

**NORTHWEST ARCTIC BOROUGH
RESOLUTION 23-57**

**A RESOLUTION OF THE NORTHWEST ARCTIC
BOROUGH ASSEMBLY APPROVING A VILLAGE
IMPROVEMENT FUND APPLICATION FROM THE CITY OF
KOTZEBUE TO PURCHASE A CAR CRUSHER TO
FACILITATE COMMUNITY CAR DISPOSAL, AND FOR
RELATED PURPOSES.**

WHEREAS: under Section 11.08.010 of the Borough Code, the Borough Village Improvement Commission was established to identify village service and capital improvement needs, plan and implement capital improvement and public service programs, and oversee investment of the Borough's Village Improvement Fund (VIF); and

WHEREAS: under Section 11.08.020 of the Borough Code, the Commission is responsible for advising the Borough Administration with respect to working with village residents, Borough communities, and village utilities to identify projects and programs for recommended funding; and

WHEREAS: on October 11, 2023, the Village Improvement Commission passed Commission Resolution 23-10, approving and recommending the City of Kotzebue's VIF application in the amount of \$275,000 to purchase a car crusher for final approval by the Northwest Arctic Borough Assembly; and

WHEREAS: this project will facilitate the proper removal and disposal of over 100 cars and continue to be used to save space at the Kotzebue landfill indefinitely; and

WHEREAS: the car crusher will help proper landfill operation, management, and closure through properly disposed vehicle waste; and

WHEREAS: the funding request meets the VIF eligibility requirements and will benefit the community of Kotzebue as a whole; and

WHEREAS: the Assembly wishes to approve the VIF application.


NOW THEREFORE BE IT RESOLVED BY THE NORTHWEST ARCTIC BOROUGH ASSEMBLY: the City of Kotzebue's VIF application in the amount of \$275,000 to purchase a car crusher is approved.

PASSED AND ADOPTED THIS 24th DAY OF OCTOBER 2023.



Assembly President

PASSED AND APPROVED THIS 24th DAY OF OCTOBER 2023.



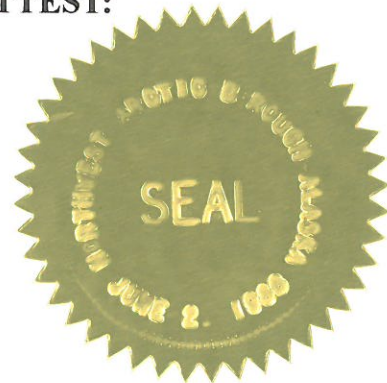
Dickie Moto, Sr., Mayor

SIGNED AND ATTESTED TO THIS 24th DAY OF OCTOBER 2023.



Stella Atoruk, Borough Clerk

ATTEST:



City of Kotzebue Car Crusher

2021 Application

City of Kotzebue

Ms Teresa Kaye Baldwin
PO Box 46
Kotzebue, AK 99752

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Application Form

Project Information

Project Name*

City of Kotzebue Car Crusher

What is the timeline for your project/program?*

Indefinitely

Is this an existing project/program?*

Is it already operating or has construction started? Has the project/program delivered services already?

No

If you answered yes to the previous question, please explain the status of the project/program.

What is the amount of the funding request to VIC?*

\$275,000.00

Please describe how the VIF funds will be used for this project/program.*

The City of Kotzebue is requesting funding to purchase a car crusher. Within the city we have several vehicles that are dilapidated or unused and need to go to the landfill. This issue is both a safety hazard and occupies needed space in our community. During COVID-19, KIC, QIRA and the City of Kotzebue worked together to collect 100 vehicles from around town. These vehicles are now on the Kikiktagruk Inupiat Corporation lot next to the elementary school. Our goal is to work together with the tribe and KIC to removed these vehicles and place them in the landfill. However, this requires us to properly remove these vehicles to comply with federal and state law. The VIF funds will be used to achieve these goals in collecting used and dilapidated cars throughout Kotzebue and properly dispose of them.

Does the project/program have other funding sources?*

Does the project/program have other sources of funding, including matched funding or other grants (or state, community, partner organizations contributions)? If yes, please describe and attach relevant documentation.

Our team will work with partner organizations to fund to removal of the 100 cars on the KIC lot.

Project Budget Spreadsheet*

Please upload your total project/program budget, including details on VIF funds and how other funding will be used.

Budget for VIF Car Crusher.xlsx

Has the VIF provided funding to your community before?*

Yes

If you answered yes to the previous questions, please describe.

Yes, the City of Kotzebue would like to thank the Village Improvement Fund and commissioners for funding a new ambulance and new first responder gear. We appreciate the funding that has made our community safer. In addition, we are currently working on the Flood Prevention and Planning Project which allows our team to update a hazard mitigation project and start the engineered recommendations to properly respond to the flooding on the north and east side of Kotzebue. We also were able to purchase new radios for the Police and Fire/Emergency Medical Service providers.

Project Details

Will this project/program continue after VIF funding?*

Please describe why or why not.

Yes, the car crusher will be used indefinitely at the landfill and refuse department in Kotzebue.

If you answered yes to the previous question, please describe how it will be funded.*

How will the project continue after VIF funding end and by whom.

This piece of equipment will be used by the public works refuse department. Currently we charge \$400 per car to be picked up throughout Kotzebue to drain all fluids from them prior to placing them in landfill. The car crusher will be utilized within this process to save space in the landfill. In addition, the refuse department will be trained by an outside agency to utilize the car crusher. Staff's time and training will be funded by the City of Kotzebue.

Project/Program Partnerships*

Please describe other projects in the community that could support the success of this project/program.

We do have project and program partnerships. We work with Drake's Construction yearly to clean up the City of Kotzebue. This includes large item pick up such as vehicals. In addition, we have partnered with KIC and the tribe in past car removal projects. We would like to continue this partnership.

Are there any issues or other projects that could negatively impact the success of your project?*

If yes, please explain how your organization has the administrative and management capacity to execute the project (i.e., financial software, audits, history of management of other projects, stable relationships across community entities, and examples of other successful projects).

One issue that might hold the project up is the chain of command for equipment like car crushers. Currently these pieces of equipment are on back order through out the United States.

Administrative and Management Capacity*

Please explain how your organization has the administrative and management capacity to execute the project (i.e., financial software, audits, history of management of other project, stable relationships across community entities, and examples of other successful project).

Currently, we have several operators at the landfill. We would need to train our landfill operators to utilize the equipment. Our timeline would be within six months of purchasing the equipment to get staff fully trained, and operating the machinery. We are also in the process of securing funding for the open and closure of a new cell for the landfill which will allow us to remove more vehicles.

Staff experience*

Please outline any experience your organization/staff had had with similar projects/programs.

We have a fully staffed refuse department. We will need to have a few operators trained in using the car crusher.

Is the project/program "ready to go" or shovel ready?*

Please explain how it has considered the equipment, resources, people, and permits needed for success.

Yes, the project is shovel ready. We just need to purchase the equipment and train staff to utilize this machinery.

Borough Title 9 Permit*

Has the applicant certified that it will comply with any required permits including a Borough Title 9 Permit?

No

Does the project/program address an issue that is life threatening, or a health risk?*

i.e., health and safety, emergency, danger to people, the environment, or property. Please describe.

The continuous piling of cars can be a hazard to the community. The removal of vehicles requires staff to take hazardous materials out of the vehicle before placing in the landfill.

Please describe if the project/program supports one or more priorities identified by the community.*

The Kikiktagruk Inupiat Corporation, Qikiktagruk IRA and the City of Kotzebue has prioritized cleaning up the city. We see this as a beneficial part of for our residents and town. In addition, the council has prioritized the expansion of a landfill for several years. This car crusher will support both of these projects and priorities. We have attached our resolution reflecting this as a city council priority.

Please attach any relevant documentation to show community involvement or support.*

Examples include letters of support, joint resolution, priority lists, meeting minutes, sign up sheets, Title IX permit, etc.

Car Crusher - OverBuilt.pdf

Meeting Minutes*

Exhibit A, Ordinance 23-05.pdf

Audit*

City of Kotzebue CY21 Audit (1).pdf

Benefits

What are the short-term goals of the project/program?*

Our short-term goals are to purchase the equipment to utilize the car crusher and train staff to upkeep with maintenance and use of the crusher.

What are the long-term goals of the project/program?*

Our long term goals are to clean up our city as well as ensure that our landfill it up to code with holding all dilapidated and unused vehicles.

Who will benefit from the project/program?*

Please be specific (e.g., children, youth, elders, women, etc.) and include details (e.g., numbers).

Many individuals will benefit from this project within the City of Kotzebue. We will be able to better process old cars throughout the city which are safety hazards. This will also allow for the longer life span of the landfill by taking up less room.

What is the level of community impact?*

Will the broader community benefit or just a few individuals?

Yes, we would use this to clean the whole community of Kotzebue which is home to over 3,200 individuals.

Community Impacted*

Will the project benefit one Village, more than one Village, or multiple Villages in the Northwest Arctic region?

City of Kotzebue

Will the project create local jobs? If so, how many?*

Support current jobs with a potential of adding one to two more jobs.

Electronic Signature

With my electronic signature, I certify that the information provided in this application is true, correct, and complete. I agree to allow any information on this application (unless otherwise noted) to be released for publication. I authorize the Northwest Arctic Borough to verify any information submitted as part of this application.

I have read the above information.*

Yes

Title of Authorizing Official*

City Manager

Date*

6/25/2023

Electronic Signature*

By typing in your name below, you certify that the above information is true and accurate to the best of your knowledge.

Teresa Baldwin

Direct questions related to the online application system to The Alaska Community Foundation by email: grants@alaskacf.org, or by phone: 907-334-6700.

After you submit your application you will receive a confirmation email. Thank you for applying!

ADMINISTRATOR QUESTIONS AND INSTRUCTIONS

Administrator Only

Your next steps are to respond to all required administrator questions and mark each application complete.

Documents

Check off each item as it is received, either as an upload document or as a hard copy.

File Attachment Summary

Applicant File Uploads

- Budget for VIF Car Crusher.xlsx
- Car Crusher - OverBuilt.pdf
- Exhibit A, Ordinance 23-05.pdf
- City of Kotzebue CY21 Audit (1).pdf

Item	Cost
Car Crusher	\$275,000.00
Shipping	Undetermined



X

OVERBUILT

CAR CRUSHER

Built standard with its 10 foot opening the OverBuilt Car Crusher has the highest opening on the market. In addition, it has a remarkable 159 tons of crushing power.

(<https://www.youtube.com/watch?v=M71u6uust6P6>) IN ACTION

CAR CRUSHER

SPECIFICATIONS

Imperial

Metric

Crusher Opening:

Height (raised)	10' ***
Height (lowered)	24"
Width	7' 6"
Length	20' 3", 22' 2", 24' 1"
Lid Movement (travel)	8'

Hydraulic Cylinders:

Bore	10"
Rod	4"
Travel	96"
Pressure	2400 psi
Crushing Force	159 Tons

Overall:

Weight	60,000 lbs
Length	43', 45', 47'
Height	20' 7"
Ground Clearance	16"

*** Special built 9' raised and 12" lowered unit available upon request.
Please [contact us](#) for more information.



[Car Crusher Brochure](https://www.overbuilt.com/wp-content/uploads/2018/12/OverBuilt-Car-Crusher-Brochure.pdf) (<https://www.overbuilt.com/wp-content/uploads/2018/12/OverBuilt-Car-Crusher-Brochure.pdf>)

[Maintenance Guide](https://www.overbuilt.com/wp-content/uploads/2018/12/CC-Lubrication-Maintenance-Guide.pdf) (<https://www.overbuilt.com/wp-content/uploads/2018/12/CC-Lubrication-Maintenance-Guide.pdf>)

ALL MODELS



CAR CRUSHER



BALER/LOGGER

CONTACT

1.800.548.6469
service@overbuilt.com
Sales
1.605.352.6469
sales@overbuilt.com

PRODUCTS

[Car Crusher](#)
[Baler Logger](#)
[Parts & Service](#)

INDUSTRY LINKS

> [American Recycler](#)
> [Recycling Product News](#)
> [Scrap Magazine](#)
> [Recyclers Powersource](#)
> [Recore Trading Company](#)





CITY OF KOTZEBUE CAPITAL IMPROVEMENT PROJECT CY-24 PRIORITIES

<u>PROJECT TITLE</u>	<u>AMOUNT</u>
1. CAPE BLOSSOM PORT AUTHORITY & DEVELOPMENT	\$2,672,985
2. WATER & SEWER LINE IMPROVMENTS	\$TBD
a. Replace Lift Station 9 & 12	
b. Swan Lake Loop Watermain	
c. Lagoon Water Service Loop Replacement	
d. Construct New Sewer Force Main	
e. Sewer Rehabilitation	
f. Lift Station 8 Rehabilitation	
3. WATER SOURCE IMPROVEMENTS	\$TBD
a. Vortac Lake Dam	
b. Devil's Lake	
4. MULTIPURPOSE BUILDING	\$6,500,000
5. LANDFILL CELL APPLICATION, LANDFILL OPEN NEW CELLS, LANDFILL CLOSURE & POST-CLOSURE CELL CJD	\$TBD
6. EROSION SHORE PROTECTION AND ROAD REHAB	\$21,500,000
7. <u>MUNICIPAL</u> ROAD DUST ABATEMENT/ ASPHALT PAVING	\$10,000,000
8. BIOMASS PLANT & BALER BUILDING	\$TBD
9. REFUSE CAR CRUSHER	\$TBD
TOTAL CAPITAL IMPROVEMENT PROJECTS	\$61,672,985 +

TBD Amounts will need to be confirmed by an engineer, feasibility study, or other expert.



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #2**

Project Title: Cape Blossom Port Authority & Development - \$2,672,985

Project Description: The Cape Blossom Port Planning Project will conduct a feasibility study for a new port at Cape Blossom, Alaska. The purpose of the effort is to improve transportation efficiency and reduce freight costs to Kotzebue and the surrounding communities. The estimated timeline for completing the project is 24 months.

