depreciation for:				
Buildings	1,968,931	79,400	-	2,048,331
Improvements other than buildings	68,910,743	1,304,137	-	70,214,880
Machinery and equipment	3,960,657	200,704	-	4,161,361
Total accumulated depreciation	74,840,331	1,584,241	-	76,424,572
Total capital assets being depreciated, net	23,387,695	(1,584,241)	-	21,803,454
Business-type Activity Capital Assets, net	$ 49,685,888	$ (320,054)	$ -	$ 49,365,834

Depreciation expense was charged to the functions as follows:

Governmental Activities	
General government	$ 62,289
Public safety	298,267
Public works	791,216
Parks and recreation	117,086
Total Depreciation Expense - Governmental Activities	$ 1,268,858

Business-type Activities	
Water and sewer utility	$ 1,380,510
Refuse	203,731
Total Depreciation Expense - Business-type Activities	$ 1,584,241

5. Interfund Receivables, Payables, Advances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2023, follows:

Due from Other Funds	
Due to the Water and Sewer Utility Enterprise Fund from:	
General Fund	$ 1,733,627
Nonmajor governmental funds	456,876
Bar and Grill Enterprise Fund	348,326
Refuse Enterprise Fund	447,989
Total Due from Other Funds	$ 2,986,818

Transfers to Other Funds	
From General Fund to:	
Nonmajor governmental funds for operating subsidies	$ 24,085
Total Transfers	$ 24,085

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2023:

Governmental Activities	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023	Due Within One Year
Accrued leave	$ 198,832	$ 321,961	$ (331,186)	$ 189,607	$ 189,607
Net pension liability	6,472,554	-	(39,343)	6,433,211	-
Total Governmental Activities	$ 6,671,386	$ 321,961	$ (370,529)	$ 6,622,818	$ 189,607

The long-term liabilities related to governmental activities are generally liquidated by the General Fund.

Business-type Activities	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023	Due Within One Year
Accrued leave	$ 37,758	$ 84,232	$ (94,465)	$ 27,525	$ 27,525
Estimated landfill closure costs	334,877	3,737	-	338,614	-
Net pension liability	1,871,497	492,944	-	2,364,441	-
Total Business-type Activities	$ 2,244,132	$ 580,913	$ (94,465)	$ 2,730,580	$ 27,525

7. Fund Balances

Fund balances, reported for the major funds and the nonmajor funds in the aggregate, on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Nonmajor Funds	Totals
Nonspendable - prepaid items	$ 412,279	$ 72,255	$ 484,534
Assigned - public safety	-	160,095	160,095
Unassigned	(581,666)	(395,048)	(976,714)
Total Fund Balances	$ (169,387)	$ (162,698)	$ (332,085)

Deficit fund balances will be covered through operating transfers from the Water and Sewer Utility enterprise fund in future years.

8. Municipal Landfill Closure and Post Closure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post closure care costs each period based on landfill capacity used as of each balance sheet date.

Management estimates that one of the two existing cells are 100% full and the other cell is approximately 80% full. Cell one is fully capped. The $338,614 reported as landfill closure liability at December 31, 2023 represents the estimated closing cost once the cell is at capacity. The remaining life of the cell currently being used is estimated to be approximately 23 years.

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9. Pension and Other Postemployment Benefits Plan

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

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

Historical Context and Special Funding Situation

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

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

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

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Contribution rates are actuarially determined. The City's contribution rates for the 2022 calendar year were as follows:

January 1, 2023 to June 30, 2023	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	18.38%	2.79%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.41%	-%
Total Contribution Rates	24.79%	2.79%

July 1, 2022 to December 31, 2022	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	18.47%	3.10%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.63%	-%
Total Contribution Rates	25.10%	3.10%

Alaska Statue 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the period from January 1, 2023 to June 30, 2023 as well as the period July 1, 2023 to December 31, 2023, the employer rate was 22.00% for pension and 0.00% for ARHCT. The contribution requirements and the City 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 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and 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.

In 2023, the City was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2022 to June 30, 2023	City Fiscal Year January 1, 2023 to December 31, 2023
Employer contributions (including DBUL)	$ 777,904	$ 726,480
Nonemployer contributions (on-behalf)	149,195	146,424
Total Contributions	$ 927,099	$ 872,904

In addition, employee contributions to the Plan totaled $348,386 during the City's fiscal year.

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

At December 31, 2023, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the City were as follows:

	2023
City proportionate share of NPL	$ 8,797,652
State's proportionate share of NPL associated with the City	2,931,085
Total Net Pension Liability	$ 11,728,737

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2023 measurement date, the City's proportion was 0.44861 percent, which was a(n) decrease (increase) of 0.2849 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of $1,251,922 and on-behalf revenue of $149,195 for support provided by the State. At December 31, 2023, the City 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	$ 229,631	$ -
City contributions subsequent to the measurement date	348,386	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	$ 578,017	$ -

The $348,386 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2024	$ (87,092)
2025	(192,616)
2026	521,090
2027	(11,751)
2028	-
Thereafter	-
Total Amortization	$ 229,631

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2023 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2024 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality Peace officer/firefighter	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety

	Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

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.

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Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.82%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	27%	+/- 6%	6.17 %
Global equity (non-U.S.)	18%	+/- 4%	6.55 %
Aggregate bonds	19%	+/- 10%	1.63 %
Multi-asset	8%	+/- 4%	- %
Real assets	14%	+/- 7%	4.87 %
Private equity	14%	+/- 7%	11.57 %
Cash equivalents	-%	-%	0.49 %

Discount Rate

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

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

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

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability	0. 0.16967%	$ 11,810,822	$ 8,797,652	$ 6,252,411

Pension Plan Fiduciary Net Position

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

(b) Defined Contribution (DC) Pension Plan

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

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended December 31, 2022 to cover a portion of the City's employer match contributions. For the year ended December 31, 2022, forfeitures reduced pension expense by $64,905.

Employee Contribution Rate

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

Employer Contribution Rate

For the year ended December 31, 2022, the City was required to contribute 5% of covered salary into the Plan.

The City and employee contributions to PERS for pensions for the year ended December 31, 2022 were $242,677 and $388,282, respectively. The City contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

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

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

Employer Contribution Rates

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

Employer contribution rates for the year ended December 31, 2023 were as follows:

January 1, 2023 to June 30, 2023	Other	Peace/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.10%	1.10%
Occupational Death and Disability Benefits	0.30%	0.68%
Total Contribution Rates	1.40%	1.78%

July 1, 2023 to December 31, 2023	Other	Peace/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.01%	1.01%
Occupational Death and Disability Benefits	0.30%	0.68%
Total Contribution Rates	1.31%	1.69%

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

	Measurement Period July 1, 2022 to June 30, 2023	City Fiscal Year January 1, 2023 to December 31, 2023
Employer contributions – RMP	$ 51,386	$ 44,915
Employer contributions – ODD	19,897	17,933
Total Contributions	$ 71,283	$ 62,848

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

At December 31, 2023, the City reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

City's proportionate share of NOA – ARHCT	$ (3,893,968)
City's proportionate share of NOA – RMP	(130,113)
City's proportionate share of NOA – ODD	(166,637)
Total City's Proportionate Share of NOA	**$ (4,190,718)**
State's proportionate share of the ARHCT NOA associated with the City	(1,307,500)
Total Net OPEB Asset	**$ (5,498,218)**

The total OPEB liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 and adjusted to reflect updated assumptions to calculate the net OPEB assets as of that date. The City's proportion of the net OPEB assets were based on a projection of the City's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2022 Measurement Date Employer Proportion	June 30, 2023 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB assets:			
ARHCT	0.16261%	0.16923 %	0.00662 %
RMP	0.29065%	0.27401 %	(0.01664)%
ODD	0.34388%	0.32480 %	(0.01908)%

