



Municipality of Skagway, Alaska

Basic Financial Statements, Required
Supplementary Information, and
Supplementary Information
Year Ended December 31, 2022

Municipality of Skagway, Alaska

Basic Financial Statements, Required Supplementary Information, and
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Municipality of Skagway, Alaska

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Independent Auditor's Report

Honorable Mayor and Members
of the Borough Assembly
Municipality of Skagway, 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 Municipality of Skagway, Alaska (the "Borough"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2022, 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.

We did not audit the financial statements of Skagway School District (the "District"), a discretely presented component unit, as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Municipality of Skagway adopted the provisions of Governmental Accounting Standards Board Statement Number 87, *Leases*. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the budgetary comparison schedules, the schedules of the Borough's proportionate share of the net pension and net OPEB liability or asset and schedules of the Borough's contributions on pages 70 through 79 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2022 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 accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2022.



We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Borough as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated March 1, 2023, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended December 31, 2021 are presented for the 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 related directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 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, 2021.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Borough's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
September 29, 2023

Management's Discussion and Analysis

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

The Municipality of Skagway ("the Borough") Management's Discussion and Analysis ("MD&A") provides the narrative overview and analysis of the financial activities of the Borough for the period ended December 31, 2022.

The Borough Assembly approved the change of its fiscal year end from June 30 to December 31. This change was effective for fiscal year 2021.

FINANCIAL HIGHLIGHTS

- Of the amount attributable to the primary government, the Borough's net position increased by \$3.86 million (3.9%). The governmental net position decreased by \$3.57 million (8.3%). Business-type net position increased by approximately \$7.4 million (13.3%).
- Net capital assets increased by \$12.17 million (13.5%) with additions exceeding depreciation, primarily due to port improvements including construction of a floating multi-use dock. Capital purchases were primarily financed by cash and capital grants.
- Operating grants and contributions (on the statement of activities) increased by \$7.9 million primarily due to State of Alaska ARPA funds used to replace lost Commercial Passenger Vessel (CPV) Excise tax in 2020 & 2021. \$7 million of these funds were used in 2022 for general government operations and the school kitchen addition.
- Tax revenues increased by \$5.9 million due to increased economic activity as the Municipality recovers from the Coronavirus Pandemic.
- Norwegian Cruise Lines provided the Borough with a \$2.0 million donation to assist with economic hardship within the community. These funds continued to be distributed back into the community through a local unemployment program winter of 2022.

REPORT FORMAT

The financial report is presented with the MD&A. The report consists of government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information.

The report layout is presented in the following order:

- MD&A (pages 6-13)
- Basic Financial Statements:
 - Government-Wide Financial Statements (pages 16-18)
 - Fund Financial Statements (pages 19-28)
 - Notes to the Basic Financial Statements (pages 29-67)
 - Required Supplementary Information (pages 70-79)

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

The first statements are highly condensed and present a government-wide view of the Borough's finances. Within this view, all operations are reported as either governmental or business-type activities. Governmental activities include basic services such as general government, public safety (police and fire), public works and streets, education and culture, tourism promotion, recreation, and library. Business-type activities are water, sewer, garbage, small boat harbor, health clinic services, and port operations. The government-wide statements include the statement of net position and statement of activities. The focus is on both the Borough as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the users to focus on the more relevant financial issues and broaden their basis for year-to-year or government-to-government comparisons.

OVERVIEW OF FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the Borough's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the Borough's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the Borough's financial position is improving or deteriorating.

The statement of activities demonstrates how the net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

These financial statements discretely present the financial position and activities of the Skagway School District, which is a component unit.

The government-wide financial statements can be found on pages 16-18 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the funds of the Borough can be divided into two categories: governmental funds and enterprise funds.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

Governmental funds - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. A reconciliation is presented to facilitate this comparison between governmental funds and governmental activities.

The Borough maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major governmental funds. The major governmental funds are the general fund, sales tax special revenue fund, excise tax special revenue fund, and school kitchen addition capital projects fund. Data from the remaining special revenue, debt service, permanent, and capital projects funds are presented in aggregate.

The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

Enterprise funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The enterprise fund financial statements provide separate information for the water and sewer utilities, waste management, small boat harbor operations, health clinic services, and port operations. All but waste management are considered major funds. The waste management fund is reported separately for year-to-year consistency.

The basic enterprise fund financial statements can be found on pages 24 through 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as an indicator of a government's financial position. In the case of the Borough, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$102.5 million as of December 31, 2022, compared to \$98.7 million as of December 31, 2021.

The largest portion of the Borough's net position (76.6%) reflects its investment in capital assets (e.g., land, buildings, improvements, road network, and equipment), less any related debt that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this outstanding debt must be provided from other sources, as the capital assets themselves cannot be used as a source of funds to liquidate these liabilities. The amount of capital related liabilities and debt related to the investment in capital assets is \$23.9 million as of December 31, 2022.

**Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022**

The following is a condensed version of the Borough's statements of net position:

	Governmental Activities		Business-Type Activities		Totals	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Current and Other Assets	\$ 39,895,292	\$ 36,698,214	\$ 5,068,197	\$ 7,728,921	\$ 44,963,489	\$ 44,427,135
Restricted Assets	4,643,287	5,269,624	-	-	4,643,287	5,269,624
Capital Assets, net	39,518,367	38,053,657	62,995,012	52,288,030	102,513,379	90,341,687
Deferred Outflows of Resources	658,350	555,541	262,100	264,719	920,450	820,260
Total assets and deferred outflows of resources	84,715,296	80,577,036	68,325,309	60,281,670	153,040,605	140,858,706
Current and Other Liabilities	18,915,856	8,346,300	2,774,250	817,659	21,690,106	9,163,959
Long-Term Liabilities	26,179,802	25,949,120	2,108,296	2,032,720	28,288,098	27,981,840
Deferred Inflows of Resources	303,723	3,393,190	194,577	1,616,889	498,300	5,010,079
Total assets and deferred inflows of resources	45,399,381	37,688,610	5,077,123	4,467,268	50,476,504	42,155,878
Net Position						
Net investments in capital assets	17,130,874	15,447,536	61,442,065	52,288,030	78,572,939	67,735,566
Restricted	24,387,940	25,398,924	-	-	24,387,940	25,398,924
Unrestricted	(2,202,899)	2,041,966	1,806,121	3,526,372	(396,778)	5,568,338
Total net position	\$ 39,315,915	\$ 42,888,426	\$ 63,248,186	\$ 55,814,402	\$ 102,564,101	\$ 98,702,828

A portion of the Borough's net position (\$24.4 million or 23.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position represents a deficit balance of \$0.4 million. Unrestricted net position is used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$3.86 million during the current fiscal year compared to a decrease of \$5.5 million in the prior fiscal year. This change is primarily due to increased tax revenues in the current year.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

The following is a condensed version of the Borough's statements of activities:

	Governmental Activities		Business-Type Activities		Totals	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 864,808	\$ 1,971,353	\$ 2,500,691	\$ 2,152,030	\$ 3,365,499	\$ 4,123,383
Operating grant and contributions	7,825,538	318,533	2,700,908	2,269,375	10,526,446	2,587,908
Capital grants and contributions	34,761	433,298	7,433,526	1,835,209	7,468,287	2,268,507
General revenues						
Taxes	9,329,249	3,392,071	-	-	9,329,249	3,392,071
Intergovernmental revenue - unrestricted	579,613	538,141	-	-	579,613	538,141
Earnings on investments	(3,780,045)	2,499,245	1,260	-	(3,778,785)	2,499,245
Other	457,000	20,954	-	-	457,000	20,954
Total revenues	15,310,924	9,173,595	12,636,385	6,256,614	27,947,309	15,430,209
Expenses						
General government	3,939,481	3,593,337	-	-	3,939,481	3,593,337
Public safety	3,262,432	2,966,127	-	-	3,262,432	2,966,127
Public works and streets	1,316,796	1,277,059	-	-	1,316,796	1,277,059
Education	3,503,996	2,233,884	-	-	3,503,996	2,233,884
Culture, recreation, and library	2,322,823	3,959,257	-	-	2,322,823	3,959,257
Interest	670,041	-	-	-	670,041	-
Water and sewer	-	-	1,707,609	1,228,841	1,707,609	1,228,841
Garbage	-	-	1,004,976	761,884	1,004,976	761,884
Small boat harbor	-	-	1,061,628	1,042,697	1,061,628	1,042,697
Health clinic	-	-	2,932,150	3,463,438	2,932,150	3,463,438
Port	-	-	2,364,104	375,672	2,364,104	375,672
Total expenses	15,015,569	14,029,664	9,070,467	6,872,532	24,086,036	20,902,196
Increase (Decrease in Net Position Before Transfers	295,355	(4,856,069)	3,565,918	(615,918)	3,861,273	(5,471,987)
Transfers	(3,867,866)	(4,725,263)	3,867,866	4,725,263	-	-
Change in Net Position	\$ (3,572,511)	\$ (9,581,332)	\$ 7,433,784	\$ 4,109,345	\$ 3,861,273	\$ (5,471,987)
Net Position, beginning of year	\$ 42,888,426	\$ 52,469,758	\$ 55,814,402	\$ 51,705,057	\$ 98,702,828	\$ 104,174,815
Change in Net Position	(3,572,511)	(9,581,332)	7,433,784	4,109,345	3,861,273	(5,471,987)
Net Position, end of year	\$ 39,315,915	\$ 42,888,426	\$ 63,248,186	\$ 55,814,402	\$ 102,564,101	\$ 98,702,828

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

Governmental Activities - Governmental activities net position decreased by \$3.6 million as of December 31, 2022 and decreased by \$9.6 million for the year ended December 31, 2021. Although tax revenues increased substantially compared to 2021, this change is primarily due to activities that generate tax revenues returning to pre-pandemic levels. Also, a short-term Tax Anticipation Note (TAN) to assist with the Rock Slide emergency event in the current year.

Business-Type Activities - Business-type activities increased the Borough's net position by \$7.4 million for the period ended December 30, 2022. For the year ended December 31, 2021 business-type activities net position increased by \$4.1 million. The majority of this increase is due to investments in port fund infrastructure.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. An unreserved fund balance may serve as a measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Borough's governmental funds reported a combined ending fund balance of \$24.9 million. This is a decrease of \$7 million (21.9%) from the prior year, primarily due to an excess of expenditures over revenues of \$3.8 million with net transfers out to other funds of \$3.9 million. Of this amount, \$4.5 million is nonspendable, as it is for the purpose of the permanent trust fund, \$19.6 million is restricted for general purposes of the sales tax fund and excise tax fund including debt service and transfers to other funds. The remaining fund balance of \$0.4 million is unassigned.

The general fund is the primary operating fund of the Borough. At the end of the current fiscal year, the unassigned fund balance of the general fund had a \$0.4 million surplus. The general fund also reported \$12.2 million in unearned revenue associated with ARPA funds that have not been recognized as revenue as of December 31, 2022, but is included in the year end cash and investments balance.

Significant changes in governmental funds are as follows:

- Sales tax revenues increased by \$5.5 million due to increased commerce within the Borough while recovering from the Coronavirus global pandemic.
- Intergovernmental revenues increased \$6.0 million primarily due to State of Alaska ARPA funds used to replace lost Commercial Passenger Vessel (CPV) Excise tax in 2020 & 2021.

Other governmental funds (with the exclusion of the general fund) have a combined fund balance of \$24.3 million, which is \$7.0 million lower than year ended December 31, 2021.

Enterprise funds - The Borough's enterprise funds encompass the business-type activities presented in the government-wide financial statements.

As of the end of the current fiscal year, enterprise funds' total combined net position was \$63.2 million, which increased 13.3% from the year ended December 31, 2021. Of this amount, \$1.8 million represented unrestricted net position.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

There were no significant changes in enterprise fund operations from December 31, 2021 to year ended December 31, 2022.

The Borough continues to assess insufficient user fees to cover the cost of depreciation in all enterprise funds. In light of the fact that major replacement costs for needed infrastructure in these areas will most likely come from sales tax or other outside agency sources, this is not an immediate concern. However, fees that more accurately reflect the cost associated with these business-type activities should certainly be a consideration in the future.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were minimal differences between the original budgeted revenues and expenditures and the final amended budgeted revenues and expenditures.