Proposed activities include:

1. Analysis of existing conditions and requirements: Site survey/bathymetry, metocean analysis, and sediment transportation studies that will help determine the safest site for the port.
2. Upland development needs will be established for storage capacity, power, mechanical and electrical requirements, environmental controls, safety, security, and protection during operations.
3. Administration will include hiring of a Project Manager/Grant Administrator who will complete and/or coordinate project tasks and fulfil grant requirements. A port authority process will be created to help guide crucial decisions through the planning process and into the next phases for the port development project (i.e., design and construction).
4. A "rough order of magnitude" (ROM) cost estimate will be developed for the proposed dock, including costs for dock design, pre-construction permitting costs, and construction costs. The ROM cost estimate will be important for the final activity, a Benefit-Cost Analysis, to help determine the cost-effectiveness of building a port at Cape Blossom.

Project Need: The Cape Blossom Port Site Planning Project (project) is a durable infrastructure investment in a regional port. When built, the port will eliminate the expense of barge lighterage services and reduce the overall cost of transporting goods and services to Northwest Arctic Borough (NWAB) communities. Lower shipping rates made possible by a port at Cape Blossom will promote economic development within Kotzebue and the region. Meeting the needs of a larger future population is essential to the sustainability and future growth of the Northwest Arctic Borough. Services and amenities, food and dry goods, fuel, building materials, etc., must remain affordable since the high cost of living is a hindrance to economic and job growth.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$2,328,200	\$0	Pending RAISE or PIDP Grant Award
Administration	\$127,285	\$0	
TOTAL:	\$2,672,985	\$0	
TOTAL NEED/REQUEST: \$2,672,985			



CITY OF KOTZEBUE CAPITAL IMPROVEMENT PROJECT CY-24 PROJECTS PRIORITY#3

Project Title: Water & Sewer Line Improvements - \$21,000,000

Project Description:

Much of the infrastructure for water and sewer mains and lift stations are 30+ years old and need replacement and/or repair. This will include:

- | | |
|--|--------------|
| • Replace Lift Station 9 & 12 | \$TBD |
| • Replacement of the Swan Lake Loop watermain | \$5,500,000 |
| • Replacement of the Lagoon Water Service Loop | \$10,000,000 |
| • Construct New Sewer Force Main | \$TBD |
| • Sewer Rehabilitation | \$TBD |
| • Lift Station 8 Rehabilitation | \$TBD |
| • Storm Drains | \$3,000,000 |
| • Fire Hall Lift Station & isolated sections | \$2,500,000 |

Water Circulation Improvements to -34,000LF of water mains in the Swan Lake Loop (built in 1990) and Lagoon Loop (built in 1995). The PER will investigate and provide recommendations to improve the hydraulic efficiency of the water loops and reduce the prevalence of emergency repairs. In particular, the PER will provide recommendations on how to upgrade the existing 6-inch insulated HOPE with to 8-inch insulated HOPE. No additional service connections are expected to be added. (Swan Lake Loop and Lagoon Loop)

Sewer System Improvements--(a) The four sections of gravity sewer main should be replaced with 8-inch insulated HOPE, (b) The fire station lift station should be replaced in place and the force service rerouted in a carrier pipe to avoid failure of sewer service to the fire department that provides important community safety services. Because the force service is under the foundation slab of the building and the paved parking lot, a trenchless technology may need to be used making the replacement more costly than a standard residential lift station, (c) An additional 8-inch insulated arctic force main should be constructed parallel to the existing 10-inch force main to allow for an increased rate of sewage moving from the City to Wastewater Lagoon Cell 1 and simultaneous operation of Lift Stations 1 and 7. As part of this project, the force main that currently exits Lift Station 7 and then connects to FMMH 700A would also be rerouted because it is currently located inside DOT&PF airport property, making maintenance and repairs difficult. No additional service connections are expected to be added.

Elimination of Infiltration and Inflow into Lift Station 8. The project would be performed in multiple phases. The expected Phase 1 PER of the project would identify where water is infiltrating and inflowing and include a "smoke" test or similar effort to identify if water is entering the gravity lines through breaks in the pipes. Also included in Phase 1 would be a hydrologic study to better identify the areas that are draining towards Lift Station 8, provide an estimate of the amount of water that may need to be removed or diverted, and review the City's methods and locations for the storage of removed snow.

Project Need:

Water Circulation Improvements

Every time the City has to repair a part of Swan or Lagoon loop, the entire circulation loop must be taken out of service- which creates a significant risk to human health with the water pressure dropping to 0 PSI and allowing for contaminated/untreated water to enter the water main. The City releases boil water notices after these events.

Sewer System Improvements

Lift station #4 had significant issues in fall 2021 which resulted in the need for emergency bypass pumping around Lift Station #4 for several months.

Elimination of Infiltration and Inflow by improvements to storm drain systems.

Phase	Total Cost	Funds Available/Spent to Date	Source
Replace Lift Station 9 & 12	\$TBD		
Replacement of the Swan Lake Loop	\$5,500,000	Preliminary Engineering Report \$75,000	DEC
Replacement of the Lagoon Loop	\$10,000,000	Preliminary Engineering Report \$75,000	DEC
Construct New Sewer Force Main	\$TBD		
Sewer Rehabilitation	\$TBD		
Lift Station 8 Rehabilitation	\$TBD		
Storm Drains	\$3,000,000	Preliminary Engineering Report \$75,000	DEC
Fire Hall Lift Station & Isolated sections	\$2,500,000	Preliminary Engineering Report \$75,000	DEC
TOTAL NEED/REQUEST: \$TBD			

=the completion of the PERs will provide updates to the costs for each of these projects.



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #3**

Project Title: **Water Source Improvements - \$TBD**

Project Description:

The City of Kotzebue's Vortac Dam will need replacement in 5-10 years. If the dam cannot be replaced or repaired, a secondary water source for Devil's Lake will need to be determined.

Project Need:

Environmental study to determine future location or repair and replacement of current dam and/or a secondary water source located.

Project Scope and Cost Estimate: Environmental application, planning, design, and construction for future location or repair and replacement of current dam.

Phase	Total Cost	Funds Available/Spent to Date	Source
Demolition, Planning & Design	\$TBD	\$0	
Construction	\$TBD	\$0	
TOTAL:	\$TBD	\$0	
	\$TBD	\$0	
Demolition, Planning & Design	TOTAL NEED/REQUEST: \$TBD		

This cost estimate is TBD and will need to be confirmed by an engineer, feasibility study, or other expert. Proposal will be provided by GeoTech in late April/May 2023 to determine costs, assessment, and construction. ROM quoted at \$500,000.



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #4**

Project Title: **Multipurpose Building - \$6,500,000**

Project Description: The Recreation Center building was Kotzebue's only public gym. Unfortunately, the Rec Center has been closed since 2018 due to unsafe conditions. The cost of repairs, materials, and labor to bring the building up to code has been surveyed at \$3.6 million dollars.

Project Need: This request is to fund the demolition of the 25,000 square foot Recreation Center building, refuse and landfill fees for the building, design and construction of a replacement City owned building including a building, framework, and interior.

Project Scope and Cost Estimate: The estimated cost of demolition is about \$1,000,000. The planning and design of a new building is about \$100,000. The cost of a replacement building of comparable size and interior is estimated to be about \$5,400,000.

This cost estimate will need to be confirmed by an engineer or other expert.

Phase	Total Cost	Funds Available	Source
Demolition, Plannin	\$1,100,000	\$0.00	
Construction	\$5,400,000	\$0.00	
TOTAL:	\$6,500,000	\$0.00	
TOTAL NEED/REQUEST: \$6,500,000			



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #5**

Project Title: Landfill Cell Application, Landfill Open & Closure, Landfill Post Closure Cell C/D - \$TBD

Project Description: This project includes opening two new landfill cells, the landfill closure of cell C and D, and post closure for cell C and D.

Project Need: The City of Kotzebue Landfill Cell C & Dare scheduled to be closed in 2023.

Project Scope and Cost Estimate: In 2023, the City of Kotzebue will put out an RFP for the environmental application. Current estimates for the contract services are \$80,000-\$100,0000 and an estimated cost of the landfill cell construction is about \$900,000.00. Rough estimates for the landfill open is about\$500,000, landfill closure is about \$1,500,000 for gravel coverage and materials, and post closure is about \$500,000 for coverage and materials

This cost estimate is TBD and will need to be confirmed by an engineer, feasibility study, or other expert.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$TBD	\$0.00	
Construction	\$TBD	\$0.00	
TOTAL:	\$TBD	\$0.00	
TOTAL NEED/REQUEST: \$TBD			



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #8**

Project Title: **Erosion Shore Protection and Road Rehab. - \$21,500,000**

Project Description: The purpose of the Kotzebue Erosion Protection- North Shore Avenue project, is to provide erosion protection along 3,000 lineal feet of Shore Avenue, North and East of Crowley Dock, for residential and commercial areas.

Project Need: Erosion has reduced road capacity, created unsafe driving conditions, and threatened residential and commercial buildings in this area. The design of the project would include a combination of shore protection utilizing both rip-rap revetment structures as well as sheet pile wall. The area has historically been hit hard by fall storms, with large waves and ice blocks reaching the residences and causing damages to homes along this stretch of coastline. Within the past 10 years numerous storms have caused damage to this area as a result of longer summer periods and later ice formation. In 2002, large scale ice masses pushed up over the shoreline causing damage to roads and structures, requiring emergency actions by the City of Kotzebue. In 2004, a severe fall storm caused significant erosion to this area and required significant repairs.

Project Scope and Cost Estimate: DOT&PF is currently in the construction phase of a project to provide erosion protection and roadway improvements along Shore Avenue from Lake Street to Crowley Marine Docks. This FHWA funded project will use a combination of Rip Rap Revetment and Sheet Pile Wall to protect 4,400 lineal feet of shoreline. The Lake Street to Crowley Marine Docks project began in 2010 and will be completed over a two-year period. The City of Kotzebue is the owner and provides maintenance for Shore Avenue, and DOT&PF has been working closely with the City on the project. An extension of this project to the North and East Side of Crowley Marine Docks would provide continuity to the erosion protection system currently being designed for Kotzebue and provide the City with protection from severe storms on the East side of the community.

This proposed project would be designed in 2022 and 2023, with construction to begin in 2024. Cost efficiencies can be realized with the use of existing Coastal Engineering Studies that were performed as part of the Shore Avenue (Lake to Crowley) Project. Funding for this project is proposed as follows: Year 1, \$1,000,000; Year 2) \$500,000; Year 3) \$10,000,000; Year 4) \$10,000,000.

This project is currently under consideration for the State of Alaska STIP program and efforts are underway through the application process that could potentially fund this project, if approved. The State of Alaska will provide an updated cost estimate if approved for the final phase of application.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$2,000,000	\$0.00	
Construction	\$19,500,000	\$0.00	
TOTAL:	\$21,500,000	\$0.00	
TOTAL NEED/REQUEST: \$21,500,000			



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #9**

Project Title: Municipal Road Dust Abatement/ Asphalt Paving - \$10,000,000

Project Description: The Dust Abatement project will allow the City to continue to add pavement and dust suppression chemical to its roads, and to help mitigate airborne dust related problems. The project will consist of paving approximately 4,600 lineal feet of road, beginning with Shore Avenue Connections, Community Gravel Streets, and a Boat Access Road. The project would also perform asphalt repairs to Ted Stevens Way and Fifth Avenue. Ted Stevens Way, as well as 5th Avenue are both paved and have experienced these types of asphalt failures. In 2021 the City was able to repave 5th street from Lagoon Street to Bison Street. Bison Street from 5th Street to 3rd Street was also repaved. We would like to repave 3rd Street in 2022 as well as pave other unpaved streets that cross it.

Project Need: Kotzebue for years has dealt with dust pollution from its gravel roads. Dust pollution in the air during the summer months has caused health and safety risks to City's residents. The road base in Kotzebue is predominately constructed of sandy-silt and clay like gravel. Permafrost attributes to the high cost of road construction and maintenance which is not nearly as great a concern outside the Arctic Region. The City of Kotzebue does not have adequate pavement repair or lay down equipment. Such material and equipment for repairs and paving is contracted out at great expense to the City. Typically, during periods of spring thaw, the paved roads undergo settling, heaving and cracking, resulting in failure.

Project Scope and Cost Estimate: This will include repaving and new Asphalt for the areas identified above. Further, the new Asphalt and Asphalt Repairs would have significant cost savings on mobilization and demobilization for this project since ADOT has an Asphalt Plant in Kotzebue for the Airport Runway Repair project slated for the 2022 construction season.

This project is currently under consideration for the State of Alaska STIP program and efforts are underway through the application process that could potentially fund this project, if approved. The State of Alaska will provide an updated cost estimate if approved for the final phase of application.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$1,500,000	\$0.00	
Construction	\$8,500,000	\$0.00	
TOTAL:	\$9,500,000	\$0.00	
TOTAL NEED/REQUEST: \$10,000,000			



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #10**

Project Title: **Kotzebue Biomass Plant & Baler Building - \$TBD**

Project Description: The City of Kotzebue, obtained an Alaska Energy Authority (AEA) grant to perform a Biomass Feasibility Study to convert Municipal Waste to Energy, the study was completed in December 2012. The project would include construction of a Biomass Plant building at our landfill outside of town and building a new Baler Building (solid waste processing facility now located in town) next to it.

Project Need: With a growing population and constantly putting more demands on the available space at the municipal landfill, the City of Kotzebue applied for the preliminary planning funds for the Municipal Waste to Energy Project. In addition, the rapidly rising costs of energy in Northwest Alaska, this project would assist the City with stabilizing the rising energy costs.

Our current Baler Building is in town in our Public Works yard. Building a new Baler Building next to a new Biomass Plant will create greater efficiency and cost savings as heat created by the Biomass Plant can be used to heat the Baler Building. It will also mitigate a bird strike problem at our airport as the current location of the Baler Building attracts birds to fly from there to the landfill on a flight path going over the airport creating a hazard for air traffic.

Project Scope and Cost Estimate: The project scope and cost estimate provided in the December 2012 Kotzebue Biomass Feasibility Study final report prepared by the City's consultant Tetra Tech identified the need for a Biomass Power Plant which includes processing equipment (Plant) and Building at an estimated cost of \$2,238,000 to \$3,000,000.