For the year ended December 31, 2023, the City recognized OPEB expense (benefit) of $684,288. Of this amount, $222,818 was recorded as on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense (benefit) and on-behalf revenue is listed by plan in the table below:

Plan	OPEB Expense (Benefit)	On-behalf Revenue
ARHCT	$ (698,445)	$ (222,818)
RMP	16,737	-
ODD	(2580)	-
Total	$ (684,288)	$ (222,818)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

Deferred Outflows of Resources	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	$ 8,085	$ 3,966	$ -	$ 12,051
Changes in assumptions	-	13,992	-	13,992
Difference between projected and actual investment earnings	177,235	10,903	3,847	191,985
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,562	14,736	17,298
City contributions subsequent to the measurement date	-	20,583	8,515	29,098
Total Deferred Outflows of Resources Related to OPEB Plans	$ 185,320	$ 52,006	$ 27,098	$ 264,424

Deferred Inflows of Resources	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	$ -	$ (4,200)	$ (46,821)	$ (51,021)
Changes in assumptions	(71,658)	(105,805)	(693)	(178,156)
Changes in proportion and differences between City contributions and proportionate share of contributions	(22,100)	(1,453)	(6,110)	(29,663)
Total Deferred Inflows of Resources Related to OPEB Plans	$ (93,758)	$ (111,458)	$ (53,624)	$ (258,840)

Amounts reported as deferred outflows of resources related to OPEB plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB assets in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ending December 31,	ARHCT	RMP	ODD	Total
2024	$ (162,775)	$ (16,371)	$ (9,561)	$ (188,707)
2025	(160,099)	(18,467)	(10,327)	(188,893)
2026	425,287	(215)	(3,878)	421,194
2027	(10,851)	(19,251)	(5,420)	(35,522)
2028	-	(13,949)	(3,398)	(17,347)
Thereafter	-	(11,782)	(2,457)	(14,239)
Total Amortization	$ 91,562	$ (80,035)	$ (35,041)	$ (23,514)

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations 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:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2023 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2024 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.2% grading down to 4.5% Rx/EGWP: 7.2% grading down to 4.5% Initial trend rates are from FY 2024 Ultimate trend rates reached in FY 2050
Mortality Peace officer/firefighter (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupation causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality

	rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
All others (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible.
Peace officer/firefighter	20% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.
All others	25% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

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.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.82%, for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	27%	+/- 6%	6.17%
Global equity (non-U.S.)	18%	+/- 4%	6.55%
Aggregate bonds	19%	+/- 10%	1.63%
Multi-asset	8%	+/- 4%	-%
Real assets	14%	+/- 7%	4.87%
Private equity	14%	+/- 7%	11.57%
Cash equivalents	-%	-%	0.49%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2023 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position or each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

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

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

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net OPEB asset:				
ARHCT	0.00169%	$ 2,588,296	$ 3,893,968	$ 4,990,806
RMP	0.00274%	$ 4,521	$ 130,113	$ 226,053
ODD	0.00325%	$ 156,572	$ 166,637	$ 174,472

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

The following presents the City's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation reports as well as what the City's proportionate share of the respective plan's net OPEB asset (liability) would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB asset:				
ARHCT	0.00169%	$ 5,116,268	$ 3,893,968	$ 2,438,543
RMP	0.00274%	$ 238,929	$ 130,113	$ (16,052)
ODD	0.00325%	$ n/a	$ n/a	$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2023, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,303 per year for each full-time employee, and $1.48 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2023, the City contributed $120,919 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

10. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time 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. In accordance with the Internal Revenue Code, all assets and income of the Plan are held in trust for the exclusive benefit of participants and their beneficiaries.

11. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies, transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and workers’ compensation. The City has no coverage for potential losses from environmental pollution damages. The AML/JIA is a public City risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended December 31, 2023. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

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12. Contingencies

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by the granting agency. Any disallowed grant expenditures, including amounts already collected, would become a liability of the City.

Other

The City, in the normal course of its activities, is involved in various claims and litigation. In the opinion of management and the City's legal counsel, the disposition of these matters is not expected to have a material adverse effect on the City's financial statements.

13. Subsequent Events

On November 28, 2023, the City of Kotzebue signed into an agreement to purchase a tract of land and the existing structures and fixtures on the land. The closing on this property occurred on February 7, 2024. The total purchase price of this property was $595,000. As a part of the purchase, the City also signed a note payable agreement in the amount of $300,000, to be paid over the course of 24 months at a 9.5% interest rate with the last payment due in December, 2025.

14. New Accounting Pronouncements

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

GASB Statement No. 91 – Conduit Debt Obligations – Effective for year-end December 31, 2023.This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

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

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements – Effective for year-end December 31, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

The GASB has issued new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined. The statements are as follows:

GASB Statement No. 99 – Omnibus 2022 – Provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, classification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. The effective date for the provisions of this Statement related to leases, PPPs, and SBITAs are to be implemented for year-end December 31, 2023. The effective date for the provisions of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53, are to be implemented for year-end December 31, 2024.

GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 – Effective for year-end December 31, 2024. Earlier application is encouraged. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101 – Compensated Absences – Effective for year-end December 31, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

GASB Statement No. 103 – Financial Reporting Model Improvements – Effective for year-end December 31, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

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Required Supplementary Information

Exhibit D-1

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2023	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	$ 4,613,500	$ 4,613,500	$ 5,462,884	$ 849,384
Intergovernmental - Federal Government	-	-	9,443,924	9,443,924
Intergovernmental - State of Alaska	1,725,193	1,725,193	1,501,165	(224,028)
Charges for services	1,405,000	1,405,000	1,529,972	124,972
Investment income	15,000	15,000	29,256	14,256
Other	243,605	243,605	391,152	147,547
Total Revenues	8,002,298	8,002,298	18,358,353	10,356,055
Expenditures				
General government	2,157,341	2,157,341	2,109,913	47,428
Public safety	5,105,389	5,105,389	3,995,622	1,109,767
Public works	2,928,076	2,928,076	2,631,351	296,725
Community services	85,000	85,000	81,128	3,872
Small boat harbor	175,356	175,356	47,742	127,614
Parks and recreation	564,891	564,891	294,088	270,803
Nondepartmental	-	10,000	10,316	(316)
Capital outlay	-	-	9,469,532	(9,469,532)
Total Expenditures	11,016,053	11,026,053	18,639,692	(7,613,639)
Excess of revenues under expenditures	(3,013,755)	(3,023,755)	(281,339)	2,742,416
Other Financing Sources (Uses)				
Transfers in	-	1,778,344	-	(1,778,344)
Transfers out	-	-	(24,085)	(24,085)
Net Other Financing Sources (Uses)	-	1,778,344	(24,085)	(1,802,429)
Net change in fund balance	$ (3,013,755)	$ (1,245,411)	(305,424)	$ 939,987
Fund Balance, beginning			136,037	
Fund Balance, ending			$ (169,387)	

See accompanying notes to Required Supplementary Information.