Actual revenues, excluding transfers in and out, were higher than budgeted by \$0.36 million (3.7%), while actual expenditures were under budgeted expenditures by \$0.53 million (5.4%).

Actual revenues in the general operating budget, as reflected in the financial statements, do not include transfers from other funds. For purposes of establishing the municipal budget, the Borough considers dollars transferred from all other funds (most importantly the sales tax and excise tax funds) into the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Borough's investment in capital assets for its governmental and business-type activities as of December 30, 2022, amounted to \$102.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, road networks, and water/sewer systems. The total increase in the Borough's investment in capital assets for the current fiscal year was \$12.2 million (13.5%). Governmental capital assets increased by \$1.5 million (3.8%), while business-type capital assets increased by \$10.7 million (20.5%).

The increase in capital assets for the current year came due to investment into port infrastructure and capital outlays exceeding depreciation in the enterprise funds.

Debt administration - As of December 31, 2022, the Borough had a total of \$21.5 million in bonds and loans payable, which consisted of five general obligation bond issues, four loans payable to the State of Alaska, and one loan payable to the Corporation of the Catholic Bishop of Juneau. The general obligation bonds accounted for \$16 million, and the loans accounted for \$5.5 million. As of December 31, 2022, the Borough also had \$.35 million of unamortized bond premiums.

The total debt (\$21.5 million) decreased by \$.7 million from the previous year (\$22.2 million). This included issuances of \$.5 million, offset by repayments of principal in the current year of \$1.2 million.

The Borough's borrowing limit for long-term debt is 25.0% of the assessed value of the taxable real property in the Borough. The noncurrent portion of long-term debt is approximately 5.0% of the current assessed value of the taxable real property.

Municipality of Skagway
Management's Discussion and Analysis
December 31, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Economic Forecast for the Municipality of Skagway (MOS) in 2023 is trending to out pace pre-COVID numbers. Cruise ship numbers were estimated to exceed 1.2 million passengers in 2023 and early season numbers suggest this estimate will be realized if there is no unexpected interruption to the season. The biggest concern is the active rockslide above the two docks owned and operated by White Pass & Yukon Railroad. The MOS and WPYR have installed substantial rockslide mitigation measures both on the slide and on the dock to protect ships and passengers.

Using early season cruise ship numbers, the MOS anticipates 1.2 million cruise passengers for the 2023 season. Additionally, early anecdotal reports from business owners are that sales are up for early season passengers which should provide a robust sales tax return for the MOS if this trend continues. One major change for the 2023 season is that the MOS has taken over ownership and management of the Ore and Broadway cruise ship facilities and upland facilities. Owning and operating these facilities has its pros and cons. On the good side MOS has signed leases with upland users that will increase revenue annually by over \$700,000. The MOS will also generate an additional \$8.00 Vessel Impact Fee (VIF) per passenger on average across all docks including the privately held WPYR docks.

However, the docks and upland facilities have suffered from a lack of maintenance requiring the MOS to invest millions into the facilities to bring them up to modern standards. Currently the MOS has a revenue bond to invest \$65 million into a new cruise facility at the Ore dock and that does not include all the necessary upland work. The total cost of the Ore Development will exceed \$100 million but the MOS should cover those expenses with revenue generated from the port. The MOS has also contributed approximately \$4 million into rockslide mitigation above the WPYR dock and anticipates investing at least \$30 million to complete the mitigation on the main slide area. The MOS intends to use VIF funds to pay for the rockslide mitigation.

In conclusion, while the economic outlook for the MOS in 2023 is positive, the recovery from the COVID-19 pandemic and the takeover of the Port of Skagway operations will require significant investments over the next few decades.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the Municipality of Skagway, P.O. Box 415, Skagway, AK 99840, or please call (907) 983-2297.

The Borough's component unit issues its own separate audited financial statements. These statements may be obtained by directly contacting the Skagway School District, P.O. Box 497, Skagway, AK 99840.

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Basic Financial Statements

Municipality of Skagway, Alaska

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Skagway School District
<i>December 31, 2022</i>				
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 35,300,358	\$ 1,696,511	\$ 36,996,869	\$ 1,767,360
Internal balances	1,428,109	(1,428,109)	-	-
Receivables, net of allowance for doubtful accounts	793,575	3,774,990	4,568,565	362,297
Prepaid items	224,674	-	224,674	3,647
Inventory	-	169,422	169,422	8,463
Restricted assets:				
Cash and investments	4,544,906	-	4,544,906	-
Receivables	98,381	-	98,381	-
Capital assets not being depreciated - land, land improvements and construction in progress	9,740,573	24,145,529	33,886,102	-
Other capital assets, net of accumulated depreciation	29,777,794	38,849,483	68,627,277	37,082
Net other postemployment benefits asset	2,148,576	855,383	3,003,959	1,225,998
Total Assets	84,056,946	68,063,209	152,120,155	3,404,847
Deferred Outflows of Resources				
Pension related	439,522	174,981	614,503	78,506
Other postemployment benefits related	218,828	87,119	305,947	195,133
Total Deferred Outflows of Resources	658,350	262,100	920,450	273,639
Total Assets and Deferred Outflows of Resources	\$ 84,715,296	\$ 68,325,309	\$ 153,040,605	\$ 3,678,486

Municipality of Skagway, Alaska

Statement of Net Position, continued

December 31, 2022	Primary Government			Component Unit
	Governmental	Business-type	Total	Skagway School District
	Activities	Activities		
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 219,283	\$ 1,083,386	\$ 1,302,669	\$ 53,776
Accounts payable - capital related	537,786	1,552,947	2,090,733	-
Unearned revenue	12,157,218	-	12,157,218	7,736
Payroll accruals and liabilities	-	-	-	77,170
Interest payable	217,624	-	217,624	-
Tax anticipation note payable	4,300,000	-	4,300,000	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	518,363	137,917	656,280	-
Long-term debt	965,582	-	965,582	-
Due in more than one year:				
Long-term debt	20,884,125	-	20,884,125	-
Net pension liability	5,295,677	2,108,296	7,403,973	990,375
Total Liabilities	45,095,658	4,882,546	49,978,204	1,129,057
Deferred Inflows of Resources				
Lease related	104,760	115,366	220,126	326,374
Other postemployment benefits related	198,963	79,211	278,174	1,043,351
Total Deferred Inflows of Resources	303,723	194,577	498,300	1,369,725
Net Position				
Net investment in capital assets	17,130,874	61,442,065	78,572,939	37,082
Restricted	24,387,940	-	24,387,940	768,933
Unrestricted (Deficit)	(2,202,899)	1,806,121	(396,778)	373,689
Total Net Position	39,315,915	63,248,186	102,564,101	1,179,704
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 84,715,296	\$ 68,325,309	\$ 153,040,605	\$ 3,678,486

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Statement of Activities

Year Ended December 31, 2022	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit Skagway School District
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental activities:								
General government	\$ 3,939,481	\$ 249,971	\$ 7,006,634	\$ -	\$ 3,317,124	\$ -	\$ 3,317,124	
Public safety	3,262,432	68,284	484,018	-	(2,710,130)	-	(2,710,130)	
Public works	1,316,796	7,200	218,429	-	(1,091,167)	-	(1,091,167)	
Culture, recreation and library	2,322,823	539,353	116,457	-	(1,667,013)	-	(1,667,013)	
Education	3,503,996	-	-	34,761	(3,469,235)	-	(3,469,235)	
Interest	670,041	-	-	-	(670,041)	-	(670,041)	
Total governmental activities	15,015,569	864,808	7,825,538	34,761	(6,290,462)	-	(6,290,462)	
Business-type activities:								
Water and sewer	1,707,609	527,346	(3,977)	-	-	(1,184,240)	(1,184,240)	
Garbage	1,004,976	605,317	674	-	-	(398,985)	(398,985)	
Small boat harbor	1,061,628	369,672	(1,190)	66,813	-	(626,333)	(626,333)	
Health clinic	2,932,150	872,416	2,451,015	-	-	391,281	391,281	
Port	2,364,104	125,940	254,386	7,366,713	-	5,382,935	5,382,935	
Total business-type activities	9,070,467	2,500,691	2,700,908	7,433,526	-	3,564,658	3,564,658	
Total Primary Government	\$ 24,086,036	\$ 3,365,499	\$ 10,526,446	\$ 7,468,287	(6,290,462)	3,564,658	(2,725,804)	
Component Unit - School District - education								
	\$ 3,165,469	\$ 28,083	\$ 434,754	\$ -				\$ (2,702,632)
General Revenues								
Taxes					9,329,249	-	9,329,249	-
Grants and entitlements not restricted to a specific purpose					579,613	-	579,613	1,163,030
E-rate revenue					-	-	-	25,819
Investment income (loss)					(3,780,045)	1,260	(3,778,785)	-
Contributions from primary government					-	-	-	1,805,364
Other					457,000	-	457,000	11,048
Transfers					(3,867,866)	3,867,866	-	-
Total General Revenues and Transfers					2,717,951	3,869,126	6,587,077	3,005,261
Change in Net Position					(3,572,511)	7,433,784	3,861,273	302,629
Net Position, beginning					42,888,426	55,814,402	98,702,828	877,075
Net Position, ending					\$ 39,315,915	\$ 63,248,186	\$ 102,564,101	\$ 1,179,704

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit B-1

Governmental Funds
Balance Sheet

	Major Funds					Total Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	School Kitchen Addition Capital Project	Nonmajor Funds	
<i>December 31, 2022</i>						
Assets						
Cash and investments	\$ 12,388,891	\$ 12,137,856	\$ 10,181,487	\$ 478,093	\$ 114,031	\$ 35,300,358
Receivables:						
Accounts	56,716	3,111	-	-	8,630	68,457
Leases	104,760	-	-	-	-	104,760
Sales taxes	-	164,991	-	-	-	164,991
Property taxes	24,228	-	-	-	-	24,228
Grants	391,389	-	-	-	85,326	476,715
Allowance for doubtful accounts	(45,416)	(160)	-	-	-	(45,576)
Total receivables, net	531,677	167,942	-	-	93,956	793,575
Prepays	224,674	-	-	-	-	224,674
Due from other funds	-	1,428,109	-	-	-	1,428,109
Restricted assets:						
Cash and investments	-	-	-	-	4,544,906	4,544,906
Receivables:						
Land sales contracts	-	-	-	-	94,884	94,884
Interest	-	-	-	-	3,497	3,497
Total restricted assets	-	-	-	-	4,643,287	4,643,287
Total Assets	\$ 13,145,242	\$ 13,733,907	\$ 10,181,487	\$ 478,093	\$ 4,851,274	\$ 42,390,003

Municipality of Skagway, Alaska

Exhibit B-1, continued

Governmental Funds
Balance Sheet, continued

	Major Funds					Total Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	School Kitchen Addition Capital Project	Nonmajor Funds	
<i>December 31, 2022</i>						
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 203,431	\$ -	\$ -	\$ 478,093	\$ 75,545	\$ 757,069
Unearned revenue	12,157,218	-	-	-	-	12,157,218
Tax anticipation note payable	-	4,300,000	-	-	-	4,300,000
Total Liabilities	12,360,649	4,300,000	-	478,093	75,545	17,214,287
Deferred Inflows of Resources						
Deferred land sales	-	-	-	-	94,884	94,884
Lease related	104,760	-	-	-	-	104,760
Unavailable property taxes	55,459	-	-	-	-	55,459
Total Deferred Inflows of Resources	160,219	-	-	-	94,884	255,103
Fund Balances						
Nonspendable	224,674	-	-	-	4,547,872	4,772,546
Restricted	-	9,433,907	10,181,487	-	-	19,615,394
Assigned	-	-	-	-	132,973	132,973
Unassigned	399,700	-	-	-	-	399,700
Total Fund Balances	624,374	9,433,907	10,181,487	-	4,680,845	24,920,613
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,145,242	\$ 13,733,907	\$ 10,181,487	\$ 478,093	\$ 4,851,274	\$ 42,390,003

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit B-2

**Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
December 31, 2022**

Total fund balances for governmental funds		\$ 24,920,613
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:		
Construction in progress	\$ 3,997,857	
Land and land improvements	5,742,716	
Buildings	36,994,963	
Improvements other than buildings	8,551,122	
Furniture and equipment	9,310,060	
Infrastructure	<u>12,460,839</u>	
Total capital assets	77,057,557	
Less accumulated depreciation	<u>(37,539,190)</u>	
Total capital assets, net		39,518,367
The PERS OPEB plans have been funded in excess of required contributions. This asset is not a financial resource and therefore is not reported in the funds		
		2,148,576
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:		
Deferred land sales receivable	94,884	
Delinquent property taxes receivable	<u>55,459</u>	
Total long-term assets		150,343
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:		
Accrued leave	(518,363)	
Bonds payable	(15,970,000)	
Bond premium, net of accumulated amortization	(349,647)	
Loans payable	(5,530,060)	
Interest payable	(217,624)	
Net pension liability	<u>(5,295,677)</u>	
Total long-term liabilities		(27,881,371)
Deferred outflows of resources represent costs applicable to future periods and therefore are not reported in governmental funds. Deferred inflows of resources represent resources or benefits applicable to future periods and therefore are not reported in the governmental funds:		
Deferred outflows of resources related to pensions	439,522	
Deferred outflows of resources related to other postemployment benefits	218,828	
Deferred inflows of resources related to other postemployment benefits	<u>(198,963)</u>	
Total deferred pension and other postemployment benefits items		<u>459,387</u>
Total Net Position of Governmental Activities		<u>\$ 39,315,915</u>

See accompanying notes to basic financial statements.