This cost estimate is TBD and will need to be confirmed by an engineer, feasibility study, or other expert.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$TBD	\$0.00	
Construction	\$TBD	\$0.00	
TOTAL:	\$TBD	\$0.00	
TOTAL NEED/REQUEST: \$TBD			



**CITY OF KOTZEBUE
CAPITAL IMPROVEMENT PROJECT
CY-24 PROJECTS
PRIORITY #11**

Project Title: **Landfill Car Crusher - \$TBD**

Project Description: The City of Kotzebue has over 100 cars that need to be removed from City limits and disposed at the landfill.

Project Need: With a growing population and constantly putting more demands on the available space at the municipal landfill, the City of Kotzebue is looking for funding opportunities to purchase a car crusher.

Project Scope and Cost Estimate: The project scope and cost estimate will be determined by obtaining quote from vendors. Shipping costs will need to be added to reflect the most accurate cost estimates needed for the car crusher.

This cost estimate is TBD and will need to be confirmed by an engineer, feasibility study, or other expert.

Phase	Total Cost	Funds Available	Source
Planning & Design	\$TBD	\$0.00	
Construction	\$TBD	\$0.00	
TOTAL:	\$TBD	\$0.00	
TOTAL NEED/REQUEST: \$TBD			



City of Kotzebue, Alaska

Basic Financial Statements,
Required Supplementary Information,
Supplementary Information and Single Audit
Reports
Year Ended December 31, 2021

City of Kotzebue, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information and Single Audit Reports
Year Ended December 31, 2021

City of Kotzebue, Alaska

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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

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 the City of Kotzebue, Alaska, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Kotzebue's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kotzebue, Alaska, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kotzebue's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Kotzebue'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 48, and the Schedules of Net Pension and Other Postemployment Benefits (OPEB) Liability and Pension and OPEB Contributions on pages 49-50, 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 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 of Kotzebue's basic financial statements. The combining and individual fund financial statements and schedules 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*, and the Schedule of State Financial Assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards, and the Schedule of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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, 2020, and have issued our report thereon dated September 30, 2021, 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, 2020 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 2020 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2020 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 financial statements or to those 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, 2020.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the City of Kotzebue's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Kotzebue'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's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
September 30, 2022

Basic Financial Statements

City of Kotzebue, Alaska

Exhibit A-1

Statement of Net Position

<i>December 31, 2021</i>	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 2,360,654	\$ 3,993,238	\$ 6,353,892
Receivables, net of allowance for uncollectible accounts:			
Accounts	207,120	269,756	476,876
Grants and shared revenues	520,951	1,407,484	1,928,435
Sales tax	390,323	-	390,323
Inventory	-	813,200	813,200
Prepaid items	548,114	-	548,114
Internal balances	(186,108)	186,108	-
Net other postemployment benefits assets	4,029,646	1,191,953	5,221,599
Capital assets:			
Land and construction in progress	26,615,329	21,714,176	48,329,505
Other capital assets being depreciated, net	12,183,365	23,359,854	35,543,219
Total Assets	46,669,394	52,935,769	99,605,163
Deferred Outflows of Resources			
Pension related	645,502	123,953	769,455
Net other postemployment benefits assets related	71,018	25,142	96,160
Total Assets and Deferred Outflows of Resources	\$ 47,385,914	\$ 53,084,864	\$ 100,470,778

City of Kotzebue, Alaska

Exhibit A-1, continued

Statement of Net Position, continued

<i>December 31, 2021</i>	Governmental Activities	Business-type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 142,495	\$ 1,513,297	\$ 1,655,792
Accrued payroll and payroll liabilities	293,510	22,102	315,612
Unearned revenue	250,000	-	250,000
Noncurrent liabilities:			
Due within one year -			
accrued leave	191,653	45,674	237,327
Due in more than one year:			
Net pension liability	5,852,171	1,239,718	7,091,889
Landfill closure costs	-	182,936	182,936
Total Liabilities	6,729,829	3,003,727	9,733,556
Deferred Inflows of Resources			
Pension related	2,155,119	672,968	2,828,087
Net other postemployment benefits assets related	2,193,898	657,710	2,851,608
Net Position			
Net investment in capital assets	38,798,694	45,074,030	83,872,724
Unrestricted (deficit)	(2,491,626)	3,676,429	1,184,803
Total Net Position	36,307,068	48,750,459	85,057,527
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 47,385,914	\$ 53,084,864	\$ 100,470,778

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Statement of Activities

Year Ended December 31, 2021	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Totals
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities		
Governmental Activities								
General government	\$ 1,670,637	\$ 570,824	\$ 163	\$ -	\$ (1,099,650)	\$ -	\$ (1,099,650)	
Public safety	3,647,191	1,786,360	951,512	-	(909,319)	-	(909,319)	
Public works	2,699,162	-	15,891,562	-	13,192,400	-	13,192,400	
Capital projects	72,305	-	23	-	(72,282)	-	(72,282)	
Community services	76,597	5,000	-	-	(71,597)	-	(71,597)	
Small boat harbor	64,952	-	-	-	(64,952)	-	(64,952)	
Parks and recreation	437,051	-	33	-	(437,018)	-	(437,018)	
Total Governmental Activities								
	8,667,895	2,362,184	16,843,293	-	10,537,582	-	10,537,582	
Business-type Activities								
Water and sewer utility	3,540,398	2,537,018	151	10,623,967	-	9,620,738	9,620,738	
Refuse	1,034,856	927,142	95	-	-	(107,619)	(107,619)	
Package store	728,467	1,509,387	75	-	-	780,995	780,995	
Total Business-type Activities								
	5,303,721	4,973,547	321	10,623,967	-	10,294,114	10,294,114	
Totals	\$ 13,971,616	\$ 7,335,731	\$ 16,843,614	\$ 10,623,967	10,537,582	10,294,114	20,831,696	

General Revenues

Taxes:			
Sales taxes	3,808,825	-	3,808,825
Penalties and interest on delinquent taxes	8,018	-	8,018
Other taxes	639,475	-	639,475
Grants and entitlements not restricted to a specific purpose			
	182,725	-	182,725
Investment income (loss)	(593)	-	(593)
Other	310,514	-	310,514
Transfers	3,547,292	(3,547,292)	-
Total General Revenues and Transfers	8,496,256	(3,547,292)	4,948,964
Change in net position	19,033,838	6,746,822	25,780,660
Net Position, beginning	17,273,230	42,003,637	59,276,867
Net Position, ending	\$ 36,307,068	\$ 48,750,459	\$ 85,057,527

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Governmental Funds

Balance Sheet

<i>December 31, 2021</i>	Major Fund General	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and investments	\$ 251,265	\$ 2,109,389	\$ 2,360,654
Receivables:			
Accounts, net of allowance for uncollectible accounts	207,120	-	207,120
Grants and shared revenues	445,317	75,634	520,951
Sales tax	390,323	-	390,323
Total receivables	1,042,760	75,634	1,118,394
Prepaid items	427,690	120,424	548,114
Total Assets	\$ 1,721,715	\$ 2,305,447	\$ 4,027,162
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 132,545	\$ 9,950	\$ 142,495
Accrued payroll and payroll liabilities	293,510	-	293,510
Due to other funds	-	186,108	186,108
Unearned revenue	-	250,000	250,000
Total Liabilities	426,055	446,058	872,113
Deferred Inflows of Resources			
Delinquent sales taxes	10,643	-	10,643
ARPA revenues	393,887	-	393,887
E-911	6,043	-	6,043
Total Deferred Inflows of Resources	410,573	-	410,573
Fund Balances			
Nonspendable - prepaid items	427,690	120,424	548,114
Committed - Refuse Capital Projects	-	1,408,000	1,408,000
Committed - Water & Sewer Capital Projects	-	450,000	450,000
Assigned - public safety	-	1,389	1,389
Unassigned	457,397	(120,424)	336,973
Total Fund Balances	885,087	1,859,389	2,744,476
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,721,715	\$ 2,305,447	\$ 4,027,162

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

December 31, 2021

Total fund balances for governmental funds		\$ 2,744,476
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	26,040,329	
Infrastructure	773,908	
Buildings	8,442,815	
Small boat harbor	9,590,671	
Machinery and equipment	4,411,544	
Total capital assets	49,834,267	
Less accumulated depreciation	(11,035,573)	
Total capital assets, net of accumulated depreciation		38,798,694
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.		4,029,646
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	10,643	
E-911 surcharge accounts receivable	6,043	
Unavailable revenue of ARPA fund	393,887	
Total other long-term assets		410,573
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	(191,653)	
Net pension liability	(5,852,171)	
Total long-term liabilities		(6,043,824)
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	645,502	
Deferred outflows of resources related to OPEB	71,018	
Deferred inflows of resources related to pensions	(2,155,119)	
Deferred inflows of resources related to OPEB	(2,193,898)	
Total deferred pension and OPEB items		(3,632,497)
Total Net Position of Governmental Activities		\$ 36,307,068

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Exhibit B-12

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

<i>Year Ended December 31, 2021</i>	Major Fund General	Nonmajor Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Government	\$ 15,889,224	\$ 559,124	\$ 16,448,348
State of Alaska	1,476,770	-	1,476,770
Local Sources:			
Taxes	4,464,844	-	4,464,844
Charges for services	1,433,842	-	1,433,842
Investment loss	(593)	-	(593)
Other	356,337	1	356,338
Total Revenues	23,620,424	559,125	24,179,549
Expenditures			
Current:			
General government	1,705,880	-	1,705,880
Public safety	4,079,246	485,985	4,565,231
Public works	19,031,038	-	19,031,038
Community services	76,597	-	76,597
Small boat harbor	64,952	-	64,952
Parks and recreation	332,079	-	332,079
Nondepartmental	10,462	-	10,462
Capital outlay	-	82,601	82,601
Total Expenditures	25,300,254	568,586	25,868,840
Excess of revenues over (under) expenditures	(1,679,830)	(9,461)	(1,689,291)
Other Financing Sources (Uses)			
Transfers in	1,689,292	1,867,462	3,556,754
Transfers out	(9,462)	-	(9,462)
Net Other Financing Sources (Uses)	1,679,830	1,867,462	3,547,292
Net change in fund balances	-	1,858,001	1,858,001
Fund Balances, beginning	885,087	1,388	886,475
Fund Balances, ending	\$ 885,087	\$ 1,859,389	\$ 2,744,476

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

**Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities**
Year Ended December 31, 2021

Net change in fund balances - total governmental funds \$ 1,858,001

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 over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$17,594,610) exceeded depreciation (\$904,619) in the current year. 16,689,991

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in unavailable delinquent sales taxes	(8,526)	
Decrease in unavailable ambulance revenues	(100,000)	
Increase in unavailable E-911 surcharge revenues	469	
Increase in unavailable revenue of ARPA fund	393,887	
	285,830	285,830

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	35,727	
Net increase in net pension liability and related deferred accounts	(1,320,956)	
Net increase in net other postemployment benefits assets/liability and related deferred accounts	1,485,245	
	200,016	200,016

Change in Net Position of Governmental Activities		\$ 19,033,838
--	--	----------------------

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Enterprise Funds
Statement of Net Position

	Major Funds			Nonmajor Fund	
	Water and Sewer Utility	Refuse	Package Store	Bar and Grill Enterprise Fund	Total Enterprise Funds
<i>December 31, 2021</i>					
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and investments	\$ 2,810,679	\$ -	\$1,182,559	\$ -	\$ 3,993,238
Receivables:					
Accounts	334,852	204,027	-	-	538,879
Grants	1,407,484	-	-	-	1,407,484
Allowance for uncollectible accounts	(146,755)	(122,368)	-	-	(269,123)
Net receivables	1,595,581	81,659	-	-	1,677,240
Inventory	227,984	-	585,216	-	813,200
Due from other funds	1,053,647	-	-	-	1,053,647
Total Current Assets	5,687,891	81,659	1,767,775	-	7,537,325
Noncurrent Assets					
Net other postemployment benefits assets	568,582	353,915	269,456	-	1,191,953
Property, plant, and equipment:					
Property, plant, and equipment	111,684,109	6,629,209	-	25,335	118,338,653
Accumulated depreciation	(67,718,346)	(5,546,277)	-	-	(73,264,623)
Net property, plant, and equipment	43,965,763	1,082,932	-	25,335	45,074,030
Total Noncurrent Assets	44,534,345	1,436,847	269,456	25,335	46,265,983
Total Assets	50,222,236	1,518,506	2,037,231	25,335	53,803,308
Deferred Outflows of Resources					
Pension related	55,367	50,168	18,418	-	123,953
OPEB related	17,767	3,988	3,387	-	25,142
Total Assets and Deferred Outflows of Resources	\$50,295,370	\$1,572,662	\$2,059,036	\$ 25,335	\$53,952,403

City of Kotzebue, Alaska
Enterprise Funds
Statement of Net Position, continued

	Major Funds			Nonmajor Fund	Total Enterprise Funds
	Water and Sewer Utility	Refuse	Package Store	Bar and Grill Enterprise Fund	
<i>December 31, 2021</i>					
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Accounts payable	\$ 1,462,443	\$ 11,059	\$ 39,795	\$ -	\$ 1,513,297
Accrued payroll and payroll liabilities	10,271	6,293	5,538	-	22,102
Accrued leave	24,078	13,952	7,644	-	45,674
Due to other funds	-	519,213	-	348,326	867,539
Total Current Liabilities	1,496,792	550,517	52,977	348,326	2,448,612
Noncurrent Liabilities					
Net pension liability	575,824	458,137	205,757	-	1,239,718
Landfill closure costs	-	182,936	-	-	182,936
Total Noncurrent Liabilities	575,824	641,073	205,757	-	1,422,654
Total Liabilities	2,072,616	1,191,590	258,734	348,326	3,871,266
Deferred Inflows of Resources					
Pension related	319,569	194,142	159,257	-	672,968
OPEB related	317,697	191,733	148,280	-	657,710
Total Deferred Inflows of Resources	637,266	385,875	307,537	-	1,330,678
Net Position					
Net investment in capital assets	43,965,763	1,082,932	-	25,335	45,074,030
Unrestricted (deficit)	3,619,725	(1,087,735)	1,492,765	(348,326)	3,676,429
Total Net Position (Deficit)	47,585,488	(4,803)	1,492,765	(322,991)	48,750,459
Total Liabilities, Deferred Inflows of Resources and Net Position	\$50,295,370	\$1,572,662	\$2,059,036	\$ 25,335	\$53,952,403