Exhibit E-1

City of Kotzebue, Alaska

Public Employees' Retirement System - Pension Plan
Schedule of the City's Proportionate Share of the Net Pension Liability

Years Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.16967%	0.16371%	0.19332%	0.14088%	0.12462%	0.16638%	0.13850%	0.17870%	0.13530%
City's Proportionate Share of the Net Pension Liability	$ 8,797,652	$ 8,344,051	$ 7,091,889	$ 8,313,413	$ 6,821,839	$ 8,267,291	$ 7,157,428	$ 9,988,174	$ 6,561,009
State of Alaska Proportionate Share of the Net Pension Liability	2,931,085	2,308,291	961,765	3,438,730	2,709,407	2,395,921	2,667,186	1,260,828	1,758,881
Total Net Pension Liability	$ 11,728,737	$ 10,652,342	$ 8,053,654	$ 11,752,143	$ 9,531,246	$ 10,663,212	$ 9,824,614	$ 11,249,002	$ 8,319,890
City's Covered Payroll	5,079,369	4,900,731	5,168,392	4,985,016	4,401,509	4,288,089	4,508,694	4,497,656	4,342,363
City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	173.20%	170.26%	137.22%	166.77%	154.99%	192.80%	158.75%	222.08%	151.09%
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%

Schedule of City Contributions

Years Ended December 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	$ 726,480	$ 753,024	$ 630,003	$ 608,968	$ 478,079	$ 498,261	$ 470,028	$ 420,047	$ 389,048
Contributions Relative to the Contractually Required Contribution	726,480	753,024	630,003	608,968	478,079	498,261	470,028	420,047	389,048
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	5,238,957	4,919,781	4,881,682	5,455,102	4,514,929	4,288,089	4,508,694	4,497,656	4,342,363
Contributions as a Percentage of Covered Payroll	13.87%	15.31%	12.91%	11.16%	10.59%	11.62%	10.42%	9.34%	8.96%

See accompanying notes to Required Supplementary Information.

Exhibit E-2

City of Kotzebue, Alaska

Public Employees' Retirement System - OPEB Plans

Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

	ARHCT						RMP						ODD					
Years Ended December 31,	2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.00169%	0.16261%	0.19420%	0.14090%	0.12455%	0.16638%	0.00274%	0.29065%	0.29274%	0.30357%	0.28296%	0.28219%	0.00325%	0.34388%	0.36577%	0.39778%	0.39521%	0.28219%
City's Proportionate Share of the Net OPEB Liability (Asset)	$ (3,893,968)	$ (3,199,396)	$ (4,981,814)	$ (638,143)	$ 184,805	$ 1,707,569	$ (130,113)	$ (100,942)	$ (78,577)	$ 21,532	$ 67,696	$ 35,909	$ (166,637)	$ (150,747)	$ (161,207)	$ (108,436)	$ (95,820)	$ (54,807)
State of Alaska Proportionate Share of the Net OPEB Liability	(1,307,500)	(915,402)	(654,504)	(264,562)	73,522	495,223	-	-	-	-	-	-	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	$ (5,201,468)	$ (4,114,798)	$ (5,636,318)	$ (902,705)	$ 258,327	$ 2,202,792	$ (130,113)	$ (100,942)	$ (78,577)	$ 21,532	$ 67,696	$ 35,909	$ (166,637)	$ (150,747)	$ (161,207)	$ (108,436)	$ (95,820)	$ (54,807)
City's Covered Payroll	778,895	668,977	3,063,088	4,985,016	5,575,055	4,508,694	4,300,474	4,231,754	3,063,088	4,985,016	5,575,055	1,795,350	4,300,474	4,231,754	3,063,088	4,985,016	5,575,055	1,795,350
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-499.93%	-478.25%	-162.64%	-12.80%	3.31%	37.87%	-3.03%	-2.39%	-2.57%	0.43%	1.21%	2.00%	-3.87%	-3.56%	-5.26%	-2.18%	-1.72%	-3.05%
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%	124.29%	120.08%	115.10%	95.23%	83.17%	88.71%	349.24%	348.80%	374.22%	283.80%	297.43%	270.62%

Schedule of the City Contributions

	ARHCT						RMP						ODD					
Years Ended December 31,	2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018
Contractually Required Contributions	$ -	$ 20,349	$ 46,609	$ 134,873	$ 182,356	$ 165,894	$ 44,915	$ 52,671	$ 49,071	$ 57,977	$ 41,323	$ 32,053	$ 17,933	$ 20,818	$ 18,534	$ 19,807	$ 15,961	$ 12,220
Contributions Relative to the Contractually Required Contribution	-	20,349	46,609	134,873	182,356	165,894	44,915	52,671	49,071	57,977	41,323	32,053	17,933	20,818	18,534	19,807	15,961	12,220
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's Covered Payroll	890,909	666,881	671,073	5,455,102	4,514,929	4,288,089	4,348,048	4,252,900	4,210,609	5,455,102	4,514,929	2,203,386	4,348,048	4,252,900	4,210,609	5,455,102	4,514,929	2,203,386
Contributions as a Percentage of Covered Payroll	0.00%	3.05%	6.95%	2.47%	4.04%	3.87%	1.03%	1.24%	1.17%	1.06%	0.92%	1.45%	0.41%	0.49%	0.44%	0.36%	0.35%	0.55%

See accompanying notes to Required Supplementary Information.

1. Public Employees' Retirement System Pension Plan

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

This table is presented based on the Plan measurement date. For December 31, 2023, 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, 2021, rolled forward to the measurement date of June 30, 2023 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

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

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

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

Schedule of City Contributions

This table is based on the City'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 City will present only those years for which information is available.

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2. Public Employees' Retirement System OPEB Plans

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

This table is presented based on the Plan measurement date. For December 31, 2023, 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, 2021, rolled forward to the measurement date of June 30, 2023 and adjusted to reflect updated assumptions. The updated demographic and economic assumptions were adopted by the Board in June 2022 based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.

2. The amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid for postretirement healthcare plan assets.

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

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

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

Schedule of City Contributions

This table is based on the City'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 City will present only those years for which information is available.

Supplementary Information

Exhibit F-1

City of Kotzebue, Alaska

Nonmajor Governmental Funds
Combining Balance Sheet

December 31, 2023	Special Revenue Funds: Emergency Services E911	Special Revenue Funds: Forfeiture	Special Revenue Funds: AEA Lights	Capital Project Funds: Legislative Grants	Capital Project Funds: Repairs and Replacement	Capital Project Funds: Washateria and Public Showers Facility	Capital Project Funds: Village Improve-ment 1	Capital Project Funds: Village Improve-ment 2	Total Nonmajor Governmental Funds
Current Assets									
Cash and investments	$ -	$ 1,389	$5,707	$ -	$ -	$ -	$ -	$305,491	$ 312,587
Receivables - grants	-	-	-	13,842	-	65,699	9,730	-	89,271
Prepaid items	72,255	-	-	-	-	-	-	-	72,255
Total Assets	72,255	1,389	5,707	13,842	-	65,699	9,730	305,491	474,113
Liabilities and Fund Balances									
Liabilities									
Accounts payable	$ -	$ -	$ -	$ 6,930	$ -	$ 14,349	$ 5,568	$146,785	$ 173,632
Due to other funds	72,255	-	-	6,912	322,197	51,350	4,162	-	456,876
Unearned revenue	-	-	6,303	-	-	-	-	-	6,303
Total Liabilities	72,255	-	6,303	13,842	322,197	65,699	9,730	146,785	636,811
Fund Balances									
Nonspendable - prepaid	72,255	-	-	-	-	-	-	-	72,255
Assigned	-	1,389	-	-	-	-	-	158,706	160,095
Unassigned	(72,255)	-	(596)	-	(322,197)	-	-	-	(395,048)
Total Fund Balances	-	1,389	(596)	-	(322,197)	-	-	158,706	(162,698)
Total Liabilities and **Fund Balances**	$ 72,255	$ 1,389	$5,707	$ 13,842	$ -	$ 65,699	$ 9,730	$305,491	$ 474,113