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

<i>Year Ended December 31, 2022</i>	Major Funds					Nonmajor Funds	Govern- mental Funds
	General	Sales Tax Special Revenue	Excise Tax Special Revenue	School Kitchen Addition Capital Project			
Revenues							
Taxes	\$ 2,190,968	\$ 6,803,196	\$ 393,370	\$ -	\$ -	\$ -	\$ 9,387,534
Federal government	6,677,460	-	-	34,761	-	-	6,712,221
State of Alaska	531,312	-	-	-	9,883	-	541,195
Investment income (loss)	479	(1,131,595)	(1,999,528)	-	(649,401)	-	(3,780,045)
Charges for services	-	-	-	-	238,562	-	238,562
Short-term rentals	-	-	-	-	165,288	-	165,288
Other revenues	773,659	-	-	-	-	-	773,659
Total Revenues	10,173,878	5,671,601	(1,606,158)	34,761	(235,668)	-	14,038,414
Expenditures							
Current:							
General government	3,377,972	37,699	65,246	-	782,045	-	4,262,962
Public safety	2,881,866	-	-	-	-	-	2,881,866
Public works	1,105,614	-	-	-	-	-	1,105,614
Culture, recreation and library	1,963,480	-	-	-	-	-	1,963,480
Education	-	3,277,912	-	-	-	-	3,277,912
Debt service:							
Principal	-	-	-	-	922,847	-	922,847
Interest	-	-	-	-	760,733	-	760,733
Capital outlay	-	-	-	2,280,764	393,810	-	2,674,574
Total Expenditures	9,328,932	3,315,611	65,246	2,280,764	2,859,435	-	17,849,988
Excess (Deficiency) of Revenues Over Expenditures	844,946	2,355,990	(1,671,404)	(2,246,003)	(3,095,103)	-	(3,811,574)
Other Financing Sources (Uses)							
Transfers in	1,703,114	-	-	2,246,003	2,526,465	-	6,475,582
Transfers out	(2,474,486)	(2,465,795)	(4,699,576)	-	(703,591)	-	(10,343,448)
Proceeds from issuance of long-term debt	-	-	-	-	547,222	-	547,222
Sale of capital assets	-	-	-	-	159,050	-	159,050
Net Other Financing Sources (Uses)	(771,372)	(2,465,795)	(4,699,576)	2,246,003	2,529,146	-	(3,161,594)
Net Change in Fund Balances	73,574	(109,805)	(6,370,980)	-	(565,957)	-	(6,973,168)
Fund Balances, beginning	550,800	9,543,712	16,552,467	-	5,246,802	-	31,893,781
Fund Balances, ending	\$ 624,374	\$ 9,433,907	\$ 10,181,487	\$ -	\$ 4,680,845	\$ -	\$ 24,920,613

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska
Reconciliation of Change in Fund Balances of Governmental Funds
to Statement of Activities
Year Ended December 31, 2022

Net change in fund balances - total governmental funds		\$ (6,973,168)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which capital outlay (\$3,012,949) exceeded depreciation (\$1,548,240).		
	1,464,709	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in the deferred property tax and deferred land sales.		
	(73,336)	
The issuance of long-term debt (e.g. bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount of the effect of:		
Repayment of principal on bonds and loans	\$ 1,222,847	
Issuance of loans payable	(547,222)	
Decrease in unamortized bond premium	80,789	
		756,414
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 governmental funds. This is the amount of the (increase) decrease in:		
Accrued leave	(66,390)	
Interest payable	9,903	
		(56,487)
Changes related to net pension and other postemployment benefits liabilities (assets) and related accounts can increase or decrease net position:		
Decrease in net pension liability and deferred outflows of resources	609,537	
Increase in net other postemployment benefits asset and deferred outflows and inflows of resources	699,820	
		1,309,357
Change in Net Position of Governmental Activities		\$ (3,572,511)

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Exhibit C-1

Enterprise Funds
Statement of Net Position

	Major Enterprise Funds				Nonmajor Enterprise Fund Garbage	Total Enterprise Funds
	Water and Sewer	Small Boat Harbor	Health Clinic	Port		
<i>December 31, 2022</i>						
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and investments	\$ -	\$ 1,688,995	\$ 7,516	\$ -	\$ -	\$ 1,696,511
Receivables, net of allowance for doubtful accounts	32,714	38,801	401,641	3,276,455	25,379	3,774,990
Inventory	116,782	-	52,640	-	-	169,422
Total Current Assets	149,496	1,727,796	461,797	3,276,455	25,379	5,640,923
Capital assets	29,776,163	30,110,041	9,897,822	16,640,944	7,154,874	93,579,844
Less accumulated depreciation	(11,845,128)	(10,889,787)	(3,590,099)	(164,315)	(4,095,503)	(30,584,832)
Net Capital Assets	17,931,035	19,220,254	6,307,723	16,476,629	3,059,371	62,995,012
Net OPEB asset	156,980	71,326	473,158	82,669	71,250	855,383
Total Assets	18,237,511	21,019,376	7,242,678	19,835,753	3,156,000	69,491,318
Deferred Outflows of Resources						
Pension related	32,113	14,591	96,791	16,911	14,575	174,981
Other postemployment benefits related	15,988	7,264	48,190	8,420	7,257	87,119
Total Deferred Outflows of Resources	48,101	21,855	144,981	25,331	21,832	262,100
Total Assets and Deferred Outflows of Resources	\$ 18,285,612	\$ 21,041,231	\$ 7,387,659	\$ 19,861,084	\$ 3,177,832	\$ 69,753,418

Municipality of Skagway, Alaska

Exhibit C-1, continued

Enterprise Funds
Statement of Net Position, continued

	Major Enterprise Funds				Nonmajor Enterprise Fund Garbage	Total Enterprise Funds
	Water and Sewer	Small Boat Harbor	Health Clinic	Port		
<i>December 31, 2022</i>						
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accounts payable	\$ 50,417	\$ 17,831	\$ 100,674	\$ 859,654	\$ 54,810	\$ 1,083,386
Accounts payable - capital related	15,027	7,496	-	1,466,194	64,230	1,552,947
Compensated absences	13,666	39,993	46,683	22,393	15,182	137,917
Due to other funds	39,482	-	309,989	859,807	218,831	1,428,109
Total Current Liabilities	118,592	65,320	457,346	3,208,048	353,053	4,202,359
Noncurrent Liabilities						
Net pension liability	386,916	175,800	1,166,210	203,757	175,613	2,108,296
Total Liabilities	505,508	241,120	1,623,556	3,411,805	528,666	6,310,655
Deferred Inflows of Resources						
Lease related	-	-	-	115,366	-	115,366
Other postemployment benefits related	14,537	6,605	43,816	7,655	6,598	79,211
Total Deferred Inflows of Resources	14,537	6,605	43,816	123,021	6,598	194,577
Net Position						
Investment in capital assets	17,916,008	19,212,758	6,307,723	15,010,435	2,995,141	61,442,065
Unrestricted (deficit)	(150,441)	1,580,748	(587,436)	1,315,823	(352,573)	1,806,121
Total Net Position	17,765,567	20,793,506	5,720,287	16,326,258	2,642,568	63,248,186
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,285,612	\$ 21,041,231	\$ 7,387,659	\$ 19,861,084	\$ 3,177,832	\$ 69,753,418

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2022	Major Enterprise Funds				Nonmajor	Total
	Water and Sewer	Small Boat Harbor	Health Clinic	Port	Enterprise Fund Garbage	
Operating Revenues						
Charges for services	\$ 527,346	\$ 369,672	\$ 872,416	\$ 125,940	\$ 605,317	\$ 2,500,691
Grant revenue	-	-	2,473,045	258,288	-	2,731,333
Contributions	3,432	2,175	300	-	4,036	9,943
Total Operating Revenues	530,778	371,847	3,345,761	384,228	609,353	5,241,967
Operating Expenses						
Payroll and payroll benefits	400,296	207,959	794,116	253,224	313,492	1,969,087
Travel and training	-	-	48,404	32,628	-	81,032
Materials and supplies	-	206	200,332	1,506	13,162	215,206
Utilities	187,151	41,171	132,452	10,777	143,725	515,276
Insurance	22,596	18,741	85,774	13,566	23,830	164,507
Recycling	-	-	-	-	119,203	119,203
Administration	2,791	7,955	131,130	21,185	2,673	165,734
Contracted services	40,791	-	1,129,112	1,928,722	89,170	3,187,795
Repairs and maintenance	196,101	31,212	90,901	16,116	90,694	425,024
Depreciation	848,046	742,943	286,159	85,375	126,058	2,088,581
Other	9,837	11,441	33,770	1,005	82,969	139,022
Total Operating Expenses	1,707,609	1,061,628	2,932,150	2,364,104	1,004,976	9,070,467
Income (Loss) from Operations	(1,176,831)	(689,781)	413,611	(1,979,876)	(395,623)	(3,828,500)
Nonoperating Revenues						
PERS relief	(7,409)	(3,365)	(22,330)	(3,902)	(3,362)	(40,368)
Investment income	-	-	-	1,260	-	1,260
Income (Loss) Before Contributions and Transfers	(1,184,240)	(693,146)	391,281	(1,982,518)	(398,985)	(3,867,608)
Capital contributions	-	66,813	-	7,366,713	-	7,433,526
Transfers in	992,085	10,372	-	1,989,816	875,593	3,867,866
Change in Net Position	(192,155)	(615,961)	391,281	7,374,011	476,608	7,433,784
Net Position, beginning	17,957,722	21,409,467	5,329,006	8,952,247	2,165,960	55,814,402
Net Position, ending	\$ 17,765,567	\$ 20,793,506	\$ 5,720,287	\$ 16,326,258	\$ 2,642,568	\$ 63,248,186

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska
Enterprise Funds
Statement of Cash Flows