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Exhibit C-2

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

	Major Funds			Nonmajor Fund	Total Enterprise Funds
	Water and Sewer Utility	Refuse	Package Store	Bar and Grill Enterprise Fund	
<i>Year Ended December 31, 2021</i>					
Operating Revenues					
Water use charges and connect fees	\$ 1,709,209	\$ -	\$ -	\$ -	\$ 1,709,209
Sewer use charges and connect fees	787,131	-	-	-	787,131
Refuse and landfill	-	927,142	-	-	927,142
Net alcohol sales and permitting fees	-	-	1,509,387	-	1,509,387
Other operating revenues	40,678	-	-	-	40,678
Total Operating Revenues	2,537,018	927,142	1,509,387	-	4,973,547
Operating Expenses					
Administration	291,347	105,000	150,000	-	546,347
Water	950,432	-	-	-	950,432
Sewer	767,464	-	-	-	767,464
Refuse and landfill	-	804,312	-	-	804,312
Package store and distribution site	-	-	578,467	-	578,467
Depreciation	1,531,155	123,759	-	-	1,654,914
Total Operating Expenses	3,540,398	1,033,071	728,467	-	5,301,936
Income (loss) from operations	(1,003,380)	(105,929)	780,920	-	(328,389)
Nonoperating Revenues (Expenses)					
State PERS relief	151	95	75	-	321
Landfill closure liability reduction	-	(1,785)	-	-	(1,785)
Net Nonoperating Revenues (Expenses)	151	(1,690)	75	-	(1,464)
Income (loss) before transfers and capital contribution	(1,003,229)	(107,619)	780,995	-	(329,853)
Other Financing Sources (Uses)					
Transfers out	(3,023,499)	-	(523,793)	-	(3,547,292)
Capital contributions - grants	10,623,967	-	-	-	10,623,967
Net Other Financing Sources (Uses)	7,600,468	-	(523,793)	-	7,076,675
Change in net position	6,597,239	(107,619)	257,202	-	6,746,822
Net Position (Deficit), beginning	40,988,249	102,816	1,235,563	(322,991)	42,003,637
Net Position (Deficit), ending	\$47,585,488	\$ (4,803)	\$1,492,765	\$ (322,991)	\$ 48,750,459

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska

Exhibit C-3

Enterprise Funds Statement of Cash Flows

<i>Year Ended December 31, 2021</i>	Major Funds			Total Enterprise Funds
	Water and Sewer Utility	Refuse	Package Store	
Cash Flows from (for) Operating Activities				
Receipts from customers and users	\$ 2,469,684	\$ 976,836	\$3,108,280	\$ 6,554,800
Payments to suppliers	(2,117,507)	(316,177)	(1,887,173)	(4,320,857)
Payments to employees	(813,289)	(503,804)	(457,146)	(1,774,239)
Payments for interfund services used	(275,000)	(105,000)	(150,000)	(530,000)
Net cash flows from (for) operating activities	(736,112)	51,855	613,961	(70,296)
Cash Flows from (for) Noncapital Financing Activities				
Decrease in advances from other funds	-	(453,049)	-	(453,049)
Decrease in due to from other funds	353,384	501,120	-	854,504
Increase in advance to other funds	453,049	-	-	453,049
Transfers out	(3,023,499)	-	(523,793)	(3,547,292)
Net cash flows from (for) noncapital financing activities	(2,217,066)	48,071	(523,793)	(2,692,788)
Cash Flows from (for) Capital and Related Financing Activities				
Capital grants received	10,431,691	-	-	10,431,691
Acquisition and construction of capital assets	(9,581,344)	(99,926)	-	(9,681,270)
Net cash flows from (for) capital and related financing activities	850,347	(99,926)	-	750,421
Net increase (decrease) in cash and investments	(2,102,831)	-	90,168	(2,012,663)
Cash and Investments, beginning	4,913,510	-	1,092,391	6,005,901
Cash and Investments, ending	\$ 2,810,679	\$ -	\$1,182,559	\$ 3,993,238

City of Kotzebue, Alaska

Exhibit C-3, continued

**Enterprise Funds
Statement of Cash Flows, continued**

<i>Year Ended December 31, 2021</i>	Major Funds			Total Enterprise Funds
	Water and Sewer Utility	Refuse	Package Store	
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:				
Income (loss) from operations	\$ (1,003,380)	\$ (105,929)	\$ 780,920	\$ (328,389)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Noncash expense - PERS relief	151	95	75	321
Increase (decrease) in allowance for uncollectible accounts	(35,369)	(74,567)	-	(109,936)
Depreciation	1,531,155	123,759	-	1,654,914
(Increase) decrease in assets and deferred outflows of resources:				
Accounts receivable	(31,965)	124,261	-	92,296
Inventory	10,512	-	(105,876)	(95,364)
Net other postemployment benefits assets	(491,170)	(307,608)	(242,024)	(1,040,802)
Deferred outflows of resources - pension related	12,593	7,887	6,205	26,685
Deferred outflows of resources - OPEB related	33,650	21,074	16,581	71,305
Increase (decrease) in liabilities:				
Accounts payable	(1,191,252)	(5,362)	(48,527)	(1,245,141)
Accrued payroll and payroll liabilities	3,151	1,777	873	5,801
Accrued leave	10,772	2,937	1,200	14,909
Net pension liability	(134,072)	(83,966)	(66,064)	(284,102)
Net other postemployment benefits liability	(7,664)	(1,200)	(3,754)	(12,618)
Deferred inflows of resources - pension related	310,405	194,400	152,952	657,757
Deferred inflows of resources - OPEB related	246,371	154,297	121,400	522,068
Net Cash Flows from (for) Operating Activities	\$ (736,112)	\$ 51,855	\$ 613,961	\$ (70,296)
Noncash Capital and Related Financing Activities				
Capital assets purchased on account	\$ 1,407,484	\$ -	\$ -	\$ 1,407,484

See accompanying notes to basic financial statements.

City of Kotzebue, Alaska
Notes to Basic Financial Statements
Year Ended December 31, 2021

1. Summary of Significant Accounting Policies

Reporting City

The City of Kotzebue (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 only. There are no other component units for which City of Kotzebue 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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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).

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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 Grant 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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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, 2021.

Bank deposits	\$ 5,730,958
Investments:	
Alaska Municipal League Investment Pool (AMLIP)	369,317
Certificates of deposit	253,617
<hr/>	
Total Cash and Investments	\$ 6,353,892

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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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's investments at December 31, 2021 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 equivalents include \$369,317 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, 2021.

The City has investments in certificates of deposit totaling \$253,617 that are not held at fair value, but instead recorded at amortized cost as of December 31, 2021.

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, 2021, 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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

Credit Risk

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

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, 2021, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$5,341,546 was subject to a collateral agreement with the depository financial institutions and \$253,450 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, 2021, 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	\$ 207,120	\$ -	\$ 207,120
Grants and shared revenues	445,317	75,634	520,951
Sales tax	390,323	-	390,323
Total Receivables	\$ 1,042,760	\$ 75,634	\$ 1,118,394

	Major Enterprise Funds			Total Enterprise Funds
	Water & Sewer	Refuse	Package Store	
Accounts	\$ 334,852	\$ 204,027	\$ -	\$ 538,879
Grants and shared revenues	1,407,484	-	-	1,407,484
Total receivables	1,742,336	204,027	-	1,946,363
Less allowance for uncollectible accounts	(146,755)	(122,368)	-	(269,123)
Net Receivables	\$ 1,595,581	\$ 81,659	\$ -	\$ 1,677,240

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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

4. Capital Assets

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

	Balance December 31, 2020	Additions & Reclass	Deletions & Reclass	Balance December 31, 2021
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land and land improvements	\$ 575,000	\$ -	\$ -	\$ 575,000
Construction in progress	9,603,306	16,613,851	(176,828)	26,040,329
Total assets not being depreciated	10,178,306	16,613,851	(176,828)	26,615,329
Capital assets being depreciated:				
Infrastructure	-	773,908	-	773,908
Buildings	8,442,815	-	-	8,442,815
Small boat harbor	9,540,546	50,125	-	9,590,671
Machinery and equipment	4,096,564	333,555	(18,575)	4,411,544
Total capital assets being depreciated	22,079,925	1,157,588	(18,575)	23,218,938
Less accumulated depreciation for:				
Infrastructure	-	12,898	-	12,898
Buildings	4,547,320	221,790	-	4,769,110
Small boat harbor	2,692,563	478,281	-	3,170,844
Machinery and equipment	2,909,646	191,650	(18,575)	3,082,721
Total accumulated depreciation	10,149,529	904,619	(18,575)	11,035,573
Total capital assets being depreciated, net	11,930,396	252,970	-	12,183,365
Governmental Activity Capital Assets, net	\$ 22,108,702	\$ 16,866,820	\$ (176,828)	\$ 38,798,694

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City of Kotzebue, Alaska

Notes to Basic Financial Statements

	Balance December 31, 2020	Additions & Reclass	Deletions & Reclass	Balance December 31, 2021
<i>Business-type Activities</i>				
Capital assets not being depreciated:				
Land and land improvements	\$ 230,983	\$ -	\$ -	\$ 230,983
Construction in progress	10,626,483	10,856,710	-	21,483,193
Total assets not being depreciated	10,857,466	10,856,710	-	21,714,176
Capital assets being depreciated:				
Buildings	2,381,895	-	-	2,381,895
Improvements other than buildings	89,809,114	-	(4,900)	89,804,214
Machinery and equipment	4,206,322	232,046	-	4,438,368
Total capital assets being depreciated	96,397,331	232,046	(4,900)	96,624,477
Less accumulated depreciation for:				
Buildings	1,810,131	79,400	-	1,889,531
Improvements other than buildings	66,091,655	1,451,152	(4,900)	67,537,907
Machinery and equipment	3,712,823	124,362		3,837,185
Total accumulated depreciation	71,614,609	1,654,914	(4,900)	73,264,623
Total capital assets being depreciated, net	24,782,722	(1,422,868)	-	23,359,854
Business-type Activity Capital Assets, net	\$ 35,640,188	\$ 9,433,842	\$ -	\$ 45,074,030

Depreciation expense was charged to the functions as follows:

Governmental Activities

General government	\$ 62,914
Public safety	141,438
Public works	583,181
Parks and recreation	117,086
Total Depreciation Expense - Governmental Activities	\$ 904,619

Business-type Activities

Water and sewer utility	\$ 1,531,155
Refuse	123,759
Total Depreciation Expense - Business-type Activities	\$ 1,654,914

City of Kotzebue, Alaska

Notes to Basic Financial Statements

5. Interfund Receivables, Payables, Advances and Transfers

A schedule of interfund balances and transfers for the year ended December 31, 2021, follows:

Due from Other Funds

Due to the Water and Sewer Utility Enterprise Fund from:

Capital Projects Fund	\$ 50,125
Special Revenue Fund	135,983
Bar and Grill Fund	348,326
Refuse Fund	519,213

Total Due from Other Funds	\$ 1,053,647
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Transfers to Other Funds

From General Fund to:

Nonmajor governmental funds to close fund	\$ 2,495
Nonmajor governmental funds to close fund	6,967

From Water & Sewer Fund to:

General Fund	1,165,499
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From Package Fund to:

General Fund	523,793
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From Water & Sewer Fund to:

Nonmajor governmental funds	1,858,000
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Total Transfers	\$ 3,556,754
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City of Kotzebue, Alaska

Notes to Basic Financial Statements

6. Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended December 31, 2021:

<i>Governmental Activities</i>	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Accrued leave	\$ 227,380	\$ 424,270	\$ (459,997)	\$ 191,653	\$ 191,653
Net OPEB liability	8,913	-	(8,913)	-	-
Net pension liability	6,789,594	-	(937,423)	5,852,171	-
Total Governmental Activities	\$ 7,025,887	\$ 424,270	\$ (1,406,333)	\$ 6,043,824	\$ 191,653

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

<i>Business-type Activities</i>	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021	Due Within One Year
Accrued leave	\$ 30,765	\$ 138,853	\$ (123,944)	\$ 45,674	\$ 45,674
Estimated landfill closure costs	181,152	1,784	-	182,936	-
Net OPEB liability	12,618	-	(12,618)	-	-
Net pension liability	1,523,820	-	(284,102)	1,239,718	-
Total Business-type Activities	\$ 1,748,355	\$ 140,637	\$ (420,664)	\$ 1,468,328	\$ 45,674

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	Nonmajor Funds	Totals
Nonspendable - prepaid items	\$ 427,690	\$ 120,425	\$ 548,115
Committed - Refuse Capital Projects	-	1,408,000	1,408,000
Committed - Water & Sewer Capital Projects	-	450,000	450,000
Assigned - public safety	-	1,389	1,389
Unassigned	457,397	(120,425)	336,972
Total Fund Balances	\$ 885,087	\$ 1,859,389	\$ 2,744,476

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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 77% full. Cell one is fully capped. The \$182,936 reported as landfill closure liability at December 31, 2021 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.