City of Kotzebue, Alaska

Exhibit F-2

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended December 31, 2023	Special Revenue Funds: Emergency Services E911	Special Revenue Funds: Forfeiture	Special Revenue Funds: AEA Lights	Capital Project Funds: Legislative Grants	Capital Project Funds: Repairs and Replacement	Capital Project Funds: Washateria and Public Showers Facility	Capital Project Funds: Village Improvement 1	Capital Project Funds: Village Improvement 2	Total Nonmajor Governmental Funds
Revenues									
Intergovernmental:									
Federal Government	$ -	$ -	$ -	$ -	$ -	$ 65,699	$ -	$ -	$ 65,699
State of Alaska	-	-	47,296	13,842	-	-	-	-	61,138
Local	-	-	-	-	-	-	9,730	280,000	289,730
Total Revenues	-	-	47,296	13,842	-	65,699	9,730	280,000	416,567
Expenditures									
General government	-	-	47,296	428	-	-	-	-	47,724
Public works	-	-	-	-	108,380	-	-	-	108,380
Capital outlay	24,085	-	-	13,414	541,235	65,699	9,730	185,964	840,127
Total Expenditures	24,085	-	47,296	13,842	649,615	65,699	9,730	185,964	996,231
Excess of revenues over (under) expenditures	(24,085)	-	-	-	(649,615)	-	-	94,036	(579,664)
Other Financing Sources									
Transfers in	24,085	-	-	-	-	-	-	-	24,085
Net change in fund balances	-	-	-	-	(649,615)	-	-	94,036	(555,579)
Fund Balances, beginning	-	1,389	(596)	-	327,418	-	-	64,670	392,881
Fund Balances, ending	$ -	$ 1,389	$ (596)	$ -	$ (322,197)	$ -	$ -	$ 158,706	$ (162,698)

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General Fund

The General Fund accounts for the financial operations of City of Kotzebue which are not accounted for in any other fund. Principal sources of revenues are intergovernmental revenues, charges for services, and sales tax. Primary expenditures in the General Fund are for general government, public safety and public works.

Exhibit G-1

City of Kotzebue, Alaska

General Fund
Balance Sheet

December 31,	2023	2022
Current Assets		
Cash and investments	$ 670,872	$ -
Receivables:		
Accounts	208,816	263,311
Grants and shared revenues	98,555	97,929
Sales tax	576,494	513,588
Prepaid items	412,279	454,643
Total Assets	$ 1,967,016	$ 1,329,471
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$ 167,588	$ 151,146
Accrued payroll and payroll liabilities	135,490	127,514
Due to other funds	1,733,627	842,365
Total Liabilities	2,036,705	1,121,025
Deferred Inflows of Resources		
Delinquent sales taxes	9,478	-
ARPA revenues	-	1,054
Leases	84,178	65,313
E-911 surcharge revenues	6,042	6,042
Total Deferred Inflows of Resources	99,698	72,409
Fund Balance		
Nonspendable - prepaid items	412,279	454,643
Unassigned	(581,666)	(318,606)
Total Fund Balance	(169,387)	136,037
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,967,016	$ 1,329,471

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Sales tax	$ 3,953,500	$ 4,777,571	$ 824,071	$ 4,457,924
Alcohol use tax	180,500	182,198	1,698	186,100
Tobacco use tax	360,000	304,855	(55,145)	326,500
Hotel and bed tax	102,000	138,974	36,974	114,383
Penalties and interest	17,500	59,286	41,786	28,524
Total taxes	4,613,500	5,462,884	849,384	5,113,431
Intergovernmental:				
Federal Government:				
Department of Transportation	-	9,443,924	9,443,924	12,331,799
ARPA funding	-	-	-	392,834
Other	-	-	-	100
Total Federal Government	-	9,443,924	9,443,924	12,724,733
State of Alaska:				
Jail contract	1,182,050	1,177,908	(4,142)	1,079,979
State revenue sharing	100,180	112,873	12,693	146,115
PERS relief	357,342	106,938	(250,404)	233,878
Electric and telephone co-op tax	85,621	103,446	17,825	106,585
Total State of Alaska	1,725,193	1,501,165	(224,028)	1,566,557
Charges for services:				
Administration fees	550,000	550,000	-	550,000
Ambulance services	855,000	979,972	124,972	776,191
Total charges for services	1,405,000	1,529,972	124,972	1,326,191

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Revenues, continued				
Investment income (loss)	$ 15,000	$ 29,256	$ 14,256	$ (11,477)
Other revenues:				
Other rentals and leases	130,500	87,495	(43,005)	23,355
Permits, licenses and fines	18,250	26,090	7,840	21,035
Community activities	3,000	4,700	1,700	3,950
Other	91,855	272,867	181,012	77,918
Total other revenues	243,605	391,152	147,547	126,258
Total Revenues	8,002,298	18,358,353	10,356,055	20,845,693
Expenditures				
General government:				
City council and clerk:				
Personnel	131,400	117,113	14,287	97,400
Books and publications	500	-	500	325
Supplies	3,750	403	3,347	3,553
Other services and charges	3,575	1,258	2,317	3,367
Telephone	2,500	2,076	424	2,794
Travel and per diem	20,000	41,762	(21,762)	39,142
Training	2,000	4,392	(2,392)	7,571
Dues and memberships	4,750	1,317	3,433	1,248
Insurance	2,100	2,227	(127)	2,086
Advertising	1,500	-	1,500	-
Total city council and clerk	172,075	170,548	1,527	157,486
Administration:				
Personnel	1,102,791	972,644	130,147	958,972
Electricity	8,500	7,194	1,306	7,275
Heating fuel	12,675	10,798	1,877	9,456
Books and publications	200	25	175	326
Supplies	18,000	16,727	1,273	25,924
Other services and charges	26,900	21,445	5,455	20,620
Telephone	30,000	26,772	3,228	26,148

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
General government, continued:				
Administration, continued:				
Travel and per diem	$ 15,500	$ 36,128	$ (20,628)	$ 23,061
Training	5,000	1,819	3,181	2,886
Ambulance 3rd-party billing fees	25,000	30,601	(5,601)	4,176
Dues and memberships	-	200	(200)	100
Postage	3,000	2,621	379	2,401
Other consulting	90,000	71,898	18,102	124,685
Auditing and consulting	270,000	309,055	(39,055)	229,507
Legal	157,000	255,326	(98,326)	180,757
Insurance	10,000	10,829	(829)	9,773
Lobbying	100,000	54,114	45,886	51,819
Repairs and maintenance	81,200	77,515	3,685	77,615
Equipment and capital outlay	29,500	33,654	(4,154)	29,450
Total administration	1,985,266	1,939,365	45,901	1,784,951
Total general government	2,157,341	2,109,913	47,428	1,942,437
Public safety:				
Police:				
Personnel	1,503,250	1,105,702	397,548	1,298,230
Electricity	8,500	7,208	1,292	9,152
Heating fuel	9,100	8,942	158	6,286
Clothing	6,500	4,516	1,984	5,073
Supplies	28,250	30,402	(2,152)	28,164
Other services and charges	1,300	1,091	209	730
Telephone	9,500	10,070	(570)	10,567
Travel and per diem	15,000	20,578	(5,578)	7,098
Employee rent	15,000	1,434	13,566	(1,197)
Training	35,000	23,317	11,683	34,139
Dues and memberships	750	5,531	(4,781)	490
Consulting	20,000	22,318	(2,318)	17,114
Insurance	163,000	178,867	(15,867)	166,037
Advertising	1,000	-	1,000	-
Vehicle fuel	30,375	36,043	(5,668)	26,720
Repairs and maintenance	13,500	8,525	4,975	11,817
Equipment and capital outlay	1,250	3,200	(1,950)	2,231
Animal control	2,000	276	1,724	4,647
Total police	1,863,275	1,468,020	395,255	1,627,298