<i>Year Ended December 31, 2022</i>	Major Enterprise Funds				Nonmajor Enterprise Fund Garbage	Total Enterprise Funds
	Water and Sewer	Small Boat Harbor	Health Clinic	Port		
Cash Flows from (for) Operating Activities						
Receipts from customers and users	\$ 522,500	\$ 371,085	\$ 895,595	\$ 361,728	\$ 611,641	\$ 2,762,549
Operating grants received	-	-	2,401,776	-	-	2,401,776
Payments to suppliers	(540,125)	(125,205)	(1,912,740)	(1,432,144)	(543,260)	(4,553,474)
Payments to employees	(437,435)	(238,907)	(1,630,443)	(216,446)	(317,985)	(2,841,216)
Net cash flows from (for) operating activities	(455,060)	6,973	(245,812)	(1,286,862)	(249,604)	(2,230,365)
Cash Flows from Noncapital Financing Activities						
Transfers from other funds	368,967	7,567	-	-	479,445	855,979
Increase (decrease) in due to other funds	23,233	-	309,989	-	(43,254)	289,968
Net cash flows from noncapital financing activities	392,200	7,567	309,989	-	436,191	1,145,947
Cash Flows from (for) Capital and Related Financing Activities						
Purchases of capital assets	(608,091)	(71,976)	(198,131)	(9,781,683)	(582,735)	(11,242,616)
Capital contributions received	47,833	76,586	-	4,261,537	-	4,385,956
Transfers from other funds	623,118	2,805	-	1,989,816	396,148	3,011,887
Increase in due to other funds	-	-	-	859,807	-	859,807
Net cash flows from (for) capital and related financing activities	62,860	7,415	(198,131)	(2,670,523)	(186,587)	(2,984,966)
Cash Flows from Investing Activities						
Investment income received	-	-	-	1,260	-	1,260
Increase (Decrease) in Cash and Investments	-	21,955	(133,954)	(3,956,125)	-	(4,068,124)
Cash and Investments, beginning of year	-	1,667,040	141,470	3,956,125	-	5,764,635
Cash and Investments, end of year	\$ -	\$ 1,688,995	\$ 7,516	\$ -	\$ -	\$ 1,696,511

Municipality of Skagway, Alaska
Enterprise Funds
Statement of Cash Flows, continued

<i>Year Ended December 31, 2022</i>	Major Enterprise Funds				Nonmajor Enterprise Fund Garbage	Total Enterprise Funds
	Water and Sewer	Small Boat Harbor	Health Clinic	Port		
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities						
Income (loss) from operations	\$ (1,176,831)	\$ (689,781)	\$ 413,611	\$ (1,979,876)	\$ (395,623)	\$ (3,828,500)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:						
Depreciation	848,046	742,943	286,159	85,375	126,058	2,088,581
Noncash expense - PERS relief	(7,409)	(3,365)	(22,330)	(3,902)	(3,362)	(40,368)
(Increase) decrease in assets and deferred outflows of resources:						
Accounts receivable, net	(8,278)	(762)	22,879	(22,500)	2,288	(6,373)
Leases receivable	-	-	-	135,445	-	135,445
Operating grants receivable	-	-	(71,269)	-	-	(71,269)
Net OPEB asset	21,105	31,185	603,770	(35,025)	3,825	624,860
Inventory	35,224	-	23,319	-	-	58,543
Deferred outflows of resources related to pensions	(3,376)	1,951	76,990	(9,223)	(2,460)	63,882
Deferred outflows of resources related to other postemployment benefits	(12,877)	(5,473)	(29,379)	(7,588)	(5,946)	(61,263)
Increase (decrease) in liabilities and deferred inflows of resources:						
Accounts payable	(116,082)	(14,479)	(84,184)	593,361	22,166	400,782
Compensated absences	3,041	15,096	(20,187)	(1,428)	6,340	2,862
Net pension liability	142,364	35,028	(312,664)	138,331	72,517	75,576
Deferred inflows of resources related to leases	-	-	-	(135,445)	-	(135,445)
Deferred inflows of resources related to pensions	(97,522)	(56,137)	(589,742)	(26,090)	(41,112)	(810,603)
Deferred inflows of resources related to other postemployment benefits	(82,465)	(49,233)	(542,785)	(18,297)	(34,295)	(727,075)
Net Cash Flows from (for) Operating Activities	\$ (455,060)	\$ 6,973	\$ (245,812)	\$ (1,286,862)	\$ (249,604)	\$ (2,230,365)
Noncash Capital and Related Financing Activities						
Capital assets purchased on account	\$ 15,027	\$ 7,496	\$ -	\$ 1,466,194	\$ 64,230	\$ 1,552,947

See accompanying notes to basic financial statements.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Skagway (City) was incorporated on June 26, 1900, under Federal Statute 31 and U.S. Statute at Large 321, as a city in Alaska. On June 20, 2007, the City formally dissolved in conjunction with the incorporation of the Municipality of Skagway (Borough), a first-class borough of Alaska. The corporate boundaries of the Borough are identical to those of the former City. The Borough also succeeded to all rights, powers, duties, assets, and liabilities of the former City. The Borough operates under an Assembly-Manager form of government and provides the following services: public safety (police and fire), streets and sidewalks, water and sanitation (garbage and waste treatment), health, culture-recreation, tourism promotion, port authority, public improvements, planning and zoning, and general administrative services.

Discretely Presented Component Unit

The accompanying financial statements present the Borough and its component unit, the Skagway School District (District), for which the Borough is considered to be financially accountable. Information about the District, a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Borough.

The District is responsible for elementary and secondary education within the Borough's jurisdiction. The members of the District's governing board are elected by the voters. However, the Borough is financially accountable for the District because the Borough Assembly approves the District's budget, levies taxes (if necessary), and must approve any debt issuances.

Complete financial statements of Skagway School District can be obtained from the administrative office as follows: Skagway School District P.O Box 497 Skagway, AK 99840

The accounting policies of the Municipality of Skagway 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 statement of net position and the statement of activities display information about the primary government (the Borough) and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Borough. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Borough and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (1) 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days 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 compensated absences, pension and other postemployment benefits, and claims and judgments (if any), are recorded only when payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Other revenue items are considered to be measurable and available only when received by the government. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The Borough reports the following major governmental funds:

Major governmental funds:

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

The *Sales Tax Special Revenue Fund* accounts for the revenue received from the Borough's sales tax. Sales tax is collected at a rate of 3% from October through March and 5% from April through September. The sales tax ordinance requires that at the beginning of each fiscal year, a sum sufficient to pay installments on general obligation bonds for that year be set aside. Any sales

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

tax proceeds in excess of the amount set aside are available for funding school operations, capital improvements, and services, including emergency care, clinic, and museum.

The *Excise Tax Special Revenue Fund* accounts for excise tax appropriations from the State of Alaska and other sources. The purpose of these funds is to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

The *School Kitchen Addition Capital Projects Fund* for constructing a 1,640-square-foot kitchen and home economics classroom on the north side of the existing school building. It also included installing an owner-furnished emergency backup generator integrated into the school's electrical system, supporting the school as the primary emergency shelter for the community. This project aimed to enhance educational opportunities by providing modern culinary and life skills facilities while ensuring the safety and preparedness of the community during emergencies.

Major proprietary funds:

The *Water and Sewer Enterprise Fund* accounts for activities including operating the sewage treatment plant, sewage pumping stations and collection systems, and the water storage and water distribution systems.

The *Small Boat Harbor Enterprise Fund* accounts for activities including operating the small boat harbor and the Borough's freight ramp.

The *Health Clinic Enterprise Fund* accounts for the activities of operating the health clinic.

The *Port Enterprise Fund* accounts for the activities of developing the port commission, with the anticipation of future service fees.

Nonmajor governmental funds:

The *Visitor Special Revenue Fund* accounts for the revenue from the Borough's 8% hotel tax. All tax collected is to be used for tourism promotion.

The *Permanent Trust Fund* accounts for assets held in a trustee capacity. The fund represents the proceeds from the sale of land conveyed by the State of Alaska under the Municipal Entitlement Act. The principal balance of the fund (nonexpendable portion) cannot be spent and must be held in trust for the benefit of future residents of the Borough. Earnings (expendable portion) can be spent under certain guidelines.

The *Debt Service Fund* accounts for assets set aside to make debt service payments.

The *Capital Project Funds* account for financial resources received primarily through state and federal agencies and allocations from the Sales Tax Fund, Excise Tax Fund, and General Fund to be used for the acquisition and construction of major capital facilities.

Nonmajor enterprise funds:

The *Garbage Enterprise Fund* accounts for activities including collection of solid waste, operating the incinerator plant, and the shipment of nonburnable waste and recyclable materials.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds (water and sewer/garbage/small boat harbor/health clinic/port) 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 Borough's enterprise funds are charges to customers for sales and services. The water and sewer fund also recognizes fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise funds include the cost 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.

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

A. Cash and Cash Equivalents

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

B. Inventory

Inventories in proprietary funds consist of water and sewer parts and medical supplies and are stated at the lower of cost (first-in, first-out basis) or market.

C. Receivables

All receivables are reported at gross value and, if appropriate, are reduced by the estimated portion that is expected to be uncollectible.

D. Lessor Leases

The Borough has leased to third-parties multiple nonfinancial assets. The Borough recognizes a lease receivable and a deferred inflow of resources in both the government-wide and governmental fund financial statements where applicable.

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

Key estimates and judgments include how the Borough determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Borough uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Borough monitors

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

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

E. Due to and due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed, and are current obligations. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Restricted Assets

Certain cash, investments, and receivables are classified as restricted assets on the statement of net position and balance sheet because they are either permanently held for the benefit of current and future residents of the Borough or restricted in use by creditors or legislation (including the municipal code).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. 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. All significant capital assets, including infrastructure assets, are capitalized and reported by the Borough.

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 Borough is depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings, structures, and other improvements	50
Furniture and equipment	5-15
Roads and bridges	20-30

H. Compensated Absences

It is the Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits (if the Borough expects to pay unused sick leave when employees separate from service with the Borough). All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured (for example, as a result of employee resignations and retirements).

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

I. Long-term Debt

On the government-wide and proprietary fund type 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 financial statements.

J. Debt Premiums and Discounts

On the government-wide and proprietary fund type statements of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued.

K. Unearned Revenue

Amounts received from grants and other sources but not yet spent for their restricted purpose are shown on the statement of net position and balance sheet as unearned revenue in both the government-wide and fund financial statements. Excise tax appropriations are shown as revenue on the Statement of Activities when amounts are appropriated by the State of Alaska.

L. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to liabilities, the statement net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element "Deferred inflows of resources" represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes, leases, and land sales financed with long-term receivable contracts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statement of net position also reports lessor leases as a deferred inflow of resources, as well as certain postemployment benefits. A deferred outflow represents the consumption of the government's net position that is applicable to a future reporting period. In the government-wide financial statements, deferred inflows and outflows include certain pension and OPEB-related transactions only.

M. Governmental 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 remaining four classifications - restricted, committed, assigned, and unassigned - comprise the spendable portion of the fund balances:

Restricted fund balance. These amounts are constrained by external parties or legislation (including the municipal code, grantors, or higher levels of government).

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

Committed fund balance. These amounts are constrained to a specific purpose by the Borough itself using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest-level action to remove or change the constraint.

Assigned fund balance. These amounts are intended for a particular purpose. Intent can be expressed by the Borough Assembly, Mayor, or the Borough Manager.

Unassigned fund balance. These amounts are available for any purpose.

The five categories of fund balance place varying strength of spending constraints on available resources in a descending order as listed. Nonspendable fund balance is the most restrictive classification, and unassigned fund balance is the least restrictive.

When an expenditure has been duly authorized and funding to pay for the expenditure is available within multiple fund balance classifications, the Borough's policy is to utilize the funding available in the most restrictive classification first.

N. 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 governmental 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.

O. Interfund Transactions

During the course of normal operations, the Borough has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The classification of amounts recorded as subsidies, advances, or transfers is determined by the Borough Assembly.

P. Property Taxes

Property taxes have a lien date of January 1, a levy date of July 1, and are due by August 31. The Borough bills and collects taxes for both its own purposes and school purposes. The Borough's property tax revenues are recognized when they become measurable and available, which is generally when levied.

Q. 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 upon 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

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

R. Pension Plan and Other Postemployment Benefits (OPEB) Plan

Substantially all employees of the Borough participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska. For purposes of measuring the net pension and net OPEB assets and liabilities, 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 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.