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 <http://doa.alaska.gov/dr/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

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

Contribution rates are actuarially determined. The City's contribution rates for the 2021 calendar year were as follows:

<i>January 1, 2021 to June 30, 2021</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment healthcare (ARHCT)	7.43%	4.27%	-%
Total Contribution Rates	22.00%	30.85%	8.85%

<i>July 1, 2021 to December 31, 2021</i>	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	15.54%	26.99%	8.11%
Postemployment healthcare (ARHCT)	6.46%	3.12%	-%
Total Contribution Rates	22.00%	30.11%	8.11%

In 2021, the City was credited with the following contributions to the pension plan:

	Measurement Period July 1, 2020 to June 30, 2021	City Fiscal Year January 1, 2021 to December 31, 2021
Employer contributions (including DBUL)	\$ 642,530	\$ 630,003
Nonemployer contributions (on-behalf)	435,924	406,551
Total Contributions	\$ 1,078,454	\$ 1,036,554

In addition, employee contributions to the Plan totaled \$336,849 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, 2021, 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:

	2021
City proportionate share of NPL	\$ 7,091,889
State's proportionate share of NPL associated with the City	961,765
Total Net Pension Liability	\$ 8,053,654

City of Kotzebue, Alaska

Notes to Basic Financial Statements

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2021 measurement date, the City's proportion was 0.19332 percent, which was an increase of 0.05244 from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$2,359,005 and on-behalf revenue of \$435,924 for support provided by the State. At December 31, 2021, 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
Difference between expected and actual experience	\$ -	\$ (31,419)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,796,668)
Changes in proportion and differences between City contributions and proportionate share of contributions	435,226	-
City contributions subsequent to the measurement date	334,229	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 769,455	\$ (2,828,087)

The \$334,229 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, 2022. 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,

2022	\$ (246,101)
2023	(640,607)
2024	(692,959)
2025	(813,194)
Total Amortization	\$ (2,392,861)

City of Kotzebue, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

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 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on service.
Allocation methodology	Amounts for the June 30, 2021 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Post-commencement mortality rates were based on 91% of male and 96% of female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2020 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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 2.04%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	28%	6.63%
Global equity (non-U.S.)	19%	5.41%
Aggregate bonds	22%	0.76%
Opportunistic	6%	4.39%
Real assets	13%	3.16%
Private equity	12%	9.29%
Cash equivalents	-%	0.13%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.38%, 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 (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's proportionate share of the net pension liability	0.19332%	\$ 10,504,074	\$ 7,091,887	\$ 4,225,214

Pension Plan Fiduciary Net Position

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

City of Kotzebue, Alaska

Notes to Basic Financial Statements

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a DC plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, a retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/dr/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, 2021 to cover a portion of the City's employer match contributions. For the year ended December 31, 2021, forfeitures reduced pension expense by \$52,900.

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, 2021, 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, 2021 were \$210,531 and \$336,849 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

City of Kotzebue, Alaska

Notes to Basic Financial Statements

PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Employer Contribution Rate

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

Employer contribution rates for the year ended December 31, 2021 were as follows:

<i>January 1, 2021 to June 30, 2021</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	7.43%	7.43%
Retiree Medical Plan	1.27%	1.27%
Occupational Death and Disability Benefits	0.31%	0.70%
Total Contribution Rates	9.01%	9.40%
<i>July 1, 2021 to December 31, 2021</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	6.46%	6.46%
Retiree Medical Plan	1.07%	1.07%
Occupational Death and Disability Benefits	0.31%	0.68%
Total Contribution Rates	7.84%	8.21%

In 2021, the City was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2020 to June 30, 2021	City Fiscal Year January 1, 2021 to December 31, 2021
Employer contributions - ARHCT	\$ 55,072	\$ 46,609
Employer contributions - RMP	54,330	49,071
Employer contributions - ODD	19,510	18,534
Nonemployer contributions (on-behalf)- ARHCT	-	-
Total Contributions	\$ 128,912	\$ 114,214

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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

At December 31, 2021, 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	\$ 4,981,814
City's proportionate share of NOA - RMP	78,577
City's proportionate share of NOA - ODD	161,208
Total City's Proportionate Share of NOA	\$ 5,221,599
State's proportionate share of the ARHCT NOA associated with the City	\$ 654,504
Total Net OPEB Asset	\$ 5,876,103

The total OPEB liabilities (asset) for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 to calculate the net OPEB liabilities (asset) as of that date. The City's proportion of the net OPEB liabilities (asset) 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, 2020 Measurement Date Employer Proportion	June 30, 2021 Measurement Date Employer Proportion	Change
City's proportionate share of the net OPEB liabilities (asset):			
ARHCT	0.14090%	0.19420%	0.05330 %
RMP	0.30357%	0.29274%	(0.01083)%
ODD	0.39778%	0.36577%	(0.03201)%

For the year ended December 31, 2021, the City recognized OPEB expense of \$(1,830,926). Of this amount, \$(227,088) was recorded for on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense and on-behalf revenue is listed by plan in the table below:

Plan	OPEB expense	On-behalf revenue
ARHCT	\$ (1,854,069)	\$ (227,088)
RMP	26,062	-
ODD	(2,919)	-
Total	\$ (1,830,926)	\$ (227,088)

City of Kotzebue, Alaska

Notes to Basic Financial Statements

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ 5,842	\$ -	\$ 5,842
Changes in assumptions	-	24,423	-	24,423
Changes in benefits	-	-	-	-
Difference between projected and actual investment earnings	-	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,827	8,330	11,157
City contributions subsequent to the measurement date	21,679	23,559	9,500	54,738

Total Deferred Outflows of Resources Related to OPEB Plans	\$ 21,679	\$ 56,652	\$ 17,830	\$ 96,160
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<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ (52,317)	\$ (3,736)	\$ (44,031)	\$ (100,084)
Changes in assumptions	(188,264)	(46,698)	(1,225)	(236,187)
Changes in benefits	-	-	-	-
Difference between projected and actual investment earnings	(2,331,222)	(70,297)	(25,850)	(2,427,369)
Changes in proportion and differences between City contributions and proportionate share of contributions	(76,039)	(2,032)	(9,897)	(87,968)

Total Deferred Inflows of Resources Related to OPEB Plans	\$ (2,647,842)	\$ (122,763)	\$ (81,003)	\$ (2,851,608)
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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 liabilities (asset) in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending December 31,</i>	ARHCT	RMP	ODD	Total
2022	\$ (862,753)	\$ (19,158)	\$ (14,317)	\$ (896,228)
2023	(536,873)	(19,191)	(14,300)	(570,364)
2024	(576,489)	(19,901)	(14,572)	(610,962)
2025	(671,727)	(22,140)	(15,434)	(709,301)
2026	-	(2,633)	(8,155)	(10,788)
Thereafter	-	(6,648)	(5,895)	(12,543)
Total Amortization	\$ (2,647,842)	\$ (89,671)	\$ (72,673)	\$ (2,810,186)

City of Kotzebue, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2021:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/Firefighter. Graded by service from 6.75% to 2.75% for all others.
Allocation methodology	Amounts for the June 30, 2021 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 2023 to 2039.
Investment rate of return	7.38%, 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 4.88%.
Healthcare cost trend rates	Pre-65 medical: 6.5% grading down to 4.5% Post-65 medical: 5.4% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% EGWP: 7.5% grading down to 4.5%
Mortality (ARHCT, RMP and ODD Plans)	Pre-commencement and post-commencement mortality rates were based upon the 2013-2017 actual mortality experience. Post-commencement mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement. The rates for pre-commencement mortality were 100% of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
(ODD Plan)	Deaths are assumed to be occupational 75% of the time for peace officers/firefighters, 40% of the time for all others. Disability mortality in accordance with the RP-2014 Disabled Table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

1. Per capita claims costs were updated to reflect recent experience.
2. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 and CY 21.
3. 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return, excluding the inflation component of 2.50% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	28%	6.63%
Global equity (non-U.S.)	19%	5.41%
Aggregate bonds	22%	0.76%
Opportunistic	6%	4.39%
Real assets	13%	3.16%
Private equity	12%	9.29%
Cash equivalents	-%	0.13%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan as of June 30, 2021 was 7.38%. The discount rate used did not change from the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position of 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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

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 7.38%, 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 (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
City's proportionate share of the net OPEB asset:				
ARHCT	0.19420%	\$ (3,258,031)	\$ (4,981,814)	\$ (6,413,287)
RMP	0.29274%	\$ 51,285	\$ (78,577)	\$ (176,661)
ODD	0.36577%	\$ (154,363)	\$ (161,207)	\$ (166,657)

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

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB asset:				
ARHCT	0.19420%	\$ (6,580,858)	\$ (4,981,814)	\$ (3,052,184)
RMP	0.29274%	\$ (190,701)	\$ (78,577)	\$ 74,200
ODD	0.36577%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about the 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.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

Contribution Rate

AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2021, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,168 per year for each full-time employee, and \$1.39 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2021, the City contributed \$119,627 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, 2021. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

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City of Kotzebue, Alaska
Notes to Basic Financial Statements

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. Risk and Uncertainty

COVID-19 & CARES Act

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The City's operations are heavily dependent upon the ability to collect sales taxes and charges for services. Additionally, the City also receives significant grant funding from the federal government and State of Alaska. The coronavirus pandemic has adversely impacted economic and financial market conditions, both globally and locally. It is possible that the coronavirus pandemic will adversely impact the City's tax revenue base, demand for services, access to federal and state grant funding, as well as depress the value of the City's investments in marketable securities.

The City has incurred additional, previously unbudgeted expenditures as a result of the pandemic during the year ended December 31, 2020 as well as the year ending December 31, 2021. These restrictions are primarily the result of travel and health restrictions which have negatively impacted the local economy and City workforce.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain local governments. Subsequent to year end, the City received an award of \$3,179,601 from the Coronavirus Relief Fund (CRF), passed through the State of Alaska, for the year ended December 31, 2020. The City applied \$3,179,601 in CRF funding toward eligible expenditures in fiscal year 2020 and received payments of \$2,484,394 and \$695,207 in fiscal year 2020 and 2021, respectively. This award provided substantial relief to the City to help pay for the previously unbudgeted expenditures as a result of the pandemic.

During 2021 the City received a second award of \$785,667 as a non-entitlement unit via the Coronavirus State and Local Fiscal Recovery Funds program established by the American Rescue Plant Act of 2021. These funds, among other things, were used to assist in lost revenues of the City as a result of the COVID-19 outbreak. The City expended the full balance of the award and received \$391,780 of the award during 2021 with the remaining outstanding balance to be received at a later date within the terms of the award.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

While the initial direct impacts of the COVID-19 pandemic have lessened as time progresses and the economy recovers, the full extent of the COVID-19 pandemic itself will not be determinable for years to come as the U.S. economy as a whole has seen lasting inflationary pressure. Management actively monitoring the rising cost of goods and services is continuing to monitor the lasting impacts of the pandemic to support the health and prosperity of the community.

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 implemented by the City of Kotzebue for 2022 reporting:

GASB Statement No. 87 - Leases - Effective for year-end June 30, 2022. This Statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - Effective for year-end June 30, 2022. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 92 - Omnibus 2020 - Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2022. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB Statement No. 93 - Replacement of Interbank Offered Rates - The provisions of this Statement, except for paragraph 11b, 13 and 14, are required to be implemented for year-end June 30, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end June 30, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

City of Kotzebue, Alaska

Notes to Basic Financial Statements

GASB Statement No. 98 - The Annual Comprehensive Financial Report - Effective for year-end June 30, 2022. Earlier application is encouraged. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

The GASB has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB Statement No. 95). 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. 91 - Conduit Debt Obligations - Effective for year-end June 30, 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 June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

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

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

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

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

Required Supplementary Information

City of Kotzebue, Alaska

General Fund

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

<i>Year Ended December 31, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 4,425,502	\$ 4,613,000	\$ 4,464,844	\$ (148,156)
Intergovernmental - Federal Government	125,000	-	15,889,224	15,889,224
Intergovernmental - State of Alaska	1,410,633	1,360,851	1,476,770	115,919
Charges for services	1,495,000	1,495,000	1,433,842	(61,158)
Investment income	22,000	22,000	(593)	(22,593)
Other	200,775	167,375	356,337	188,962
Total Revenues	7,678,910	7,658,226	23,620,424	15,962,198
Expenditures				
General government	1,804,182	1,895,849	1,705,880	189,969
Public safety	4,168,596	4,488,816	4,079,246	409,570
Public works	2,239,972	3,531,386	19,031,038	(15,499,652)
Community services	50,000	40,000	76,597	(36,597)
Small boat harbor	75,350	75,350	64,952	10,398
Parks and recreation	399,500	333,050	332,079	971
Nondepartmental	15,000	15,000	10,462	4,538
Total Expenditures	8,752,600	10,379,451	25,300,254	(14,920,803)
Excess of revenues over (under) expenditures	(1,073,690)	(2,721,225)	(1,679,830)	1,041,395
Other Financing Sources (Uses)				
Transfers in	1,144,728	2,027,719	1,689,292	(338,427)
Transfers out	(1,144,728)	(61,091)	(9,462)	51,629
Net Other Financing Sources (Uses)	-	1,966,628	1,679,830	(286,798)
Net change in fund balance	<u>\$ (1,073,690)</u>	<u>\$ (754,597)</u>	<u>-</u>	<u>\$ 754,597</u>
Fund Balance, beginning			<u>885,087</u>	
Fund Balance, ending			<u>\$ 885,087</u>	

See accompanying notes to Required Supplementary Information.

City of Kotzebue, Alaska

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

<i>Years Ended December 31,</i>	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.19332%	0.14088%	0.12462%	0.16638%	0.13850%	0.17870%	0.13530%
City's Proportionate Share of the Net Pension Liability	\$ 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	961,765	3,438,730	2,709,407	2,395,921	2,667,186	1,260,828	1,758,881
Total Net Pension Liability	\$ 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	5,168,392	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	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	76.46%	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%

Schedule of City Contributions

<i>Years Ended December 31,</i>	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 630,003	\$ 608,968	\$ 478,079	\$ 498,261	\$ 470,028	\$ 420,047	\$ 389,048
Contributions Relative to the Contractually Required Contribution	630,003	608,968	478,079	498,261	470,028	420,047	389,048
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	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	12.91%	11.16%	10.59%	11.62%	10.42%	9.34%	8.96%

See accompanying notes to Required Supplementary Information.