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Public safety, continued:				
Jail:				
Personnel	$ 1,173,084	$ 887,662	$ 285,422	$ 915,773
Electricity	10,000	12,605	(2,605)	12,564
Heating fuel	78,000	40,702	37,298	39,878
Supplies	53,500	46,409	7,091	48,058
Clothing	3,000	2,953	47	605
Telephone	9,000	9,933	(933)	10,065
Travel and per diem	8,500	11,362	(2,862)	-
Training	5,000	1,418	3,582	3,645
Employee rent	15,000	12,140	2,860	7,840
Television	1,850	1,397	453	1,325
Dues and memberships	650	-	650	-
Consulting	10,000	11,798	(1,798)	19,513
Insurance	100,000	114,759	(14,759)	109,537
Repairs and maintenance	48,423	9,997	38,426	11,654
Equipment and capital outlay	-	-	-	4,005
Total jail	1,516,007	1,163,135	352,872	1,184,462
Fire and emergency medical services:				
Personnel	1,507,102	1,184,103	322,999	1,234,118
Electricity	14,000	13,250	750	12,375
Heating fuel	71,500	77,582	(6,082)	58,217
Supplies	7,000	9,171	(2,171)	5,629
Other services and charges	5,500	147	5,353	15,288
Clothing	25,000	18,429	6,571	4,306
Telephone	3,280	3,913	(633)	2,471
Travel and per diem	12,500	7,438	5,062	12,617
Training	17,825	(4,683)	22,508	15,899
Insurance	11,500	12,678	(1,178)	11,821
Vehicle fuel	12,150	15,758	(3,608)	11,957
Repairs and maintenance	36,000	22,846	13,154	19,842
Equipment and capital outlay	2,750	3,835	(1,085)	142,448
Total fire and emergency medical services	1,726,107	1,364,467	361,640	1,546,988
Total public safety	5,105,389	3,995,622	1,109,767	4,358,748

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Public works:				
Public works department:				
Personnel	$ 1,579,728	$ 1,141,282	$ 438,446	$ 1,351,913
Street lighting	83,000	67,092	15,908	78,919
Electricity	13,000	12,085	915	10,861
Heating fuel	151,200	160,822	(9,622)	110,833
Supplies	4,000	448,611	(444,611)	3,526
Clothing	4,500	3,381	1,119	3,442
Telephone	7,300	5,144	2,156	5,062
Travel and per diem	5,000	5,048	(48)	3,661
Training	8,500	2,780	5,720	-
Dues and memberships	1,000	6,754	(5,754)	721
Professional services	25,000	43,596	(18,596)	25,402
Insurance	17,000	20,074	(3,074)	20,770
Vehicle fuel	145,600	176,009	(30,409)	113,288
Repairs and maintenance	245,500	186,193	59,307	145,687
Gravel	50,000	-	50,000	49,800
Sign replacement	1,250	7,060	(5,810)	-
Equipment and capital outlay	17,000	9,469,532	(9,452,532)	12,377,360
Total public works department	2,358,578	11,755,463	(9,396,885)	14,301,245
Planning:				
Personnel	130,200	69,812	60,388	91,879
Supplies	1,500	409	1,091	770
Other services and charges	250	35	215	-
Telephone	500	168	332	290
Travel and per diem	2,000	-	2,000	-
Training	2,500	-	2,500	-
Professional services	425,000	270,431	154,569	380,955
Insurance	2,000	2,483	(483)	2,781
Repairs and maintenance	3,548	2,082	1,466	1,697
Equipment and capital outlay	2,000	-	2,000	508
Total planning	569,498	345,420	224,078	478,880
Total public works	2,928,076	12,100,883	(9,172,807)	14,780,125

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Community services:				
Community support	$ 5,000	$ 6,072	$ (1,072)	$ (12,536)
Kotzebue Broadcasting Inc.	5,000	5,000	-	10,000
Northwest Arctic Borough - ice roads	50,000	47,950	2,050	65,055
Scholarship Fund	20,000	16,000	4,000	16,000
4th of July celebration	5,000	6,106	(1,106)	5,970
Total community services	85,000	81,128	3,872	84,489
Small boat harbor:				
Personnel	146,156	16,827	129,329	36,046
R&R docks annually	1,500	954	546	1,298
Insurance	15,000	20,074	(5,074)	19,725
Electricity	11,500	9,432	2,068	13,123
Office supplies and equipment	1,200	455	745	895
Total small boat harbor	175,356	47,742	127,614	71,087
Parks and recreation:				
Personnel	341,191	206,922	134,269	210,954
Supplies	13,500	6,106	7,394	9,273
Other services and charges	28,900	6,359	22,541	4,291
Telephone	4,000	2,634	1,366	3,860
Travel and per diem	1,000	5,000	(4,000)	-
Training	1,000	-	1,000	-
Insurance	16,000	7,458	8,542	13,142
Electricity	20,000	18,517	1,483	15,969
Heating fuel	80,600	12,129	68,471	11,787
Repairs and maintenance	28,700	28,963	(263)	(11,382)
Equipment and capital outlay	30,000	-	30,000	9,601
Total parks and recreation	564,891	294,088	270,803	267,495

City of Kotzebue, Alaska

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual, continued

Years Ended December 31,	2023			2022
	Final Budget	Actual	Variance	Actual
Nondepartmental:				
Employee morale and health	$ 10,000	$ 10,316	$ (316)	$ 16,716
Total nondepartmental	10,000	10,316	(316)	16,716
Total Expenditures	11,026,053	18,639,692	(7,613,639)	21,521,097
Excess of revenues under expenditures	(3,023,755)	(281,339)	2,742,416	(675,404)
Other Financing Sources (Uses)				
Transfers in	1,778,344	-	(1,778,344)	-
Transfers out	-	(24,085)	(24,085)	(73,646)
Net Other Financing Sources (Uses)	1,778,344	(24,085)	(1,802,429)	(73,646)
Net change in fund balance	$ (1,245,411)	(305,424)	$ 939,987	(749,050)
Fund Balance, beginning		136,037		885,087
Fund Balance, ending		$ (169,387)		$ 136,037

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Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business operations.

Water and Sewer Utility – This fund accounts for the operations of the water and sewer system.

Refuse – This fund accounts for the operations of the refuse collection service, baler and balefill.

Package Store – This fund accounts for the operations of the City-owned package store and beverage delivery site.

Bar and Grill – This fund accounts for the operations of the City-owned restaurant.