S. Use of Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgets and Budgetary Accounting

Budgets and Budgetary Accounting

The appropriated budget is prepared by fund and function, and department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Assembly. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

3. Interfund Receivables, Payables, and Transfers

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of December 31, 2022, are as follows:

Receivable Fund	Payable Fund	Amount
Sales Tax Special Revenue Fund	Water and Sewer Enterprise Fund	\$ 39,482
Sales Tax Special Revenue Fund	Health Clinic Enterprise Fund	309,989
Sales Tax Special Revenue Fund	Port Enterprise Fund	859,807
Sales Tax Special Revenue Fund	Garbage Enterprise Fund	218,831
Total Due from Other Funds		\$ 1,428,109

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

A schedule of transfers for the period ended December 31, 2022 follows:

Transfers

From General Fund to:	
School Kitchen Addition Fund to cover capital costs	\$ 2,246,003
Nonmajor governmental funds to cover operating costs	228,483
<hr/>	
Total transfers from General Fund	2,474,486
From Sales Tax Fund to:	
Nonmajor governmental funds to cover debt service costs	1,511,452
Nonmajor governmental funds to cover capital costs	110,078
Nonmajor governmental funds to cover operating costs	18,000
Water and Sewer Fund to cover capital costs	13,664
Port Fund to cover capital costs	674,512
Garbage Fund to cover operating costs	138,089
<hr/>	
Total transfers from Sales Tax Fund	2,465,795
From Excise Tax Fund to:	
General Fund to cover operating costs	1,703,114
Nonmajor governmental fund to cover debt service costs	71,006
Nonmajor governmental funds to cover operating costs	431,077
Water and Sewer Fund to cover capital costs	62,232
Water and Sewer Fund to cover operating costs	368,967
Garbage Fund to cover capital costs	479,445
Garbage Fund to cover operating costs	258,059
Small Boat Harbor Fund to cover capital costs	2,795
Small Boat Harbor Fund to cover operating costs	7,577
Port Fund to cover capital costs	535,810
Port Fund to cover operating costs	779,494
<hr/>	
Total transfers from Excise Tax Fund	4,699,576
From nonmajor governmental funds to -	
Water and Sewer Fund to cover capital costs	547,222
Nonmajor governmental fund to cover debt service costs	101,122
Nonmajor governmental fund to cover operating costs	55,247
<hr/>	
Total transfers from nonmajor governmental funds	703,591
<hr/>	
Total Transfers to Other Funds	\$ 10,343,448

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

4. Cash and Investments

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

Deposits and Investments

All cash deposits are in a single financial institution and are carried at cost. Certificates of deposit are stated at cost plus accrued interest and are held in various financial institutions covered by federal depository insurance.

Securities are stated at fair value determined by established trading market prices, and any gains and losses are included in the Borough's financial activities. Security transactions are recorded on the trade date.

Reconciliation of Deposit and Investment Balances

The Borough follows the practice of pooling the cash equivalents of its various funds. Investment income from pooled cash equivalents is allocated ratably over the various funds. Cash equivalents are held by an outside custodian. Certain cash equivalents are held with the investments for long-term purposes and, therefore, are classified as investments.

The following is a reconciliation of the Borough's deposit and investment balances to the financial statements as of December 31, 2022:

Bank deposits and petty cash	\$ 13,598,025
Investments	27,943,750
Total Cash and Investments	\$ 41,541,775

The Borough's unrestricted cash and investments was \$36,996,869 and restricted cash and investments was \$4,544,906 as of December 31, 2022.

Investment Policy

Skagway Borough's investment policy adheres to the prudent man rule, ensuring responsible management and investment of municipal funds. The rule emphasizes careful judgment, safety of capital, and potential income. Investment objectives vary, aiming for safety of principal in enterprise funds and growth with income in other funds. Diversification, adherence to safety constraints, and prudent decision-making are central. Permissible investments include various instruments, while internal controls, advisor selection, reporting, and policy reviews enhance transparency and compliance. The policy emphasizes maintaining public trust and adopting responsible investment practices.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

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.

Portfolio maturities must be staggered to avoid undue concentration of assets in a specific maturity sector. The average portfolio maturity must not exceed eight years.

Credit Risk

Skagway Borough effectively handles investment and credit risk with the guidance of investment advisors. Their approach includes diversification, asset allocation, credit analysis, liquidity management, seeking risk-adjusted returns, utilizing professional expertise, stress testing, contingency planning, ongoing monitoring, regulatory compliance, education, transparency, maintaining a long-term outlook, and regularly reviewing policies. These strategies collectively ensure financial asset protection, loss reduction, goal attainment, and community service effectiveness.

Custodial Credit Risk

The Borough does not have a formal investment policy related to custodial credit risk, but management does not believe there is significant risk with respect to uncollateralized funds based on the nature and size of the custodian. The Borough had a third-party collateralization agreement of \$5,898,593 as of December 31, 2022. Remaining bank account balances were uninsured and uncollateralized by \$7,442,041 as of December 31, 2022.

Investments made by the Borough are summarized below:

<i>Investment Type</i>	Amount	Investment Maturities (in Years)		
		Less Than 1	1-5	5-10
Investments held by agent in the name of the Municipality of Skagway:				
Money market funds	\$ 3,359,113	\$ 3,359,113	\$	\$
Certificates of deposit	100,000	100,000		
Total subject to interest rate risk	3,459,113	\$ 3,459,113	\$	\$
Bond mutual funds	711,747			
Bond exchange-traded funds	3,591,375			
Equity mutual funds	457,827			
Equity exchange-traded funds	9,127,727			
Domestic common stock	286,482			
Fixed income	10,309,479			
Total Investments	\$ 27,943,750			

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

Concentration of Credit Risk

The Borough's investment policy places limits on the amount that can be invested in any one issuer.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

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

The Borough has the following recurring fair value measurements as of December 31, 2022:

<i>Investment Type</i>	Level 1	Level 2	Level 3	Fair Value
Equity securities	\$ 12,719,102	\$	\$	\$ 12,719,102
Mutual funds	1,169,574			1,169,574
Domestic common stock	286,482			286,482
US government agencies	10,309,479			10,309,479
Total Investments at Fair Value	\$ 24,484,637	\$	\$	24,484,637

Investments at Amortized Cost

Money market funds	3,359,113
Certificates of deposit	100,000

Total Investments at Amortized Cost	3,459,113
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Total Investments	\$ 27,943,750
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The Borough's investments in money market funds and certificate of deposits are not held at fair value, but instead are recorded at amortized cost, as of December 31, 2022.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

5. Accounts Receivable and Valuation Allowances

The Borough maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At December 31, 2022, receivables for the Borough's individual major funds and nonmajor funds in the aggregate, including applicable allowances for doubtful accounts, are as follows:

Governmental Funds	Major funds			Nonmajor Funds	Totals
	General	Sales Tax Special Revenue			
Accounts	\$ 56,716	\$ 3,111	\$ 8,630	\$ 68,457	
Grants	391,389	-	85,326	476,715	
Leases	104,760	-	-	104,760	
Taxes	24,228	164,991	-	189,219	
Land sales contracts (restricted)	-	-	94,884	94,884	
Interest (restricted)	-	-	3,497	3,497	
Total receivables	577,093	168,102	192,337	937,532	
Less allowance for doubtful accounts	(45,416)	(160)	-	(45,576)	
Total Net Receivables	\$ 531,677	\$ 167,942	\$ 192,337	\$ 891,956	

Enterprise Funds	Major Funds				Nonmajor Fund	Totals
	Water and Sewer	Small Boat Harbor	Health Clinic	Port		
Accounts	\$ 34,554	\$ 32,463	\$ 125,407	\$ 22,500	\$ 27,275	\$ 242,199
Leases	-	-	-	115,366	-	115,366
Grants	-	7,525	334,472	3,138,589	-	3,480,586
Total receivables	34,554	39,988	459,879	3,276,455	27,275	3,838,151
Less allowance for doubtful accounts	(1,840)	(1,187)	(58,238)	-	(1,896)	(63,161)
Total Net Receivables	\$ 32,714	\$ 38,801	\$ 401,641	\$ 3,276,455	\$ 25,379	\$ 3,774,990

6. Leases Receivable

During the current year, the Borough, as lessor, entered into several multiple-year lease agreements to third parties for various nonfinancial assets. The lengths of the lease terms vary, and the Borough used estimated incremental borrowing rates between .45% and 3.2% when there was no stated interest rate in the lease contracts. The Borough received payments totaling \$141,804 for the fiscal year ended December 31, 2022. The Borough recognized \$140,544 in lease revenue and \$1,298 in interest revenue for the fiscal year ended December 31, 2022. As of December 31, 2022, the Borough's receivable for lease payments was \$220,126. The Borough recognized a deferred inflow of resources associated with the leases of \$220,126 on December 31, 2022, that will be recognized as revenue over the remainder of the lease terms.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

7. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

Governmental Activities	Balance December 31, 2021	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance December 31, 2022
Capital assets not being depreciated:				
Land and improvements	\$ 5,742,716	\$ -	\$ -	\$ 5,742,716
Construction in progress	1,572,801	2,425,056	-	3,997,857
Total capital assets not being depreciated	7,315,517	2,425,056	-	9,740,573
Capital assets being depreciated:				
Buildings	36,921,645	73,318	-	36,994,963
Other improvements	8,458,941	92,181	-	8,551,122
Furniture and equipment	8,887,666	422,394	-	9,310,060
Infrastructure	12,460,839	-	-	12,460,839
Total capital assets being depreciated	66,729,091	587,893	-	67,316,984
Less accumulated depreciation for:				
Buildings	13,437,871	932,136	-	14,370,007
Other improvements	4,828,080	237,606	-	5,065,686
Furniture and equipment	6,954,286	269,477	-	7,223,763
Infrastructure	10,770,713	109,021	-	10,879,734
Total accumulated depreciation	35,990,950	1,548,240	-	37,539,190
Total capital assets being depreciated, net	30,738,141	(960,347)	-	29,777,794
Governmental Activity Capital Assets, net	\$ 38,053,658	\$ 1,464,709	\$ -	\$ 39,518,367

The cost of the school building is included in buildings and amounted to \$8,100,000 at both December 31, 2022 and December 31, 2021. Accumulated depreciation on the school building was \$6,076,006 and \$5,913,000 at December 30, 2022 and December 31, 2021, respectively.

During 1985 and 1986, the Borough received provisional title from the State of Alaska to certain parcels of land. As the Borough sells this land, the proceeds are recorded in the Permanent Trust

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

Fund. The value of the land will be determined when the Borough receives final title. Accordingly, no value has been recorded in the accompanying financial statements.

Business-type Activities	Balance December 31, 2021	Additions and Reclas- sifications	Deletions and Reclas- sifications	Balance December 31, 2022
Capital assets not being depreciated:				
Land and land improvements	\$ 271,314	\$ -	\$ -	\$ 271,314
Construction in progress	11,530,394	12,343,821	-	23,874,215
Total capital not assets being depreciated	11,801,708	12,343,821	-	24,145,529
Capital assets being depreciated:				
Distribution and collection systems (water/sewer)	7,852,601	-	-	7,852,601
Buildings	21,706,192	24,807	-	21,730,999
Harbor seawall	7,014,362	-	-	7,014,362
Harbor seawalk	5,905,264	2,795	-	5,908,059
Harbor infrastructure	12,617,706	-	-	12,617,706
Other improvements	6,030,865	-	-	6,030,865
Equipment	7,855,583	424,140	-	8,279,723
Total capital assets being depreciated	68,982,573	451,742	-	69,434,315
Less accumulated depreciation for:				
Distribution and collection systems (water/sewer)	5,961,491	173,957	-	6,135,448
Buildings	8,869,818	696,825	-	9,566,643
Harbor seawall	2,552,310	187,618	-	2,739,928
Harbor seawalk	2,622,793	197,846	-	2,820,639
Harbor infrastructure	2,193,385	272,725	-	2,466,110
Other improvements	3,263,971	195,223	-	3,459,194
Equipment	3,032,483	364,387	-	3,396,870
Total accumulated depreciation	28,496,251	2,088,581		30,584,832
Total capital assets being depreciated, net	40,486,322	(1,636,839)	-	38,849,483
Business-type Activity Capital Assets, net	\$ 52,288,030	\$ 10,706,982	\$ -	\$ 62,995,012

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

Depreciation expense was charged to the functions as follows for the period ended December 31, 2022:

Governmental Activities

General government	\$ 144,385
Public safety	494,921
Public works and streets, including depreciation of general infrastructure assets	282,769
Education	226,084
Culture, recreation, and library	400,081

Total Depreciation Expense - Governmental Activities **\$ 1,548,240**

Business-type Activities

Water and sewer	\$ 848,046
Garbage	126,058
Small boat harbor	742,943
Health clinic	286,159
Port	85,375

Total Depreciation Expense - Business-type Activities **\$ 2,088,581**

8. Short-term Liabilities

On December 15, 2022, the Borough entered into a \$4,300,000 Tax Anticipation Note Purchase Agreement with Wells Fargo Bank in order to meet on-going capital expenses, including but not limited to costs related to Port improvements and rockslide emergency measures. This note has a maturity date of December 14, 2023 and carries an annual interest rate of 4.25%.