City of Kotzebue, Alaska
Public Employees' Retirement System - OPEB Plans
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)

Years Ended December 31,	ARHCT				RMP				ODD			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.19420%	0.14090%	0.12455%	0.16638%	0.29274%	0.30357%	0.28296%	0.28219%	0.36577%	0.39778%	0.39521%	0.28219%
City's Proportionate Share of the Net OPEB Liability (Asset)	(4,981,814)	(638,143)	184,805	1,707,569	(78,577)	21,532	67,696	35,909	(161,207)	(108,436)	(95,820)	(54,807)
State of Alaska Proportionate Share of the Net OPEB Liability	(654,504)	(264,562)	73,522	495,223	-	-	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (5,636,318)	\$ (902,705)	\$ 258,327	\$ 2,202,792	\$ (78,577)	\$ 21,532	\$ 67,696	\$ 35,909	\$ (161,207)	\$ (108,436)	\$ (95,820)	\$ (54,807)
City's Covered Payroll	3,063,088	4,985,016	5,575,055	4,508,694	3,063,088	4,985,016	5,575,055	1,795,350	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	-162.64%	-12.80%	3.31%	37.87%	-2.57%	0.43%	1.21%	2.00%	-5.26%	-2.18%	-1.72%	-3.05%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	135.54%	106.15%	98.13%	88.12%	115.10%	95.23%	83.17%	88.71%	374.22%	283.80%	297.43%	270.62%

Schedule of the City's Contributions

Years Ended December 31,	ARHCT				RMP				ODD			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Contractually Required Contributions	\$ 46,609	\$ 134,873	\$ 182,356	\$ 165,894	\$ 49,071	\$ 57,977	\$ 41,323	\$ 32,053	\$ 18,534	\$ 19,807	\$ 15,961	\$ 12,220
Contributions Relative to the Contractually Required Contribution	46,609	134,873	182,356	165,894	49,071	57,977	41,323	32,053	18,534	19,807	15,961	12,220
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	671,073	5,455,102	4,514,929	4,288,089	4,210,609	5,455,102	4,514,929	2,203,386	4,210,609	5,455,102	4,514,929	2,203,386
Contributions as a Percentage of Covered Payroll	6.95%	2.47%	4.04%	3.87%	1.17%	1.06%	0.92%	1.45%	0.44%	0.36%	0.35%	0.55%

See accompanying notes to Required Supplementary Information.

City of Kotzebue, Alaska

Notes to Required Supplementary Information, continued December 31, 2021

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, 2021, the Plan measurement date is June 30, 2021.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2020 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from defined benefit pension plan assets.

In 2019, the discount rate was lowered from 8% to 7.38%.

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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City of Kotzebue, Alaska

Notes to Required Supplementary Information, continued December 31, 2021

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, 2021, the Plan measurement date is June 30, 2021.

Changes in Assumptions:

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective for the June 30, 2018 actuarial valuation adopted by the Board to better reflect expected experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation with the following exceptions:

4. Per capita claims costs were updated to reflect recent experience.
5. Retired member contributions were updated to reflect the 5% decrease from calendar year (CY) 20 to CY 21.
6. 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 2019, the discount rate was lowered from 8% to 7.38%.

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

City of Kotzebue, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

Year Ended December 31, 2021	Special Revenue Funds			Capital Project Funds			Total Nonmajor Governmental Funds
	Emergency Services E911	Forfeiture	AEA Lights	Legislative Grants	Repairs and Replacement	Village Improve- ment	
Assets							
Cash and investments	\$ -	\$ 1,389	\$ -	\$ -	\$ 1,858,000	\$ 250,000	\$ 2,109,389
Receivables - grants	-	-	25,509	50,125	-	-	75,634
Prepaid items	120,424	-	-	-	-	-	120,424
Total Assets	120,424	1,389	25,509	50,125	1,858,000	250,000	2,305,447
Liabilities and Fund Balances							
Liabilities							
Accounts payable	9,950	-	-	-	-	-	9,950
Due to other funds	110,474	-	25,509	50,125	-	-	186,108
Unearned revenue	-	-	-	-	-	250,000	250,000
Total Liabilities	120,424	-	25,509	50,125	-	250,000	446,058
Fund Balances							
Nonspendable - prepaid	120,424	-	-	-	-	-	120,424
Committed - Refuse Capital Projects	-	-	-	-	1,408,000	-	1,408,000
Committed - Water & Sewer Capital Projects	-	-	-	-	450,000	-	450,000
Assigned for public safety	-	1,389	-	-	-	-	1,389
Unassigned	(120,424)	-	-	-	-	-	(120,424)
Total Fund Balances	-	1,389	-	-	1,858,000	-	1,859,389
Total Liabilities and Fund Balances	\$ 120,424	\$ 1,389	\$ 25,509	\$ 50,125	\$ 1,858,000	\$ 250,000	\$ 2,305,447

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

<i>Year Ended December 31, 2021</i>	Special Revenue Funds			Capital Project Funds		Total Nonmajor Governmental Funds
	Emergency Services E911	Forfeiture	AEA Lights	Legislative Grants	Repairs and Replacement	
Revenues						
Intergovernmental	\$ 483,490	\$ -	\$ 25,509	\$ 50,125	\$ -	\$ 559,124
Local interest	-	1	-	-	-	1
Total Revenues	483,490	1	25,509	50,125	-	559,125
Expenditures						
Public safety	485,985	-	-	-	-	485,985
Capital outlay	-	-	32,476	50,125	-	82,601
Total Expenditures	485,985	-	32,476	50,125	-	568,586
Excess of revenues over (under) expenditures	(2,495)	1	(6,967)	-	-	(9,461)
Other Financing Sources (Uses)						
Transfers in	2,495	-	6,967	-	1,858,000	1,867,462
Transfers out	-	-	-	-	-	-
Net Other Financing Sources (Uses)	2,495	-	6,967	-	1,858,000	1,867,462
Net change in fund balances	-	1	-	-	1,858,000	1,858,001
Fund Balances, beginning	-	1,388	-	-	-	1,388
Fund Balances, ending	\$ -	\$ 1,389	\$ -	\$ -	\$ 1,858,000	\$ 1,859,389

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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.

City of Kotzebue, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2021	2020
Assets		
Cash and investments	\$ 251,265	\$ -
Receivables:		
Accounts	207,120	58,520
Grants and shared revenues	445,317	1,512,278
Sales tax	390,323	471,370
Prepaid items	427,690	268,135
Total Assets	\$ 1,721,715	\$ 2,310,303
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 132,545	\$ 152,255
Accrued payroll and payroll liabilities	293,510	107,605
Due to other funds	-	1,040,612
Total Liabilities	426,055	1,300,472
Deferred Inflows of Resources		
Delinquent sales taxes	10,643	19,169
ARPA revenues	393,887	-
Ambulance contribution	-	100,000
E-911 surcharge revenues	6,043	5,575
Total Deferred Inflows of Resources	410,573	124,744
Fund Balance		
Nonspendable - prepaid items	427,690	268,135
Restricted for 911 services	-	59,346
Unassigned	457,397	557,606
Total Fund Balance	885,087	885,087
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,721,715	\$ 2,310,303

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

<i>Years Ended December 31,</i>	2021			2020
	Final Budget	Actual	Variance	Actual
Revenues				
Taxes:				
Sales tax	\$ 3,944,000	\$ 3,817,351	\$ (126,649)	\$ 3,721,386
Alcohol use tax	182,000	180,432	(1,568)	172,394
Tobacco use tax	360,000	356,257	(3,743)	340,775
Hotel and bed tax	100,000	102,786	2,786	73,790
Penalties and interest	27,000	8,018	(18,982)	9,250
Total taxes	4,613,000	4,464,844	(148,156)	4,317,595
Intergovernmental:				
Federal Government:				
Department of Transportation	-	15,446,014	15,446,014	-
ARPA funding	-	391,780	391,780	3,179,601
Other	-	51,430	51,430	-
Total Federal Government	-	15,889,224	15,889,224	3,179,601
State of Alaska:				
Jail contract	982,050	982,050	-	982,050
State revenue sharing	88,180	88,180	-	76,047
PERS relief	200,000	311,995	111,995	340,647
Fisheries business shared tax	5,000	8,924	3,924	4,737
Electric and telephone co-op tax	85,621	85,621	-	98,441
Total State of Alaska	1,360,851	1,476,770	115,919	1,501,922
Charges for services:				
Administration fees	530,000	530,000	-	487,000
Ambulance services	965,000	903,842	(61,158)	849,363
Total charges for services	1,495,000	1,433,842	(61,158)	1,336,363

City of Kotzebue, Alaska

Exhibit G-2, continued

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Revenues, continued				
Investment income	\$ 22,000	\$ (593)	\$ (22,593)	\$ 21,020
Other revenues:				
Other rentals and leases	19,500	16,145	(3,355)	19,130
Permits, licenses and fines	17,500	24,679	7,179	15,165
Community activities	3,000	5,000	2,000	3,000
Other	127,375	310,513	183,138	103,499
Total other revenues	167,375	356,337	188,962	140,794
Total Revenues	7,658,226	23,620,424	124,404	10,497,295
Expenditures				
General government:				
City council and clerk:				
Personnel	191,816	179,049	12,767	185,044
Books and publications	2,000	653	1,347	1,897
Supplies	4,000	3,426	574	3,567
Other services and charges	5,540	1,128	4,412	1,720
Telephone	3,500	1,871	1,629	3,170
Travel and per diem	15,000	4,450	10,550	1,841
Training	2,000	1,550	450	-
Dues and memberships	4,000	4,417	(417)	4,274
Insurance	1,500	1,485	15	1,111
Advertising	1,000	284	716	-
Total city council and clerk	230,356	198,313	32,043	202,624
Administration:				
Personnel	829,918	677,026	152,892	911,036
Electricity	7,200	8,524	(1,324)	7,033
Heating fuel	9,500	9,082	418	9,815
Books and publications	700	326	374	326
Supplies	16,000	30,326	(14,326)	13,463
Other services and charges	24,000	29,015	(5,015)	21,289
Telephone	30,000	30,432	(432)	32,117

City of Kotzebue, Alaska

Exhibit G-2, continued

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
General government, continued:				
Administration, continued:				
Travel and per diem	\$ 16,000	\$ 5,931	\$ 10,069	\$ 18,394
Training	10,000	399	9,601	599
Ambulance 3rd-party billing fees	35,000	23,761	11,239	24,046
Dues and memberships	500	724	(224)	-
Postage	6,075	3,336	2,739	3,471
Other consulting	95,000	116,344	(21,344)	70,993
Auditing and consulting	275,000	287,399	(12,399)	71,287
Legal	150,000	123,502	26,498	106,685
Insurance	7,000	13,639	(6,639)	5,522
Lobbying	100,000	99,385	615	98,750
Repairs and maintenance	50,600	41,438	9,162	26,084
Equipment and capital outlay	3,000	6,978	(3,978)	2,118
Total administration	1,665,493	1,507,567	157,926	1,423,028
Total general government	1,895,849	1,705,880	189,969	1,625,652
Public safety:				
Police:				
Personnel	1,484,474	1,197,374	287,100	1,448,016
Electricity	8,500	6,900	1,600	7,568
Heating fuel	7,000	4,936	2,064	6,782
Clothing	5,300	5,299	1	4,556
Supplies	21,200	10,452	10,748	37,674
Other services and charges	16,250	657	15,593	6,814
Telephone	8,000	6,431	1,569	7,064
Travel and per diem	11,587	6,819	4,768	3,552
Employee rent	5,000	1,521	3,479	4,659
Training	35,000	12,879	22,121	16,862
Dues and memberships	750	670	80	494
Consulting	18,413	21,893	(3,480)	14,523
Insurance	125,000	137,014	(12,014)	120,121
Advertising	1,000	138	862	234
Vehicle fuel	22,500	32,631	(10,131)	27,742
Repairs and maintenance	14,500	8,741	5,759	14,315
Equipment and capital outlay	79,460	78,254	1,206	135,464
Animal control	2,000	-	2,000	718

City of Kotzebue, Alaska

Exhibit G-2, continued

Total police

General Fund

1,865,934

1,532,609

333,325

1,857,158

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

City of Kotzebue, Alaska

Exhibit G-2, continued

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Public safety, continued:				
Jail:				
Personnel	\$ 935,000	\$ 841,560	\$ 93,440	\$ 941,966
Electricity	10,000	11,281	(1,281)	12,278
Heating fuel	55,835	39,225	16,610	67,969
Supplies	40,139	23,451	16,688	20,859
Clothing	3,350	3,314	36	1,171
Telephone	7,000	5,537	1,463	6,128
Travel and per diem	10,000	3,081	6,919	8,215
Training	3,000	630	2,370	1,161
Employee rent	15,700	10,314	5,386	9,900
Television	1,050	1,097	(47)	891
Dues and memberships	150	-	150	-
Consulting	14,331	16,581	(2,250)	10,304
Insurance	90,000	109,667	(19,667)	92,064
Repairs and maintenance	11,000	9,737	1,263	12,327
Equipment and capital outlay	-	37,202	(37,202)	59,673
Total jail	1,196,555	1,112,677	83,878	1,244,906
Fire and emergency medical services:				
Personnel	1,261,472	1,270,458	(8,986)	1,217,883
Electricity	14,000	15,505	(1,505)	13,206
Heating fuel	55,000	62,108	(7,108)	63,817
Supplies	7,500	5,790	1,710	5,716
Other services and charges	5,500	2,122	3,378	2,410
Clothing	5,000	2,379	2,621	4,474
Telephone	3,280	2,220	1,060	2,803
Travel and per diem	15,000	8,036	6,964	2,253
Training	12,825	11,181	1,644	3,135
Insurance	8,500	9,073	(573)	7,821
Vehicle fuel	9,000	15,197	(6,197)	12,663
Repairs and maintenance	26,500	28,653	(2,153)	12,926
Equipment and capital outlay	2,750	1,238	1,512	28,754
Total fire and emergency medical services	1,426,327	1,433,960	(7,633)	1,377,861
Total public health support	-	-	-	485,945

City of Kotzebue, Alaska

Exhibit G-2, continued

Total public safety	4,488,816	4,079,246	409,570	4,965,870
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General Fund