City of Kotzebue, Alaska

Water and Sewer Utility Enterprise Fund
Statement of Net Position

December 31,		2023		2022
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and investments	$	1,633,172	$	2,531,003
Receivables:				
Accounts		357,372		241,228
Grants		288,020		819,223
Allowance for uncollectible accounts		(51,460)		(91,070)
Net receivables		593,932		969,381
Inventory		274,097		200,266
Due from other funds		2,986,818		1,699,785
Total Current Assets		5,488,019		5,400,435
Net other postemployment benefits assets		574,303		295,819
Property, plant, and equipment:				
Construction work in progress		27,306,061		26,041,875
Improvements other than buildings		87,704,081		87,704,081
Machinery and equipment		2,992,176		2,992,176
Total property, plant, and equipment		118,002,318		116,738,132
Accumulated depreciation		(70,555,524)		(69,175,014)
Net property, plant, and equipment		47,446,794		47,563,118
Total Assets		53,509,116		53,259,372
Deferred Outflows of Resources				
Pension related		79,215		54,719
OPEB related		36,237		30,237
Total Assets and Deferred Outflows of Resources	$	53,624,568	$	53,344,328
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts payable	$	331,481	$	810,996
Accrued payroll and payroll liabilities		9,820		12,023
Accrued leave		17,172		21,173
Total Current Liabilities		358,473		844,192
Noncurrent Liabilities				
Net pension liability		1,205,682		715,231
Total Liabilities		1,564,155		1,559,423
Deferred Inflows of Resources				
OPEB related		35,472		30,402
Net Position				
Net investment in capital assets		47,164,100		47,046,181
Unrestricted		4,860,841		4,708,322
Total Net Position		52,024,941		51,754,503
Total Liabilities, Deferred Inflows of Resources and Net Position	$	53,624,568	$	53,344,328

Exhibit I-2

City of Kotzebue, Alaska

Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31,	2023	2022
Operating Revenues		
Water use charges and connect fees	$ 1,841,820	$ 1,672,482
Sewer use charges and connect fees	826,103	796,902
Penalties and interest	22,786	12,120
Hydroflush services	17,920	14,250
Miscellaneous	1,549	2,394
Total Operating Revenues	2,710,178	2,498,148
Operating Expenses		
Administration:		
Postage	4,573	3,297
Credit card charges	25,874	16,810
Allocated administrative fees	286,000	286,000
Total administration	316,447	306,107
Water:		
Personnel	586,829	206,460
Electricity	173,974	152,217
Heating fuel	188,408	156,905
Gas and oil	3,377	2,546
Building maintenance	1,093	5,622
Supplies	179,711	225,298
Other services and charges	655	3,918
Travel and per diem	3,304	1,557
Clothing	2,195	1,315
Telephone	13,267	10,441
Training	1,233	3,843
Professional services	44,478	5,623
Insurance	9,372	7,232
Repairs and maintenance	5,552	2,584
Total water	1,213,448	785,561

City of Kotzebue, Alaska

Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position, continued

Years Ended December 31,	2023	2022
Operating Expenses, continued		
Sewer:		
Personnel	$ 497,131	$ 560,294
Electricity	90,168	88,167
Supplies	130,483	131,132
Training	460	16,054
Telephone	-	67
Professional services	72,475	12,265
Insurance	4,775	5,005
Repairs and maintenance	11,678	34,490
Capital outlays	2	-
Other	-	271
Total sewer	807,172	847,745
Depreciation	1,380,510	1,456,668
Total Operating Expenses	3,717,577	3,396,081
Loss from operations	(1,007,399)	(897,933)
Nonoperating Revenues		
State PERS relief	13,650	12,925
Loss Before Transfers and Capital Contributions	(993,749)	(885,008)
Other Financing Sources		
Capital contributions - governmental funds	-	81,237
Capital contributions - grants	1,264,187	4,972,786
Net Other Financing Sources	1,264,187	5,054,023
Change in net position	270,438	4,169,015
Net Position, beginning	51,754,503	47,585,488
Net Position, ending	$ 52,024,941	$ 51,754,503

City of Kotzebue, Alaska

Water and Sewer Utility Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2023	2022
Cash Flows from (for) Operating Activities		
Receipts from customers and users	$ 2,554,424	$ 2,536,087
Payments to suppliers	(1,803,147)	(2,027,325)
Payments to employees	(889,973)	(961,498)
Payments for interfund services used	(286,000)	(286,000)
Net cash flows for operating activities	(424,696)	(738,736)
Cash Flows from (for) Capital and Related Financing Activities		
Capital grants received	1,795,390	5,642,284
Acquisition and construction of capital assets	(981,492)	(4,537,086)
Net cash flows from capital and related financing activities	813,898	1,105,198
Cash Flows for Noncapital Financing Activities		
Increase in due from other funds	(1,287,033)	(646,138)
Net decrease in cash and investments	(897,831)	(279,676)
Cash and Investments, beginning	2,531,003	2,810,679
Cash and Investments, ending	$ 1,633,172	$ 2,531,003
Reconciliation of loss from operations to net cash flows for operating activities:		
Loss from operations	$ (1,007,399)	$ (897,933)
Adjustments to reconcile loss for operations to net cash flows for operating activities:		
Noncash expense - PERS relief	13,650	12,925
Depreciation	1,380,510	1,456,668
Decrease in allowance for doubtful accounts	(39,610)	(55,685)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(116,144)	93,624
Inventory	(73,831)	27,718
Net other postemployment benefits assets	(278,484)	272,763
Deferred outflows of resources - pension related	(24,496)	648
Deferred outflows of resources - OPEB related	(6,000)	(12,470)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(762,209)	(1,168,384)
Accrued payroll and payroll liabilities	(2,203)	1,752
Accrued leave	(4,001)	(2,905)
Net pension liability	490,451	139,407
Deferred inflows of resources - pension related	-	(319,569)
Deferred inflows of resources - OPEB related	5,070	(287,295)
Net Cash Flows for Operating Activities	$ (424,696)	$ (738,736)
Noncash Capital and Related Financing Activities		
Capital assets contributed from governmental activities	$ -	$ 81,237
Capital assets purchased on account	$ 282,694	$ 516,937

Exhibit I-4

City of Kotzebue, Alaska

Refuse Enterprise Fund
Statement of Net Position

December 31,	2023	2022
Assets and Deferred Outflows of Resources		
Current Assets		
Accounts receivable	$ 185,225	$ 180,211
Allowance for uncollectible accounts	(44,466)	(107,976)
Net receivables	140,759	72,235
Total Current Assets	140,759	72,235
Net other postemployment benefits assets	374,970	257,819
Property, plant, and equipment:		
Land	230,983	230,983
Buildings	2,381,895	2,381,895
Improvements other than buildings	2,100,133	2,100,133
Machinery and equipment	3,049,742	3,049,742
Total property, plant, and equipment	7,762,753	7,762,753
Accumulated depreciation	(5,869,048)	(5,665,317)
Net property, plant and equipment	1,893,705	2,097,436
Total Assets	2,409,434	2,427,490
Deferred Outflows of Resources		
Pension related	51,717	47,690
OPEB related	23,660	26,353
Total Assets and Deferred Outflows of Resources	$ 2,484,811	$ 2,501,533
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 21,998	$ 3,038
Accrued payroll and payroll liabilities	5,666	5,198
Accrued leave	2,071	11,782
Due to other funds	447,989	406,845
Total Current Liabilities	477,724	426,863
Noncurrent Liabilities		
Net pension liability	787,164	623,357
Landfill closure costs	338,614	334,877
Total Liabilities	1,603,502	1,385,097
Deferred Inflows of Resources		
OPEB related	23,160	26,496
Net Position		
Net investment in capital assets	1,893,705	2,097,436
Unrestricted (deficit)	(1,035,556)	(1,007,496)
Total Net Position	858,149	1,089,940
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,484,811	$ 2,501,533

Exhibit I-5

City of Kotzebue, Alaska

Refuse Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31,	2023	2022
Operating Revenues		
Refuse and landfill	$ 1,065,372	$ 1,008,750
Miscellaneous	1,542	2,209
Total Operating Revenues	1,066,914	1,010,959
Operating Expenses		
Personnel	615,071	447,719
Electricity	18,932	22,826
Heating fuel	52,271	23,239
Gas and oil	57,375	36,360
Building maintenance	2,439	5,436
Supplies	116,770	91,341
Telephone	3,193	3,832
Professional fees	57,291	11,224
Insurance	41,744	6,610
Training	5,642	-
Repairs and maintenance	8,728	22,154
Travel and per diem	1,632	-
Allocated administrative fees	110,000	110,000
Clothing/safety equipment	2,117	1,892
Spring cleanup	2,828	2,166
Small tools	116	1,032
Operating permit	4,000	4,213
Depreciation	203,731	119,040
Total Operating Expenses	1,303,880	909,084
Income (loss) from operations	(236,966)	101,875
Nonoperating Revenues (Expenses)		
State PERS relief	8,912	11,265
Landfill closure liability accretion	(3,737)	(151,941)
Net Nonoperating Revenues (Expenses)	5,175	(140,676)
Other Financing Sources		
Capital contributions - repairs and replacement capital project fund	-	1,133,544
Change in net position	(231,791)	1,094,743
Net Position, beginning	1,089,940	(4,803)
Net Position, ending	$ 858,149	$ 1,089,940