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

9. Long-term Liabilities

The following is a summary of long-term liabilities transactions for the year ended December 31, 2022:

Governmental Activities	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Bonds and loans payable:					
General obligation bonds	\$ 16,745,000	\$ -	\$ 775,000	\$ 15,970,000	\$ 815,000
Private loan	609,859	-	82,063	527,796	84,797
State of Alaska loans	4,820,826	547,222	365,784	5,002,264	65,785
Total bonds and loans payable	22,175,685	547,222	1,222,847	21,500,060	965,582
Unamortized bond premium	430,436	-	80,789	349,647	-
Total bonds and loans payable, net of premium	22,606,121	547,222	1,303,636	21,849,707	965,582
Other liabilities:					
Compensated absences	451,973	352,563	286,173	518,363	518,363
Net pension liability	4,265,847	1,029,830	-	5,295,677	-
Total Governmental Activities	\$ 27,323,941	\$ 1,929,615	\$ 1,589,809	\$ 27,663,747	\$ 1,483,945

Business-Type Activities	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Compensated absences	\$ 135,055	\$ 122,298	\$ 119,436	\$ 137,917	\$ 137,917
Net pension liability	2,032,720	75,576	-	2,108,296	-
Total Business-Type Activities	\$ 2,167,775	\$ 197,874	\$ 119,436	\$ 2,246,213	\$ 137,917

Other long-term liabilities related to governmental activities such as compensated absences is generally liquidated by the General Fund.

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Bonds and loans payable at December 31, 2022, are comprised of the following individual issues:

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

General Obligation Bonds

\$11,715,000 2015 general obligation bonds used for a public safety building; due in annual principal installments of \$265,000 to \$655,000 through March 2045; interest at 4% to 5%.	\$ 10,045,000
\$4,735,000 2015 general obligation bonds used for port development; due in annual principal installments of \$200,000 to \$345,000 through March 2035; interest at 4.25% to 5%.	3,505,000
\$890,000 2014 general obligation bonds used for small boat harbor upgrades; due in annual principal installments of \$40,000 to \$65,000 through June 2033; interest at 4% to 5%.	580,000
\$460,000 2011 general obligation bonds used for library expansion; due in annual principal installments of \$25,000 to \$35,000 through September 2031; interest at 4% to 5%.	260,000
\$2,875,000 2016 general obligation refunding bonds used for health clinic construction; due in annual principal installments of \$285,000 to \$350,000 through December 2027; interest at 5%.	1,580,000
Total General Obligation Bonds	\$ 15,970,000

Loans Payable

Loan from the Corporation of the Catholic Bishop of Juneau used for the purchase of land for a new public safety building; due in quarterly installments of \$25,281, including interest at 3.29%; due in full in September 2028.	\$ 527,796
Loan from the State of Alaska Department of Environmental Conservation used for the wastewater treatment plant upgrades; due in annual installments of \$8,758, plus interest at 1.5%; due in full in October 2033.	105,092
Loan from the State of Alaska Department of Environmental Conservation used for the construction of a water well; due in annual principal installments of \$37,500, plus interest at 1.5%; due in full in October 2037.	562,500
Loan from the State of Alaska Department of Environmental Conservation used for the construction of a water tank; due in annual principal installments of \$19,527, plus interest at 1.5%; due in full in October 2038.	312,425
Loan from the State of Alaska Department of Environmental Conservation used for the upgrade to water and wastewater utilities along State Street, to be repaid over a 20-year amortization to begin upon completion of construction, including interest at 1.5%; maximum borrowing of \$4,803,331.	4,022,247
Total Loans Payable	\$ 5,530,060

The annual debt service requirements to amortize bonds and loans payable outstanding as of December 31, 2022, are as follows:

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

<i>Year Ending December 31,</i>	Principal	Interest	Total
2023	\$ 965,582	\$ 722,013	\$ 1,687,595
2024	1,003,406	681,127	1,684,533
2025	1,046,325	634,349	1,680,674
2026	1,084,340	585,595	1,669,935
2027	1,147,457	534,618	1,682,075
2028-2032	4,033,533	2,047,520	6,081,053
2033-2037	3,582,646	1,228,809	4,811,455
2038-2042	2,724,524	657,193	3,381,717
2043-2045	1,890,000	115,400	2,005,400
Loans not yet in repayment status	4,022,247	-	4,022,247
	<hr/>	<hr/>	<hr/>
	\$ 21,500,060	\$ 7,206,624	\$ 28,706,684

The amount of long-term debt the Borough can incur is limited to 25% of the assessed value of the taxable real property in the Borough at December 31, 2022. The amount of outstanding long-term debt was approximately 5% of property assessments as of January 1, 2022 (the lien date).

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

10. 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 at December 31, 2022:

	Major funds			Nonmajor Funds	Totals
	General	Sales Tax Special Revenue	Excise Tax Special Revenue		
Nonspendable:					
Prepaid items	\$ 224,674	\$ -	\$ -	\$ -	224,674
Permanent Fund	-	-	-	4,547,872	4,547,872
Total nonspendable	224,674	-	-	4,547,872	4,772,546
Restricted:					
Bond indebtedness	-	9,433,907	-	-	9,433,907
Cruise ship tourism	-	-	10,181,487	-	10,181,487
Total restricted	-	9,433,907	10,181,487	-	19,615,394
Assigned:					
Debt service	-	-	-	119,714	119,714
Tourism	-	-	-	13,259	13,259
Total assigned	-	-	-	132,973	132,973
Unassigned	399,700	-	-		399,700
Total Fund Balances	\$ 624,374	\$ 9,433,907	\$ 10,181,487	\$ 4,680,845	\$ 24,920,613

The Permanent Trust Fund was established to hold amounts received from the sale of lands received under the Municipal Entitlement Act, which restricts the use of the proceeds of the sale of related lands. The amounts held in the Sales Tax Special Revenue Fund are restricted by vote of the people to be used first for principal and interest payments on general obligation bond indebtedness. As of December 31, 2022, the amount held in this fund does not exceed the total bond indebtedness; therefore, the entire amount is still considered restricted. Amounts received under the Commercial Passenger Vessel Tax program of the State of Alaska are held in the Excise Tax Special Revenue Fund as restricted until they are spent on eligible projects. Related interest earned on these funds is not considered restricted.

Municipality of Skagway, Alaska

Notes to Basic Financial Statements December 31, 2022

11. Pension and Other Postemployment Benefits Plans

(a) Defined Benefit (DB) Pension Plan

General Information About the Plan

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

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

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

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

Historical Context and Special Funding Situation

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

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

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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

Employee Contribution Rates

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

Employer and Other Contribution Rates

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

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

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

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

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

<i>January 1, 2022 to June 30, 2022</i>	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	20.89%	8.11%
Postemployment healthcare (ARHCT)	3.12%	-%
Defined contribution - Pension	6.10%	-%
Total Contribution Rates	30.11%	8.11%

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

<i>July 1, 2022 to December 31, 2022</i>	ARM Board Adopted Rate	State Contribution Rate
Defined benefit plans:		
Pension	18.38%	2.79%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.41%	-%
Total Contribution Rates	24.79%	2.79%

Alaska Statute 39.35.255(a) capped the employer rate at 22% with the State of Alaska making a nonemployer contribution for the difference between actuarially required contribution and the cap. For the period from January 1, 2022 to June 30, 2022 the employer rate is 15.54% for pension and 6.46% for ARHCT and for the period from July 1, 2022 to December 31, 2022 the employer rate is 22.00% for pension and 0.00% for ARHCT. The contribution requirements for the Borough are established and may be amended by the ARMB. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between (a) amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less (b) total of the employer contribution for (1) defined contribution employer matching amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. The difference is deposited based on an actuarial allocation into the defined benefit plan's pension and healthcare funds.

In 2022, the Borough was credited with the following contributions to the pension plan.

	Measurement Period	Borough Fiscal Year
	July 1, 2021 to June 30, 2022	January 1, 2022 to December 31, 2022
Employer contributions (including DBUL)	\$ 547,863	\$ 672,032
Nonemployer contributions (on-behalf)	329,529	246,746
Total Contributions	\$ 877,392	\$ 918,778

In addition, employee contributions to the Plan totaled \$66,329 during the Borough's fiscal year.

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

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

At December 31, 2022, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total portion of the net pension liability that was associated with the Borough were as follows:

	2022
Borough proportionate share of NPL	\$ 7,403,973
State's proportionate share of NPL associated with the Borough	2,047,787
Total Net Pension Liability	\$ 9,451,760

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2022 measurement date, the Borough's proportion was 0.14527 percent, which was a decrease of 0.02642 from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Borough recognized pension expense of \$(65,659) and on-behalf revenue of \$329,529 for support provided by the State. At December 31, 2022, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 211,682	\$ -
Borough contributions subsequent to the measurement date	402,821	-
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	\$ 614,503	\$ -

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Municipality of Skagway, Alaska

Notes to Basic Financial Statements

The \$402,821 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, 2023. 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,

2023	\$ (25,166)
2024	(64,505)
2025	(154,853)
2026	456,206
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Total Amortization	\$ 211,682

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the actuarial assumptions listed below, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officers/firefighters, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for the fiscal years 2023 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 70% of the time. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality
Peace officer/firefighter	

Municipality of Skagway, Alaska

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rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.

All others

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

Other

See the experience study report dated July 15, 2022.

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

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Municipality of Skagway, 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 2.88%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	27%	+/- 6%	6.51 %
Global equity (non-U.S.)	18%	+/- 4%	5.70 %
Aggregate bonds	21%	+/- 10%	0.31 %
Opportunistic	6%	+/- 4%	- %
Real assets	14%	+/- 7%	3.71 %
Private equity	14%	+/- 6%	9.61 %
Cash equivalents	-%	-%	(0.50)%

Discount Rate

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

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Borough's proportionate share of the net pension liability	0.14527%	\$ 9,967,338	\$ 7,403,973	\$ 5,242,526

Pension Plan Fiduciary Net Position

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

Municipality of Skagway, 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 annual comprehensive financial report for PERS, and at the following website, as noted above. <https://drb.alaska.gov/docs/reports/#pers>.

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

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended December 31, 2022 to cover a portion of the Municipality's employer match contributions. For the year ended December 31, 2022, forfeitures reduced pension expense by \$28,648.

Employee Contribution Rate

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

Employer Contribution Rate

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

The Borough and employee contributions to PERS for pensions for the year ended December 31, 2022 were \$186,634 and \$298,164, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

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

The ARHCT, a healthcare trust fund, provides major medical coverage to retirees of the DB plan. The ARHCT is self-funded and self-insured. The ARHCT was closed to all new members effective July 1, 2006. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The RMP is self-insured. Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within

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PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in the annual comprehensive financial report for PERS, at the following website, <https://drb.alaska.gov/docs/reports/#pers>.