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

City of Kotzebue, Alaska

General Fund

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Public works:				
Public works:				
Personnel	1,263,750	1,320,810	(57,060)	1,286,650
Street lighting	70,000	72,321	(2,321)	68,251
Electricity	13,000	11,363	1,637	11,146
Heating fuel	110,000	107,751	2,249	104,197
Supplies	-	12,827	(12,827)	5,712
Sign replacement	1,000	-	1,000	-
Clothing	4,500	1,462	3,038	4,600
Telephone	5,000	7,716	(2,716)	5,091
Travel and per diem	2,500	-	2,500	1,363
Training	5,000	(285)	5,285	-
Dues and memberships	1,400	809	591	431
Professional services	30,000	2,915	27,085	12,952
Insurance	12,000	17,780	(5,780)	11,069
Vehicle fuel	110,000	66,495	43,505	90,719
Repairs and maintenance	197,500	156,301	41,199	119,065
Gravel	30,000	29,580	420	11,280
Equipment and capital outlay	1,426,875	16,915,552	(15,488,677)	3,610
Total public works	3,282,525	18,723,397	(15,440,872)	1,736,136
Public works, continued:				
Planning:				
Personnel	\$ 125,001	\$ 137,753	\$ (12,752)	\$ 227,539
Supplies	1,500	1,216	284	1,581
Other services and charges	610	25	585	30
Telephone	500	902	(402)	290
Travel and per diem	2,500	-	2,500	4,167
Professional services	110,000	161,245	(51,245)	-
Insurance	2,000	1,980	20	1,668
Repairs and maintenance	2,750	3,866	(1,116)	2,219
Equipment and capital outlay	4,000	654	3,346	1,379
Total planning	248,861	307,641	(58,780)	238,873
Total public works	3,531,386	19,031,038	(15,499,652)	1,975,009

City of Kotzebue, Alaska

Exhibit G-2, continued

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Community services:				
Community support	10,000	3,003	6,997	4,525
Kotzebue Broadcasting Inc.	10,000	10,000	-	10,000
Northwest Arctic Borough - ice roads	-	49,351	(49,351)	-
Scholarship Fund	20,000	12,500	7,500	16,000
4th of July celebration	-	1,743	(1,743)	900
Total community services	40,000	76,597	(36,597)	31,425
Small boat harbor:				
Personnel	54,850	39,038	15,812	45,371
R&R docks annually	1,000	1,052	(52)	162
Insurance	9,000	13,178	(4,178)	10,058
Electricity	10,000	11,684	(1,684)	12,120
Office supplies and equipment	500	-	500	-
Total small boat harbor	75,350	64,952	10,398	67,711
Parks and recreation:				
Personnel	176,050	186,507	(10,457)	193,384
Supplies	14,000	7,184	6,816	18,973
Other services and charges	8,500	29,127	(20,627)	4,667
Telephone	5,500	7,217	(1,717)	4,382
Travel and per diem	1,000	-	1,000	698
Insurance	13,000	14,806	(1,806)	13,238
Electricity	25,000	14,635	10,365	23,111

City of Kotzebue, Alaska

Exhibit G-2, continued

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

Years Ended December 31,	2021			2020
	Final Budget	Actual	Variance	Actual
Expenditures, continued				
Parks and recreation, continued:				
Heating fuel	\$ 62,000	\$ 34,396	\$ 27,604	\$ 55,149
Repairs and maintenance	28,000	38,207	(10,207)	39,157
Equipment and capital outlay	-	-	-	80,331
Total parks and recreation	333,050	332,079	971	433,090
Nondepartmental:				
Other capital outlay	-	-	-	130,452
Employee morale and health	15,000	10,462	4,538	31,082
Total nondepartmental	15,000	10,462	4,538	161,534
Total Expenditures	10,379,451	25,300,254	(14,920,803)	9,260,291
Excess of revenues over (under) expenditures	(2,721,225)	(1,679,830)	1,041,395	1,237,004
Other Financing Sources (Uses)				
Transfers in	2,027,719	1,689,292	(338,427)	1,065,175
Transfers out	(61,091)	(9,462)	51,629	(44,117)
Net Other Financing Sources (Uses)	1,966,628	1,679,830	(286,798)	1,021,058
Net change in fund balance	<u>\$ (754,597)</u>	-	<u>\$ 754,597</u>	2,258,062
Fund Balance, beginning		885,087		(1,372,975)
Fund Balance, ending		<u>\$ 885,087</u>		<u>\$ 885,087</u>

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Special Revenue Funds

These funds account for revenues from specific sources that are designated to finance particular functions and activities.

Emergency Services 911 - This fund is used to account for the federal grant revenues restricted to the acquisition, installation, and implementation of the new E-911 dispatch system of the City.

Forfeiture - This fund accounts for amounts received through court order relating to the seizure of assets, which were either utilized in, or represented profits from, illicit or illegal activities. The amounts are then utilized for activities that are related to the investigation of crimes involving controlled substances.

AEA Light - This fund is used to account for federal grant revenues restricted to the purchase and retrofitting LED lights in the City.

City of Kotzebue, Alaska

Exhibit H-71

Emergency Services E911 Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2021

	Final Budget	Actual	Variance
Revenues - intergovernmental (Federal Government)	\$ 457,000	\$ 483,490	\$ 26,490
Expenditures - public safety	\$ 530,237	485,985	\$ 44,252
Excess of revenues over (under) expenditures	(73,237)	(2,495)	70,742
Other Financing Sources - transfers in	\$ 61,091	\$ 2,495	(58,596)
Net change in fund balance	<u>\$ (12,146)</u>	-	<u>\$ 12,146</u>
Fund Balance , beginning		<u>-</u>	
Fund Balance , ending		<u>\$ -</u>	

City of Kotzebue, Alaska

Exhibit H-72

Forfeiture Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2021

	Final Budget	Actual	Variance
Revenues - local interest	\$ 2	\$ 1	\$ (1)
Net change in fund balance	<u>\$ 2</u>	<u>1</u>	<u>\$ (1)</u>
Fund Balance, beginning		<u>1,388</u>	
Fund Balance, ending		<u>\$ 1,389</u>	

City of Kotzebue, Alaska

Exhibit H-73

AEA Lights Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended December 31, 2021

	Final Budget	Actual	Variance
Revenues - intergovernmental (Federal Government)	\$ -	\$ 25,509	\$ 25,509
Expenditures - capital outlay	-	32,476	\$ (32,476)
Excess of revenues over (under) expenditures	-	(6,967)	(6,967)
Other Financing Sources - transfers in	-	\$ 6,967	6,967
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance , beginning		<u>-</u>	
Fund Balance , ending		<u>\$ -</u>	

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,	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 2,810,679	\$ 4,913,510
Receivables:		
Accounts	334,852	302,887
Grants	1,407,484	1,215,208
Allowance for uncollectible accounts	(146,755)	(182,124)
Net receivables	1,595,581	1,335,971
Inventory	227,984	238,496
Due from other funds	1,053,647	1,407,031
Total Current Assets	5,687,891	7,895,008
Advances to other funds	-	453,049
Net other postemployment benefits assets	568,582	77,412
Property, plant, and equipment:		
Construction work in progress	21,457,857	10,601,147
Improvements other than buildings	87,704,081	87,708,981
Machinery and equipment	2,522,171	2,390,053
Total property, plant, and equipment	111,684,109	100,700,181
Accumulated depreciation	(67,718,346)	(66,192,091)
Net property, plant, and equipment	43,965,763	34,508,090
Total Assets	50,222,236	42,933,559
Deferred Outflows of Resources		
Pension related	55,367	67,960
OPEB related	17,767	51,417
Total Assets and Deferred Outflows of Resources	\$ 50,295,370	\$ 43,052,936
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 1,462,443	\$ 1,246,211
Accrued payroll and payroll liabilities	10,271	7,120
Accrued leave	24,078	13,306
Total Current Liabilities	1,496,792	1,266,637
Noncurrent Liabilities		
Net pension liability	575,824	709,896
Net other postemployment benefits liability	-	7,664
Total Liabilities	2,072,616	1,984,197
Deferred Inflows of Resources		
Pension related	319,569	9,164
OPEB related	317,697	71,326
Net Position		
Net investment in capital assets	43,965,763	34,508,090
Unrestricted	3,619,725	6,480,159
Total Net Position	47,585,488	40,988,249
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 50,295,370	\$ 43,052,936

City of Kotzebue, Alaska

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

<i>Years Ended December 31,</i>	2021	2020
Operating Revenues		
Water use charges and connect fees	\$ 1,709,209	\$ 1,681,741
Sewer use charges and connect fees	787,131	739,551
Penalties and interest	28,407	41,617
Hydroflush services	10,835	13,713
Miscellaneous	1,436	425
Total Operating Revenues	2,537,018	2,477,047
Operating Expenses		
Administration:		
Postage	2,694	2,642
Credit card charges	13,653	13,096
Allocated administrative fees	275,000	275,000
Capital outlay	-	238
Total administration	291,347	290,976
Water:		
Personnel	297,868	343,614
Electricity	150,075	141,951
Heating fuel	189,747	189,037
Gas and oil	3,251	2,714
Building maintenance	2,482	5,828
Supplies	164,644	196,869
Other services and charges	-	540
Travel and per diem	1,645	-
Clothing	2,316	2,279
Telephone	5,655	6,165
Training	2,281	1,169
Professional services	30,823	20,511
Insurance	5,148	4,954
Repairs and maintenance	94,497	2,687
Total water	950,432	918,318

City of Kotzebue, Alaska

Water and Sewer Utility Enterprise Fund

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

<i>Years Ended December 31,</i>	2021	2020
Operating Expenses, continued		
Sewer:		
Personnel	\$ 499,608	\$ 505,239
Electricity	81,357	70,180
Supplies	100,567	87,635
Training	-	60
Travel and per diem	-	1,352
Professional services	37,301	47,194
Insurance	3,974	3,115
Repairs and maintenance	44,172	18,197
Other	485	-
Total sewer	767,464	732,972
Depreciation	1,531,155	1,604,520
Total Operating Expenses	3,540,398	3,546,786
Loss from operations	(1,003,380)	(1,069,739)
Nonoperating Revenues		
State PERS relief	151	44,838
Loss Before Transfers and Capital Contributions	(1,003,229)	(1,024,901)
Other Financing Sources (Uses)		
Transfers in	(3,023,499)	540
Capital contributions - general fund	-	265,750
Capital contributions - grants	10,623,967	7,394,228
Net Other Financing Sources (Uses)	7,600,468	7,660,518
Change in net position	6,597,239	6,635,617
Net Position, beginning	40,988,249	34,352,632
Net Position, ending	\$ 47,585,488	\$ 40,988,249

City of Kotzebue, Alaska

Exhibit I-78

**Water and Sewer Utility Enterprise Fund
Statement of Cash Flows**

<i>Years Ended December 31,</i>	2021	2020
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 2,469,684	\$ 2,562,660
Payments to suppliers	(2,117,507)	(1,240,335)
Payments to employees	(813,289)	(862,926)
Payments for interfund services used	(275,000)	(275,000)
Net cash flows from (for) operating activities	(736,112)	184,399
Cash Flows from (for) Capital and Related Financing Activities		
Capital grants received	10,431,691	8,663,956
Acquisition and construction of capital assets	(9,581,344)	(6,191,781)
Net cash flows from capital and related financing activities	850,347	2,472,175
Cash Flows from (for) Noncapital Financing Activities		
Increase in due from other funds	353,384	981,124
Decrease in advance to other funds	453,049	(75,995)
Transfers out	(3,023,499)	540
Net cash flows from (for) noncapital financing activities	(2,217,066)	905,669
Net increase (decrease) in cash and investments	(2,102,831)	3,562,243
Cash and Investments, beginning	4,913,510	1,351,267
Cash and Investments, ending	\$ 2,810,679	\$ 4,913,510
Reconciliation of loss from operations to net cash flows from (for) operating activities:		
Loss from operations	\$ (1,003,380)	\$ (1,069,739)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expense - PERS relief	151	44,838
Depreciation	1,531,155	1,604,520
Decrease in allowance for doubtful accounts	(35,369)	(3,148)
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(31,965)	88,761
Inventory	10,512	(45,274)
Net other postemployment benefits assets	(491,170)	(65,660)
Deferred outflows of resources - pension related	12,593	(35,071)
Deferred outflows of resources - OPEB related	33,650	6,541
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(1,191,252)	(376,648)
Accrued payroll and payroll liabilities	3,151	(19,825)
Accrued leave	10,772	(5,735)
Net pension liability	(134,072)	150,497
Net other postemployment benefits liability	(7,664)	(23,304)
Deferred inflows of resources - pension related	310,405	(80,791)
Deferred inflows of resources - OPEB related	246,371	14,437
Net Cash Flows from (for) Operating Activities	\$ (736,112)	\$ 184,399
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 1,407,484	\$ 1,215,208
Capital assets contributed from governmental activities	\$ -	\$ 265,750

City of Kotzebue, Alaska

Refuse Enterprise Fund
Statement of Net Position

December 31,	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Accounts receivable	\$ 204,027	\$ 328,288
Allowance for uncollectible accounts	(122,368)	(196,935)
Net receivables	81,659	131,353
Total Current Assets	81,659	131,353
Net other postemployment benefits assets	353,915	46,307
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	1,916,198	1,816,270
Total property, plant, and equipment	6,629,209	6,529,281
Accumulated depreciation	(5,546,277)	(5,422,518)
Net property, plant and equipment	1,082,932	1,106,763
Total Assets	1,518,506	1,284,423
Deferred Outflows of Resources		
Pension related	50,168	58,055
OPEB related	3,988	25,062
Total Assets and Deferred Outflows of Resources	\$ 1,572,662	\$ 1,367,540
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 11,059	\$ 16,421
Accrued payroll and payroll liabilities	6,293	4,516
Accrued leave	13,952	11,015
Due to other funds	519,213	18,093
Total Current Liabilities	550,517	50,045
Noncurrent Liabilities		
Advance from other funds	-	453,049
Net pension liability	458,137	542,103
Net other postemployment benefits liability	-	1,200
Landfill closure costs	182,936	181,152
Total Liabilities	1,191,590	1,227,549
Deferred Inflows of Resources		
Pension related	194,142	(258)
OPEB related	191,733	37,436
Net Position		
Net investment in capital assets	1,082,932	1,106,763
Unrestricted (deficit)	(1,087,735)	(1,003,950)
Total Net Position	(4,803)	102,813
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,572,662	\$ 1,367,540