City of Kotzebue, Alaska

Refuse Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2023	2022
Cash Flows from (for) Operating Activities		
Receipts from customers	$ 998,390	$ 1,020,383
Payments to suppliers	(356,118)	(240,346)
Payments to employees	(573,416)	(557,669)
Payments for interfund services used	(110,000)	(110,000)
Net cash flows from (for) operating activities	(41,144)	112,368
Cash Flows from (for) Noncapital Financing Activities		
Increase due to other funds	41,144	(112,368)
Net cash flows from (for) noncapital financing activities	41,144	(112,368)
Cash Flows from (for) Capital and Related Financing Activities		
Capital grant received	-	1,133,544
Acquisition and construction of capital assets	-	(1,133,544)
Net cash flows for capital and related financing activities	-	-
Net increase in cash and investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	$ -	$ -
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:	$ (236,966)	$ 101,875
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Noncash expense - PERS relief	8,912	11,265
Increase in allowance for doubtful accounts	(63,510)	(14,392)
Depreciation	203,731	119,040
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(5,014)	23,816
Net other postemployment benefits assets	(117,151)	96,096
Deferred outflows of resources - pension related	(4,027)	2,478
Deferred outflows of resources - OPEB related	2,693	(22,365)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	18,960	(8,021)
Accrued payroll and payroll liabilities	468	(1,095)
Accrued leave	(9,711)	(2,170)
Net pension liability	163,807	165,220
Deferred inflows of resources - pension related	-	(194,142)
Deferred inflows of resources - OPEB related	(3,336)	(165,237)
Net Cash Flows from (for) Operating Activities	$ (41,144)	$ 112,368
Noncash Capital and Related Financing Activities		
Capital assets contributed from governmental activities	$ -	$ 1,133,544

City of Kotzebue, Alaska

Package Store Enterprise Fund
Statement of Net Position

December 31,	2023	2022
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	$ 2,777,857	$ 1,593,395
Inventory	649,637	879,682
Total Current Assets	3,427,494	2,473,077
Net other postemployment benefits assets	177,019	220,409
Deferred Outflows of Resources		
Pension related	24,414	40,771
OPEB related	11,170	22,529
Total Assets and Deferred Outflows of Resources	$ 3,640,097	$ 2,756,786
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 16,745	$ 6,607
Accrued payroll and payroll liabilities	4,825	5,294
Accrued leave	8,282	4,803
Total Current Liabilities	29,852	16,704
Noncurrent Liabilities		
Net pension liability	371,595	532,909
Total Liabilities	401,447	549,613
Deferred Inflows of Resources		
OPEB related	10,934	22,652
Net Position - Unrestricted	3,227,716	2,184,521
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 3,640,097	$ 2,756,786

City of Kotzebue, Alaska

Package Store Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31,	2023	2022
Operating Revenues		
Retail sales	$ 3,105,236	$ 3,149,647
Cost of goods sold	(1,214,970)	(1,271,205)
Freight charges	(385,313)	(477,592)
Net sales	1,504,953	1,400,850
Permitting fees	72,820	99,695
Total Operating Revenues	1,577,773	1,500,545
Operating Expenses		
Personnel	221,388	514,157
Electricity	6,036	5,930
Heating fuel	27,171	17,572
Gas and oil	3,377	2,546
Supplies	6,458	6,492
Telephone	1,590	1,509
Travel Per Diem	1,245	2,092
Training	445	175
Insurance	54,593	57,018
Professional fees	5,765	2,546
Allocated administrative fees	154,000	154,000
Repairs and maintenance	2,228	3,657
Permits	1,600	100
Credit card fees	52,937	43,908
Other	(49)	6,718
Total Operating Expenses	538,784	818,420
Income from operations	1,038,989	682,125
Nonoperating Revenues		
State PERS relief	4,206	9,631
Change in net position	1,043,195	691,756
Net Position, beginning	2,184,521	1,492,765
Net Position, ending	$ 3,227,716	$ 2,184,521

City of Kotzebue, Alaska

Package Store Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2023	2022
Cash Flows from (for) Operating Activities		
Receipts from customers	$ 3,178,056	$ 3,249,342
Payments to suppliers	(1,523,496)	(2,226,714)
Payments to employees	(316,098)	(457,792)
Payments for interfund services used	(154,000)	(154,000)
Net cash flows from operating activities	1,184,462	410,836
Net increase in cash and investments	1,184,462	410,836
Cash and Investments, beginning	1,593,395	1,182,559
Cash and Investments, ending	$ 2,777,857	$ 1,593,395
Reconciliation of income from operations to net cash flows from (for) operating activities:		
Income from operations	$ 1,038,989	$ 682,125
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expense - PERS relief	4,206	9,631
(Increase) decrease in assets and deferred outflows of resources:		
Inventory	230,045	(294,466)
Net other postemployment benefits assets	43,390	49,047
Deferred outflows of resources - pension related	16,357	(22,353)
Deferred outflows of resources - OPEB related	11,359	(19,142)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	10,138	(33,188)
Accrued payroll and payroll liabilities	(469)	(244)
Accrued leave	3,479	(2,841)
Net pension liability	(161,314)	327,152
Deferred inflows of resources - pension related	-	(159,257)
Deferred inflows of resources - OPEB related	(11,718)	(125,628)
Net Cash Flows from Operating Activities	$ 1,184,462	$ 410,836

Exhibit I-10

City of Kotzebue, Alaska

Bar and Grill Enterprise Fund
Statement of Net Position

December 31,		2023		2022
Assets				
Property, plant, and equipment - construction work in progress	$	25,335	$	25,335
Total Assets	$	25,335	$	25,335
Liabilities and Net Position				
Current Liabilities				
Due to other funds	$	348,326	$	348,326
Total Current Liabilities		348,326		348,326
Net Position				
Net investment in capital assets		25,335		25,335
Unrestricted (deficit)		(348,326)		(348,326)
Total Net Position		(322,991)		(322,991)
Total Liabilities and Net Position	$	25,335	$	25,335

City of Kotzebue, Alaska

Bar and Grill Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

Years Ended December 31,	2023	2022
Operating Expenses	$ -	$ -
Change in net position	-	-
Net Position (Deficit), beginning	(322,991)	(322,991)
Net Position (Deficit), ending	$ (322,991)	$ (322,991)

Exhibit J-1

City of Kotzebue, Alaska

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Sub-Recipients	Total Federal Expenditures
U.S. Department of Transportation				
Passed through State of Alaska Department of Transportation and Public Facilities Highway Planning and Construction				
Transportation Alternatives Project*	20.205	NFHWY00359	$ -	$ 14,391
Statewide Transportation Improvement Project*	20.205	NFHWY00418	-	9,429,533
Total U.S. Department of Transportation			-	9,443,924
Denali Commission				
Denali Commission Program				
Washteria and Shower Facility	90.100		-	65,699
U.S. Department of Health and Human Services				
Passed through Alaska Native Tribal Health Consortium				
Tribal Self-Governance Program:				
IHS Compacts/Funding Agreements				
Sanitation Facilities Improvements	93.210	AN 19-N5Q	-	1,264,187
Total Expenditures of Federal Awards			$ -	$10,773,810

The accompanying notes are an integral part of this schedule.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of City of Kotzebue, Alaska (the City) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule 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 Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule 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.