Employer Contribution Rates

Employer contribution rates are 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, 2022 were as follows:

<i>January 1, 2022 to June 30, 2022</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	6.46%	6.46%
Retiree Medical Plan	1.07%	1.07%
Occupational Death and Disability	0.31%	0.68%
Total Contribution Rates	7.84%	8.21%

<i>July 1, 2022 to December 31, 2022</i>	Other	Peace/Fire
Alaska Retiree Healthcare Trust	-%	-%
Retiree Medical Plan	1.10%	1.10%
Occupational Death and Disability	0.30%	0.68%
Total Contribution Rates	1.40%	1.78%

In 2022, the Borough was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2021 to June 30, 2022	Borough Fiscal Year January 1, 2022 to December 31, 2022
Employer contributions - ARHCT	\$ 54,718	\$ 27,688
Employer contributions - RMP	34,414	40,534
Employer contributions - ODD	9,041	13,212
Total Contributions	\$ 98,173	\$ 81,434

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Notes to Basic Financial Statements

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

At December 31, 2022, the Borough reported an asset for its proportionate share of the net OPEB asset (NOA) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

Borough's proportionate share of NOA - ARHCT	\$ 2,839,452
Borough's proportionate share of NOA - RMP	73,926
Borough's proportionate share of NOA - ODD	90,581
Total Borough's Proportionate Share of NOA	\$ 3,003,959
State's proportionate share of the ARHCT NOA associated with the Borough	811,129
Total Net OPEB Asset	\$ 3,815,088

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

	June 30, 2021 Measurement Date Employer Proportion	June 30, 2022 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB asset:			
ARHCT	0.17246%	0.14431%	(0.02815)%
RMP	0.22996%	0.21286%	(0.01710)%
ODD	0.22853%	0.20663%	(0.02190)%

For the year ended December 31, 2022, the Borough recognized OPEB expense (benefit) of \$(970,955). Of this amount, \$(275,535) was recorded as on-behalf revenue and expense for support provided by the ARHCT plan. OPEB expense (benefit) and on-behalf revenue are listed by plan in the table below:

Plan	OPEB Expense (Benefit)	On-behalf Revenue
ARHCT	\$ (1,040,893)	\$ (275,535)
RMP	57,186	-
ODD	12,752	-
Total	\$ (970,955)	\$ (275,535)

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Notes to Basic Financial Statements

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

<i>Deferred Outflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ -	\$ 3,665	\$ -	\$ 3,665
Changes in assumptions	-	14,314	-	14,314
Difference between projected and actual investment earnings	161,092	10,544	3,068	174,704
Changes in proportion and differences between Borough contributions and proportionate share of contributions	72,064	1,284	6,541	79,889
Borough contributions subsequent to the measurement date	2,366	23,397	7,612	33,375
Total Deferred Outflows of Resources Related to OPEB Plans	\$ 235,522	\$ 53,204	\$ 17,221	\$ 305,947

<i>Deferred Inflows of Resources</i>	ARHCT	RMP	ODD	Total
Difference between expected and actual experience	\$ (20,098)	\$ (2,905)	\$ (29,716)	\$ (52,719)
Changes in assumptions	(130,307)	(88,640)	(577)	(219,524)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	-	(776)	(5,155)	(5,931)
Total Deferred Inflows of Resources Related to OPEB Plans	\$ (150,405)	\$ (92,321)	\$ (35,448)	\$ (278,174)

Amounts reported as deferred outflows of resources related to OPEB plans resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liabilities (asset) in the year ended December 31, 2023. 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
2023	\$ (105,395)	\$ (10,465)	\$ (5,474)	\$ (121,334)
2024	(56,495)	(10,981)	(5,627)	(73,103)
2025	(127,270)	(12,609)	(6,114)	(145,993)
2026	371,911	1,490	(1,633)	371,768
2027	-	(13,392)	(3,555)	(16,947)
Thereafter	-	(16,557)	(3,436)	(19,993)
Total Amortization	\$ 82,751	\$ (62,514)	\$ (25,839)	\$ (5,602)

Municipality of Skagway, Alaska

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Actuarial Assumptions

The total OPEB asset for each plan was determined by actuarial valuations as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2022:

Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Accrued Actuarial Liability, level percent of pay basis
Inflation	2.50% per year
Salary increases	For peace officers/firefighters, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2022 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions to the Plan for fiscal years 2023 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Healthcare cost trend rates (ARHCT and RMP Plans)	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% Rx/EGWP: 7.5% grading down to 4.5% Initial trend rates are from FY 2023 Ultimate trend rates reached in FY 2050
Mortality Peace officer/firefighter (ARHCT and RMP Plans)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
(ODD Plan)	Pre-commencement mortality rates were based on the Pub-2010 Safety Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 Safety Retiree table, amount-weighted, and projected with MP-2021 generational

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	<p>improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.</p>
All others (ARHCT and RMP Plans)	<p>Pre-commencement mortality rates were based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rates of the Pub-2010 General Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 101% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.</p>
(ODD Plan)	<p>Pre-commencement mortality rates were based on the Pub-2010 General Employee table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rates of the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on 102% of male and 108% of female rates of the Pub-2010 Contingent Survivor table, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.</p>
(ARHCT and ODD Plans)	<p>Deaths are assumed to result from occupational causes 35% of the time.</p>
Participation (ARHCT)	<p>100% of system paid 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.</p>
Other	<p>See the experience study report dated July 15, 2022.</p>

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

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June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022. The actuarial assumptions used in the June 30, 2021 actuarial valuation are the same as those used in the June 30, 2020 valuation with the following exceptions:

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

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 2.88% for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Range	Long-Term Expected Real Rate of Return
Domestic equity	27%	+/- 6%	6.51 %
Global equity (non-U.S.)	18%	+/- 4%	5.70 %
Aggregate bonds	21%	+/- 10%	0.31 %
Opportunistic	6%	+/- 4%	- %
Real assets	14%	+/- 7%	3.71 %
Private equity	14%	+/- 6%	9.61 %
Cash equivalents	-%	-%	(0.50) %

Discount Rate

The discount rate used to measure the total OPEB assets for each plan as of June 30, 2022 was 7.25%. The discount rate used changed 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 for each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB assets for each plan.

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

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

	Proportional Share	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Borough's proportionate share of the net OPEB asset:				
ARHCT	0.14431%	\$ 1,687,044	\$ 2,839,452	\$ 3,805,849
RMP	0.21286%	\$ (13,597)	\$ 73,926	\$ 140,671
ODD	0.20663%	\$ 85,326	\$ 90,581	\$ 94,691

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

The following presents the Borough's proportionate share of the net OPEB asset calculated using the healthcare cost trend rates as summarized in the 2021 actuarial valuation reports as well as what the Borough's proportionate share of the respective plan's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Borough's proportionate share of the net OPEB asset:				
ARHCT	0.14431%	\$ 3,919,534	\$ 2,839,452	\$ 1,549,625
RMP	0.21286%	\$ 149,836	\$ 73,926	\$ (28,319)
ODD	0.20663%	\$ n/a	\$ n/a	\$ n/a

OPEB Plan Fiduciary Net Position

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

(d) Defined Contribution OPEB Plans

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

Municipality of Skagway, Alaska

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Contribution Rate

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

Annual Postemployment Healthcare Cost

In 2022, the Borough contributed \$91,298 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

12. Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough purchases commercial insurance coverage to mitigate such risks.

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

13. COVID-19 Pandemic

The Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 were signed into law on December 27, 2020, and March 11, 2021, respectively. Both Acts appropriated funds for States and certain local governments. At the time of this report, \$9,579,082 has been awarded to the Borough. As of December 31, 2022, the Borough had spent \$341,735 of these monies.

14. Subsequent Events

In August 2022, a state of emergency was declared by the Borough due to rockslide activity on the hillside located above the privately owned Railroad dock. Cleanup and mitigation efforts were initiated and projected to cost tens of millions of dollars. The timeline from October 2022 to July 2023 included coordination with stakeholders, scaling rocks, installing attenuators, and implementing protective measures. Rock slope observers were approved in April 2023, and monitoring plans were set in motion. By May 2023, dock protection allowed the dock to open to ships, with different procedures for passenger transportation based on their location. In July 2023, the Municipality estimated its share of dock protection materials procured by White Pass to be approximately \$304,000.

On March 19, 2023, the Borough took back ownership of tidelands previously held by Pacific & Arctic Railway & Navigation (PARN/WPYR). This transfer included two docks and other tidelands improvements valued at approximately \$40,000,000. The Borough now bears responsibility for maintaining these facilities and must account for them in its financial records. This ownership change presents opportunities for local development and potential revenue generation for the Borough. It is a significant shift in asset ownership and has implications for financial management and community development.

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In October 2022, the Borough's voters authorized the issuance of Port Revenue Bonds up to \$65,000,000 to fund improvements to the Port's dock, wharf, and public facilities. On February 15, 2023, the Borough issued \$29,880,000 worth of these bonds. Repayment will occur through annual installments ranging from \$435,000 to \$1,910,000, with interest rates between 5.00% and 5.25%, until December 2052. The bond proceeds were received on February 15, 2023, enabling the Borough to proceed with the planned infrastructure enhancements.

15. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards with upcoming implementation dates (effective dates are adjusted for the issuance of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance). The following new accounting standards were considered and/or implemented by the Borough for 2022 reporting:

GASB Statement No. 87 - *Leases* - Effective for year-end December 31, 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. The Borough analyzed all active leases to determine which leases applied to GASB Statement 87, then accounted for those leases accordingly.

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - Effective for year-end December 31, 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. There was no change for the Borough for the year ended December 31, 2022 from implementation of this standard.

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 December 31, 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. The Borough evaluated the impacts of GASB Statement 92 and determined there to be no impact to the Borough's financial statements for the current fiscal year.

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 December 31, 2021. The requirements in paragraph 11b, 13 and 14 are required to be implemented for year-end December 31, 2022. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The Borough evaluated the impacts of GASB Statement 93 and determined there to be no impact to the Borough's financial statements for the current fiscal year.

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 December 31, 2022, except the portion of the pronouncement related to component unit criteria,

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which is effective for year-end December 31, 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. The Borough evaluated the impacts of GASB Statement 97 and determined there to be no impact to the Borough's financial statements for the current fiscal year.

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates (effective dates adjusted for the issuance of GASB Statement 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 December 31, 2023. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations, and related note disclosures. This Statement clarifies the definition of a conduit debt obligation and establishes standards for related accounting and financial reporting.

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

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

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

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

GASB Statement No. 101 - *Compensated Absences* - Effective for year-end December 31, 2025. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for

Municipality of Skagway, Alaska

Notes to Basic Financial Statements

compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

16. Change in Accounting Principle

In 2022, the Borough adopted the provisions of GASB Statement No. 87 *Leases*, which among other accounting and reporting criteria, requires the Borough to recognize the lease liability/asset and related deferred inflow/outflow accounts, as of the beginning of the Borough's fiscal year. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The effect on beginning net position of adopting GASB 87 in the Borough's financial statements for the year ended December 31, 2022, is zero, since the balances for leases liability and intangible right-to-use asset, and receivable and deferred inflow of resources related to leases are the same. As a result of the implementation of this statement, the Borough has recorded no opening balance adjustments.