City of Kotzebue, Alaska

Refuse Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2021	2020
Operating Revenues		
Refuse and landfill	\$ 922,851	\$ 710,089
Miscellaneous	4,291	20,104
Total Operating Revenues	927,142	730,193
Operating Expenses		
Personnel	493,497	486,793
Electricity	15,595	15,973
Heating fuel	40,487	43,979
Gas and oil	33,801	32,850
Building maintenance	3,496	2,850
Supplies	92,395	67,820
Telephone	2,538	2,369
Professional fees	54,662	98,781
Insurance	4,950	3,838
Repairs and maintenance	28,909	19,104
Equipment and capital outlay	23,991	-
Allocated administrative fees	105,000	62,000
Clothing/safety equipment	2,012	3,050
Spring cleanup	3,497	6,523
Small tools	482	1,045
Operating permit	4,000	4,568
Depreciation	123,759	135,583
Total Operating Expenses	1,033,071	987,126
Income (loss) from operations	(105,929)	(256,933)
Nonoperating Revenues (Expenses)		
State PERS relief	95	27,594
Landfill closure liability accretion	(1,785)	(13,228)
Net Nonoperating Revenues (Expenses)	(1,690)	14,366
Change in net position	(107,619)	(242,567)
Net Position, beginning	102,816	345,380
Net Position, ending	\$ (4,803)	\$ 102,813

City of Kotzebue, Alaska

Refuse Enterprise Fund
Statement of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
Cash Flows from (for) Operating Activities		
Receipts from customers	\$ 976,836	\$ 766,176
Payments to suppliers	(316,177)	(293,020)
Payments to employees	(503,804)	(487,151)
Payments for interfund services used	(105,000)	(62,000)
Net cash flows from (for) operating activities	51,855	(75,995)
Cash Flows from (for) Noncapital Financing Activities		
Increase due to other funds	501,120	-
Decrease in advances from other funds	(453,049)	75,995
Net cash flows from noncapital financing activities	48,071	75,995
Cash Flows for Capital and Related Financing Activities		
Acquisition and construction of capital assets	(99,926)	-
Net increase in cash and investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of loss from (for) operations to net cash flows from operating activities:		
Loss from operations	\$ (105,929)	\$ (256,933)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Noncash expense - PERS relief	95	27,594
Increase in allowance for doubtful accounts	(74,567)	46,708
Depreciation	123,759	135,583
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	124,261	(10,725)
Net other postemployment benefits assets	(307,608)	(40,409)
Deferred outflows of resources - pension related	7,887	(21,584)
Deferred outflows of resources - OPEB related	21,074	4,025
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(5,362)	9,730
Accrued payroll and payroll liabilities	1,777	(9,273)
Accrued leave	2,937	1,847
Net pension liability	(83,966)	92,620
Net other postemployment benefits liability	(1,200)	(14,342)
Deferred inflows of resources - pension related	194,400	(49,721)
Deferred inflows of resources - OPEB related	154,297	8,885
Net Cash Flows from (for) Operating Activities	\$ 51,855	\$ (75,995)

City of Kotzebue, Alaska
Package Store Enterprise Fund
Statement of Net Position

Exhibit I-7

<i>December 31,</i>	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,182,559	\$ 1,092,391
Inventory	585,216	479,340
Total Current Assets	1,767,775	1,571,731
Net other postemployment benefits assets	269,456	27,432
Deferred Outflows of Resources		
Pension related	18,418	24,623
OPEB related	3,387	19,968
Total Assets and Deferred Outflows of Resources	\$ 2,059,036	\$ 1,643,754
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 39,795	\$ 88,322
Accrued payroll and payroll liabilities	5,538	4,665
Accrued leave	7,644	6,444
Total Current Liabilities	52,977	99,431
Noncurrent Liabilities		
Net pension liability	205,757	271,821
Net other postemployment benefits liability	-	3,754
Total Liabilities	258,734	375,006
Deferred Inflows of Resources		
Pension related	159,257	6,305
OPEB related	148,280	26,880
Net Position - Unrestricted	1,492,765	1,235,563
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,059,036	\$ 1,643,754

City of Kotzebue, Alaska

Exhibit I-8

Package Store Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2021	2020
Operating Revenues		
Retail sales	\$ 3,051,182	\$ 2,925,645
Cost of goods sold	(1,246,525)	(1,271,691)
Freight charges	(352,368)	(356,947)
Net sales	1,452,289	1,297,007
Permitting fees	57,098	51,020
Total Operating Revenues	1,509,387	1,348,027
Operating Expenses		
Personnel	444,590	399,841
Electricity	5,568	5,868
Heating fuel	22,470	10,407
Gas and oil	3,251	2,714
Supplies	5,480	5,076
Telephone	1,292	1,945
Training	1,167	950
Insurance	45,731	41,460
Professional fees	1,477	7,188
Allocated administrative fees	150,000	150,000
Repairs and maintenance	6,063	11,664
Permits	1,900	2,448
Credit card fees	38,301	35,265
Other	1,177	653
Total Operating Expenses	728,467	675,479
Income from operations	780,920	672,548
Nonoperating Revenues		
State PERS relief	75	15,652
Income before transfers	780,995	688,200
Transfers out	(523,793)	-
Change in net position	257,202	688,200
Net Position, beginning	1,235,563	547,363
Net Position, ending	\$ 1,492,765	\$ 1,235,563

City of Kotzebue, Alaska

Exhibit I-9

Package Store Enterprise Fund

Statement of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
Cash Flows from Operating Activities		
Receipts from customers	\$ 3,108,280	\$ 3,003,759
Payments to suppliers	(1,887,173)	(1,758,741)
Payments to employees	(457,146)	(394,333)
Payments for interfund services used	(150,000)	(150,000)
Net cash flows from operating activities	613,961	700,685
Cash Flows for Noncapital Financing Activities		
Transfers out	(523,793)	-
Net increase in cash and investments	90,168	700,685
Cash and Investments, beginning	1,092,391	391,706
Cash and Investments, ending	\$ 1,182,559	\$ 1,092,391
Reconciliation of income from operations to net cash flows from operating activities:		
Income from operations	\$ 780,920	\$ 672,548
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Noncash expense - PERS relief	75	15,652
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	-	27,094
Inventory	(105,876)	(51,476)
Net other postemployment benefits assets	(242,024)	(22,920)
Deferred outflows of resources - pension related	6,205	(12,242)
Deferred outflows of resources - OPEB related	16,581	2,283
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(48,527)	47,011
Accrued payroll and payroll liabilities	873	(4,946)
Accrued leave	1,200	6,444
Net pension liability	(66,064)	52,534
Net other postemployment benefits liability	(3,754)	(8,135)
Deferred inflows of resources - pension related	152,952	(28,202)
Deferred inflows of resources - OPEB related	121,400	5,040
Net Cash Flows from Operating Activities	\$ 613,961	\$ 700,685

City of Kotzebue, Alaska

Exhibit I-10

Bar and Grill Enterprise Fund Statement of Net Position

<i>December 31,</i>	2021	2020
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

Exhibit I-11

Bar and Grill Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2021	2020
Operating Expenses		
Building maintenance	\$ -	\$ 8,000
Change in net position	-	(8,000)
Net Position (Deficit), beginning	(322,991)	(314,991)
Net Position (Deficit), ending	\$ (322,991)	\$ (322,991)

City of Kotzebue, Alaska

Bar and Grill Enterprise Fund

Statement of Cash Flows

<i>Years Ended December 31,</i>	2021	2020
Cash Flows for Operating Activities		
Payments to suppliers	\$ -	\$ (8,000)
Cash Flows from Capital and Related Financing Activities		
Decrease in due to other funds	-	8,000
Net increase in cash and investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of loss from operations to net cash flows for operating activities:		
Loss from operations	\$ -	\$ (8,000)
Net Cash Flows for Operating Activities	\$ -	\$ (8,000)

City of Kotzebue, Alaska
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

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 Justice				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034		\$ -	\$ 41,695
Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	9,735
Total U.S. Department of Justice			-	51,430
U.S. Department of Transportation				
Passed through State of Alaska Department of Transportation Highway Planning and Construction Cluster Transportation Alternatives Project*	20.205	NFWY00359	-	2,020,387
Statewide Transportation Improvement Project*	20.205	NFWY00418	-	13,425,627
Total U.S. Department of Transportation			-	15,446,014
U.S. Department of the Treasury				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act (ARPA)	21.027		-	785,667
U.S. General Services Administration				
Passed through State of Alaska Division of Administration Donation of Federal Surplus Personal Property Donation of Federal Surplus Property	39.003	02-021-3149-02-001	-	5,821
Donation of Federal Surplus Property	39.003	02-021-3224-02-001	-	17,505
Total U.S. General Services Administration			-	23,326
U.S. Environmental Protection Agency				
Passed through Alaska Native Tribal Health Consortium Congressionally Mandated Projects Sanitation Facilities Improvements	66.202	AN 18-RO2	-	10,062,922

City of Kotzebue, Alaska

Schedule of Expenditures of Federal Awards, continued

Year Ended December 31, 2021

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
Denali Commission				
Passed through Alaska Energy Authority				
Denali Commission Program				
Alaska Village Energy Efficiency Program (VEEP)	90.100	7520014	\$ -	\$ 25,509
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	-	(2,793,263)
U.S. Department of Homeland Security				
Passed through the State of Alaska Division of				
Homeland Security and Emergency Management				
F2018 State Homeland Security Program	97.067	20SHSP-GY18	-	483,490
Total Expenditures of Federal Awards			\$ -	\$ 24,085,095

The accompanying notes are an integral part of this schedule.

City of Kotzebue, Alaska

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2021

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, 2021. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity (Alaska Native Tribal Health Consortium) decided to move all past three years expenditures from AN 19 - N5Q grant (ALN 93.210) to AN 18 - RO2 (ALN 66.202) in order to close out the latter grant.

3. Non-Cash Assistance

In FY21, the Alaska Department of Transportation and Public Facilities received federal grants that were expended by the Department 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 \$15,446,014.

The Alaska Division of Administration also donated a vehicle and building during the year from the U.S. General Services Administration. These assets have been included on the schedule under the assistance listing 39.003 at their fair value at the time of receipt in the amount of \$23,326.

4. Indirect Rate

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

City of Kotzebue, Alaska
Schedule of State Financial Assistance
Year Ended December 31, 2021

State Grantor / Program Title	Award Number	Total Award Amount	Passed Through to Subrecipients	State Expenditures
Department of Commerce, Community, and Economic Development				
Community Assistance Program	FY21	\$ 88,180	\$ -	\$ 88,180
Swan Lake Small Boat Harbor - Designated Legislative Grant	15-DC-096	4,000,000	-	50,125
Total Department of Commerce, Community, and Economic Development			-	138,305
Department of Administration				
* PERS on-behalf	FY21	406,551	-	406,551
Department of Revenue				
Electric and Telephone Co-op Tax	FY21	85,621	-	85,621
Department of Environmental Conservation				
Passed through Alaska Native Tribal Health Consortium * Village Safe Water	AN-18-RO2	5,291,517	-	3,354,307
Total State Financial Assistance			\$ -	\$ 3,984,784

*Denotes a major program

The accompanying notes are an integral part of this schedule.

City of Kotzebue, Alaska

Notes to the Schedule of State Financial Assistance Year Ended December 31, 2021

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state grant activity of the City of Kotzebue under programs of the state government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City of Kotzebue, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Kotzebue.

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

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Single Audit Section



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

Honorable Mayor and 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 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Kotzebue's basic financial statements, and have issued our report thereon dated September 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Kotzebue's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kotzebue's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Kotzebue'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kotzebue's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, LLP

Anchorage, Alaska
September 30, 2022



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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 City of Kotzebue'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 City of Kotzebue's major federal programs for the year ended December 31, 2021. City of Kotzebue'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, City of Kotzebue complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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 City of Kotzebue 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 of Kotzebue's compliance with the types of 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 City of Kotzebue's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Kotzebue'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 City of Kotzebue's compliance with the requirements of the 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 City of Kotzebue'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 City of Kotzebue'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 City of Kotzebue'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, LLP

Anchorage, Alaska
September 30, 2022



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

Honorable Mayor and City Council
City of Kotzebue, Alaska

Report on Compliance for Each Major State Program

We have audited City of Kotzebue's (the City) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Kotzebue's major state programs for the year ended December 31, 2021. City of Kotzebue's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kotzebue's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City of Kotzebue's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City of Kotzebue's compliance.

Opinion on Each Major State Program

In our opinion, City of Kotzebue complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2021.

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Report on Internal Control Over Compliance

Management of City of Kotzebue is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Kotzebue's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness on City of Kotzebue's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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

BDO USA, LLP

Anchorage, Alaska
September 30, 2022

City of Kotzebue, Alaska

Schedule of Findings and Questioned Costs Year Ended December 31, 2021

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: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

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

Internal control over major federal programs:

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

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

Identification of major federal programs:

Assistance Listing

Number	Name of Federal Program or Cluster	Agency
20.205	Highway Planning and Construction	U.S. Department of Transportation
21.027	Coronavirus State and Local Fiscal Recovery Funds	U.S. Department Treasury
66.202	Congressionally Mandated Projects	U.S. Environmental Protection Agency
97.067	Homeland Security Grant Program	U.S. Department of Homeland Security

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

Auditee qualified as low-risk auditee? ☐ yes ☒ no

State Financial Assistance

Internal control over major programs:
Material weakness(es) identified? ☐ yes ☒ no
Significant deficiency(ies) identified? ☐ yes ☒ (none reported)

City of Kotzebue, Alaska

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2021

Section I - Summary of Auditor's Results, continued

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

Unmodified

Dollar threshold used to distinguish a major state program:

\$ 150,000

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

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

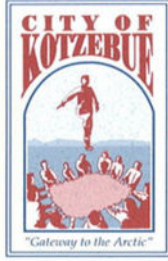
Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

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

City of Kotzebue Response to Single Audit (Unaudited)



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Kotzebue, Alaska 99752

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(907) 442-3401

Police Dept.
(907) 442-3351

Fire Dept.
(907) 442-3404

Public Works
(907) 442-3401

City of Kotzebue, Alaska

Summary Schedule of Prior Audit Findings Year Ended December 31, 2021

<u>Finding 2020-001</u>	Cash Management - Significant Deficiency in Internal Control Over Compliance
<i>Questioned Program</i>	Congressionally Mandated Projects, ALN: 66.202
<i>Award No.</i>	AN17-RN4 and AN18-R02
<i>Prior Year Finding</i>	Cash drawdown requests for the grants were not reconciled and approved in accordance with the City's cash management policy in the first quarter of the year.
<i>Current Year Status</i>	The finding has been corrected in the current year.