3. Non-Cash Assistance

In FY23, the Alaska Department of Transportation and Public Facilities expended federal grants to enhance City-owned assets. The value of this non-cash assistance was determined in accordance with the provisions of 2 CFR 200, Subpart F, Audit Requirements, Section 502 (g). The funds were expended for improvement of public roads and sidewalks in Kotzebue. The Assistance Listing number of such funds is 20.205 and the total expenditure of the funds is $9,443,924.

4. Indirect Rate

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

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Single Audit Section

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

3601 C Street, Suite 600
Anchorage, AK 99503

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

Honorable Mayor and City Council
City of Kotzebue, 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, each major fund, and the aggregate remaining fund information of City of Kotzebue, Alaska (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise City of Kotzebue, Alaska's basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kotzebue, Alaska'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kotzebue, Alaska'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*.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
September 30, 2024

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

3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance required by Uniform Guidance

Honorable Mayor and City Council
City of Kotzebue, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kotzebue, Alaska's (the City) 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 City of Kotzebue's major federal programs for the year ended December 31, 2023. The City of Kotzebue, Alaska'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 City of Kotzebue, Alaska 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 December 31, 2023.

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

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 City'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 City of Kotzebue, Alaska'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 City'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 City of Kotzebue, Alaska'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 City of Kotzebue, Alaska'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 City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

BDO USA, P.C.

Anchorage, Alaska
September 30, 2024

City of Kotzebue, Alaska

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Qualified / Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	X yes	___ (none reported)
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

Type of auditor's report issued on compliance for major federal programs:		Unmodified
Internal control over major federal programs:		
Material weakness(es) identified?	___ yes	X no
Significant deficiency(ies) identified?	___ yes	X (none reported)
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ yes	X no

Identification of major federal programs:

Assistance Listing Number	*Name of Federal Program or Cluster*	*Agency*
20.205	Highway Planning and Construction	Department of Transportation

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

Auditee qualified as low-risk auditee? ___ yes X no

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

Finding 2023-001 **Completeness of Fixed Asset Listing – Internal Control Over Financial Reporting – Significant Deficiency**

Criteria Government Accounting Standards Board (GASB) Codification state that capital assets must be reported at historical cost. Capital assets attributable to governmental activities should be reported as assets in the governmental activities column in the government-wide statement of net position.

Condition $187,000 in capital outlays for additions to construction in progress were excluded from the fixed asset module in the City's accounting system. As a result of the exclusion, the system-based report containing the inputs for total governmental activities' capital assets was understated. Additionally, the City did not depreciate assets which were put into service during the year resulting in accumulated depreciation being understated by $262,900.

Cause The City did not identify all capital outlay accounts for review as potential capital additions to be reported under governmental activities. Additionally, the City did not identify all asset additions which should have been depreciated for several months out of the year. Control activities in place were not designed to catch such errors.

Effect or Potential Effect Prior to the correction of the City's fixed asset module, the accounting system improperly classified $187,000 as only a capital outlay, and not as a governmental activities' capital asset addition, which would have resulted in an understatement of capital assets and overstatement of expenditures without the adjustment. Additionally, additions to fixed assets were all placed in service as of the last day of the year, which did not allow for several months of depreciation expense to be booked in the system. Without the adjustment, depreciation expense and accumulated depreciation would be understated.

Recommendation We recommend management establish robust processes, including thorough review, surrounding year-end general ledger and module reconciliations to ensure that the fixed asset listing is complete in 2024.

Views of Responsible Officials Management agrees with the finding. Controls are being put in place to review expenditure details monthly to ensure items over the capitalization threshold are added to the capital assets schedule.

Section III – Federal Award Findings and Questioned Costs

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

City of Kotzebue Response to Single Audit (Unaudited)

CITY OF KOTZEBUE
"Gateway to the Arctic"

P.O. Box 46
Kotzebue, Alaska 99752

City Hall
(907) 442-3401

Police Dept.
(907) 442-3351

Fire Dept.
(907) 442-3404

Public Works
(907) 442-3401

Summary Schedule of Prior Year Audit Findings

<u>2022-001</u> General Ledger Reconciliation and External Financial Reporting – Significant Deficiency in Internal Control

<u>Prior Year Finding:</u>

Condition — We identified a number of accounts that were not fully reconciled or presented in accordance with U.S. GAAP. These accounts included expenses, accounts payable, jail contract revenue and the relevant receivable.

<u>Current Year Status:</u>
The City of Kotzebue has implemented a policy requiring all accounts be reconciled on a more frequent basis. This process ensures that accounts are reconciled regularly and no account is missed.

<u>2022-002</u> – Procurement, Suspension, and Disbarment – Noncompliance and Significant Deficiency in Internal Controls Over Compliance

<u>Information on Federal Program(s)</u> – U.S. Environmental Protection Agency – Passed through Alaska Native Tribal Health Consortium – Congressionally Mandated Projects –Sanitation Facilities Improvements – AN 18-RO2

<u>Prior Year Finding:</u>

Condition — The City executed several small purchase transactions without obtaining price or rate quotations from an adequate number of qualified sources.

<u>Current Year Status:</u>

The City of Kotzebue has implemented a policy requiring all department heads to collect at least 2-3 quotes before purchasing items for the city. This process ensures competitive pricing and transparency in procurement. However, if a project or item that needs to be sole sourced is needed, it has to be approved by the city manager.

<u>2022-003</u> – Procurement, Suspension, and Disbarment – Noncompliance and Significant Deficiency in Internal Controls Over Compliance

<u>Information on Federal Program(s)</u> – U.S. Environmental Protection Agency – Passed through Alaska Native Tribal Health Consortium – Congressionally Mandated Projects –Sanitation Facilities Improvements – AN 18-RO2

<u>Prior Year Finding:</u>

Condition — Documentation that vendors are not debarred, suspended or otherwise excluded were not retained in the City's procurement files and thus, auditors were not able to test that the relevant internal controls were operating effectively.

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P.O. Box 46
Kotzebue, Alaska 99752

City Hall
(907) 442-3401

Police Dept.
(907) 442-3351

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Summary Schedule of Prior Year Audit Findings, continued

Current Year Status:

The City of Kotzebue has updated its procurement procedures to ensure that documentation verifying that vendors are not debarred, suspended, or otherwise excluded is retained in the City's procurement files. This improvement allows for effective testing of internal controls during audits.

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P.O. Box 46
Kotzebue, Alaska 99752

City Hall
(907) 442-3401

Police Dept.
(907) 442-3351

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(907) 442-3404

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(907) 442-3401

City of Kotzebue
PO Box 46
Kotzebue, AK 99752

September 30, 2024

BDO,

Below is the City of Kotzebue's Corrective Action Plan to address the one finding for the CY2023 Audit.

Finding 2023-001
Management will update the procedure for capitalization of fixed assets. A search for expenditures over the $5,000 capitalization threshold will be performed on a monthly basis, inclusive of all department heads. Constant communication with those heads will be done in order to keep apprised of all fixed asset purchases.

Estimated completion date: September 30, 2023

Thank you,
City of Kotzebue

Contact:
Michael Wetzel, Management Consultant
mikew@altrogco.com
504-875-8137

Tessa Baldwin, City Manager
tbaldwin@kotzebue.org
907-442-5101