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Required Supplementary Information

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

<i>Year Ended December 31, 2022</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 2,020,000	\$ 2,020,000	\$ 2,190,968	\$ 170,968
Federal government	3,787,446	6,707,497	6,677,460	(30,037)
State of Alaska	322,789	323,789	531,312	207,523
Investment income	90	90	479	389
Other revenues	595,528	757,868	773,659	15,791
Total Revenues	6,725,853	9,809,244	10,173,878	364,634
Expenditures				
General government	3,029,619	3,451,363	3,377,972	73,391
Public safety	2,860,977	3,049,856	2,881,866	167,990
Public works	1,195,349	1,250,349	1,105,614	144,735
Culture, recreation and library	1,585,373	2,108,418	1,963,480	144,938
Total Expenditures	8,671,318	9,859,986	9,328,932	531,054
Excess (Deficiency) of Revenues Over Expenditures	(1,945,465)	(50,742)	844,946	895,688
Other Financing Sources (Uses):				
Transfers in	1,945,465	2,560,742	1,703,114	(857,628)
Transfers out	-	(2,510,000)	(2,474,486)	35,514
Net Other Financing Sources (Uses)	1,945,465	50,742	(771,372)	(822,114)
Net Change in Fund Balance	\$ -	\$ -	73,574	\$ 73,574
Fund Balance, beginning			550,800	
Fund Balance, ending			\$ 624,374	

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2022</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Sales taxes	\$ 3,624,482	\$ 4,379,884	\$ 6,803,196	\$ 2,423,312
Investment loss	-	-	(1,131,595)	(1,131,595)
Total Revenues	3,624,482	4,379,884	5,671,601	1,291,717
Expenditures				
General government	45,000	-	37,699	(37,699)
Education	2,967,741	4,834,367	3,277,912	1,556,455
Total Expenditures	3,012,741	4,834,367	3,315,611	1,518,756
Excess (Deficiency) of Revenues Over Expenditures	611,741	(454,483)	2,355,990	2,810,473
Other Financing Uses - transfers out	(3,346,680)	(2,608,628)	(2,465,795)	142,833
Net Change in Fund Balance	<u>\$ (2,734,939)</u>	<u>\$ (3,063,111)</u>	(109,805)	<u>\$ 2,953,306</u>
Fund Balance, beginning			<u>9,543,712</u>	
Fund Balance, ending			<u>\$ 9,433,907</u>	

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska
Excise Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended December 31, 2022</i>	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Excise tax	\$ 400,000	\$ 400,000	\$ 393,370	\$ (6,630)
Investment loss	-	-	(1,999,528)	(1,999,528)
Total Revenues	400,000	400,000	(1,606,158)	(2,006,158)
Expenditures - general government	80,000	80,000	65,246	14,754
Excess (Deficiency) of Revenues Over Expenditures	320,000	320,000	(1,671,404)	(1,991,404)
Other Financing Uses - transfers out	(5,860,795)	(7,730,595)	(4,699,576)	3,031,019
Net Change in Fund Balance	<u>\$ (5,540,795)</u>	<u>\$ (7,410,595)</u>	(6,370,980)	<u>\$ 1,039,615</u>
Fund Balance, beginning			<u>16,552,467</u>	
Fund Balance, ending			<u>\$ 10,181,487</u>	

See accompanying notes to Required Supplementary Information.

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

<i>Period Ended,</i>	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Borough's Proportion of the Net Pension Liability	0.14527%	0.17169%	0.11680%	0.12764%	0.13305%	0.12849%	0.15346%	0.12261%	0.08601%
Borough's Proportionate Share of the Net Pension Liability	\$ 7,403,973	\$ 6,298,567	\$ 6,892,812	\$ 6,987,174	\$ 6,611,314	\$ 6,642,154	\$ 8,577,897	\$ 5,946,382	\$ 4,011,755
State of Alaska Proportionate Share of the Net Pension Liability	2,047,787	851,280	2,853,012	2,774,610	1,913,802	2,474,078	1,082,912	1,589,812	3,437,565
Total Net Pension Liability	\$ 9,451,760	\$ 7,149,847	\$ 9,745,824	\$ 9,761,784	\$ 8,525,116	\$ 9,116,232	\$ 9,660,809	\$ 7,536,194	\$ 7,449,320
Borough's Covered Payroll	\$ 4,397,035	\$ 3,151,630	\$ 3,163,362	\$ 4,006,166	\$ 3,904,388	\$ 3,770,565	\$ 3,644,188	\$ 3,586,386	\$ 3,437,622
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	168.39%	199.85%	217.90%	174.41%	169.33%	176.16%	235.39%	165.80%	116.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.97%	76.46%	61.61%	63.42%	65.19%	63.37%	59.55%	63.96%	62.37%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	\$ 672,032	\$ 550,305	\$ 286,528	\$ 450,798	\$ 409,954	\$ 516,205	\$ 435,700	\$ 385,954	\$ 353,922
Contributions Relative to the Contractually Required Contribution	672,032	550,305	286,528	450,798	409,954	516,205	435,700	385,954	353,922
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 4,685,997	\$ 4,108,074	\$ 2,195,187	\$ 4,131,536	\$ 4,006,166	\$ 3,904,388	\$ 3,770,565	\$ 3,644,188	\$ 3,586,386
Contributions as a Percentage of Covered Payroll	14.34%	13.40%	13.05%	10.91%	10.23%	13.22%	11.56%	10.59%	9.87%

See accompanying notes to Required Supplementary Information.

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

<i>Period Ended,</i>	ARHCT					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.14431%	0.17246%	0.11680%	0.12764%	0.13313%	0.12850%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (2,839,452)	\$ (4,424,221)	\$ (528,948)	\$ 189,397	\$ 1,366,266	\$ 1,085,377
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	(811,129)	(580,065)	(219,444)	75,413	396,953	404,582
Total Net OPEB Liability (Asset)	\$ (3,650,581)	\$ (5,004,286)	\$ (748,392)	\$ 264,810	\$ 1,763,219	\$ 1,489,959
Borough's Covered Payroll	\$ 921,621	\$ 688,991	\$ 813,429	\$ 1,225,132	\$ 1,390,699	\$ 1,413,884
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-308.09%	-642.13%	-65.03%	15.46%	98.24%	76.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	128.51%	135.54%	106.15%	98.13%	88.12%	89.68%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	ARHCT					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 27,688	\$ 61,888	\$ 86,623	\$ 180,393	\$ 132,178	\$ 143,842
Contributions Relative to the Contractually Required Contribution	27,688	61,888	86,623	180,393	132,178	143,842
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 954,672	\$ 888,569	\$ 489,413	\$ 1,137,445	\$ 1,225,132	\$ 1,390,699
Contributions as a Percentage of Covered Payroll	2.900%	6.965%	17.699%	15.859%	10.789%	10.343%

See accompanying notes to Required Supplementary Information.

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

<i>Period Ended,</i>	RMP					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.21286%	0.22996%	0.22463%	0.22479%	0.22220%	0.22632%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (73,926)	\$ (61,725)	\$ 15,931	\$ 53,778	\$ 28,275	\$ 11,802
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (73,926)	\$ (61,725)	\$ 15,931	\$ 53,778	\$ 28,275	\$ 11,802
Borough's Covered Payroll	\$ 3,475,415	\$ 2,462,639	\$ 2,370,643	\$ 2,809,275	\$ 2,514,905	\$ 2,354,115
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-2.13%	-2.51%	0.67%	1.91%	1.12%	0.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	120.08%	115.10%	95.23%	83.17%	88.71%	93.98%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	RMP					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 40,534	\$ 38,292	\$ 21,663	\$ 40,069	\$ 26,407	\$ 25,903
Contributions Relative to the Contractually Required Contribution	40,534	38,292	21,663	40,069	26,407	25,903
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 3,731,325	\$ 3,219,505	\$ 1,705,774	\$ 3,035,512	\$ 2,809,275	\$ 2,514,905
Contributions as a Percentage of Covered Payroll	1.086%	1.189%	1.270%	1.320%	0.940%	1.030%

See accompanying notes to Required Supplementary Information.

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

<i>Period Ended,</i>	ODD					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Borough's Proportion of the Net OPEB Liability (Asset)	0.20663%	0.22853%	0.21225%	0.19538%	0.22220%	0.22632%
Borough's Proportionate Share of the Net OPEB Liability (Asset)	\$ (90,581)	\$ (100,721)	\$ (57,861)	\$ (47,369)	\$ (43,156)	\$ (32,112)
State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	-	-	-	-	-	-
Total Net OPEB Liability (Asset)	\$ (90,581)	\$ (100,721)	\$ (57,861)	\$ (47,369)	\$ (43,156)	\$ (32,112)
Borough's Covered Payroll	\$ 3,475,415	\$ 2,462,639	\$ 2,370,643	\$ 2,809,275	\$ 2,514,905	\$ 2,354,115
Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll	-2.61%	-4.09%	-2.44%	-1.69%	-1.72%	-1.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	348.80%	374.22%	283.80%	297.43%	270.62%	212.97%

Schedule of the Borough's Contributions

<i>Period Ended,</i>	ODD					
	December 31, 2022	December 31, 2021	December 31, 2020	June 30, 2020	June 30, 2019	June 30, 2018
Contractually Required Contributions	\$ 13,212	\$ 11,791	\$ 6,199	\$ 9,307	\$ 7,982	\$ 4,139
Contributions Relative to the Contractually Required Contribution	13,212	11,791	6,199	9,307	7,982	4,139
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll	\$ 3,731,325	\$ 3,219,505	\$ 1,705,774	\$ 3,035,512	\$ 2,809,275	\$ 2,514,905
Contributions as a Percentage of Covered Payroll	0.354%	0.366%	0.363%	0.307%	0.284%	0.165%

See accompanying notes to Required Supplementary Information.

Municipality of Skagway, Alaska

Notes to Required Supplementary Information December 31, 2022

1. Budgetary Comparison Schedules

The Borough follows these procedures in establishing the budgetary data reflected in the fund financial statements:

- The finance director must submit to the Assembly, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Assembly to obtain comments by citizens.
- By January 1, the budget is legally enacted through passage of an ordinance by Assembly action.
- Amendments to the budget can occur anytime during the fiscal year through action by the Assembly or administration. Generally, the following actions are required at the level of the particular change:
 - All new appropriations are authorized by an appropriating ordinance that amends the annual budget.
 - A resolution of the Assembly is required to appropriate amounts between funds, departments, and projects within the same funds.
- Expenditures may not legally exceed appropriations at the following levels: Capital Projects Funds - project level, all other funds - activity level.
- All funds are budgeted on an annual basis encompassing a fiscal year. Capital Project Funds have project length budgets, which generally are greater than one year.
- Budgets adopted by the Assembly are in accordance with accounting principles generally accepted in the United States of America.
- The Borough publishes a budget document which may be obtained from the Municipality of Skagway, 700 Spring Street, Skagway AK 99840.

2. Public Employees' Retirement System Pension Plan

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

This table is presented based on the Plan measurement date. For December 31, 2022, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

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

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

Municipality of Skagway, Alaska

Notes to Required Supplementary Information December 31, 2022

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

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

Schedule of the Borough's Contributions

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

For period ended December 31, 2020, the Borough's contributions reported represents a six-month period. All other columns represent a twelve-month period.

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

3. Public Employees' Retirement System OPEB Plans

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

This table is presented based on the Plan measurement date. For December 31, 2022, the Plan measurement date is June 30, 2022.

Changes in Assumptions:

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

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

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

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

Municipality of Skagway, Alaska

Notes to Required Supplementary Information December 31, 2022

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

Schedule of the Borough's Contributions

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

For period ended December 31, 2020, the Borough's contributions reported represents a six-month period. All other columns represent a twelve-month period.

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

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Supplementary Information

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Municipality of Skagway, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

<i>December 31, 2022</i>	Visitor Special Revenue Fund	Debt Service Fund	Permanent Trust Fund	Capital Project Funds					Total Nonmajor Governmental Funds	
				West Creek Improvements	Garden City RV Park	Environmental Site Assessment	AB Tower Fencing	7 Pasture ADA Path		
Assets										
Cash and investments	\$ 19,950	\$ 34,388	\$ -	\$ 17,950	\$ 33,512	\$ 21	\$ 3,215	\$ 4,995	\$ 114,031	
Accounts receivable:										
Grants	-	85,326	-	-	-	-	-	-	85,326	
Accounts	8,630	-	-	-	-	-	-	-	8,630	
Total accounts receivable	8,630	85,326	-	-	-	-	-	-	93,956	
Restricted assets:										
Cash and investments	-	-	4,544,906	-	-	-	-	-	4,544,906	
Accounts receivable:										
Interest	-	-	3,497	-	-	-	-	-	3,497	
Land sales contracts	-	-	94,884	-	-	-	-	-	94,884	
Total restricted assets	-	-	4,643,287	-	-	-	-	-	4,643,287	
Total Assets	\$ 28,580	\$ 119,714	\$ 4,643,287	\$ 17,950	\$ 33,512	\$ 21	\$ 3,215	\$ 4,995	\$ 4,851,274	
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities										
Accounts payable	\$ 15,321	\$ -	\$ 531	\$ 17,950	\$ 33,512	\$ 21	\$ 3,215	\$ 4,995	\$ 75,545	
Deferred Inflows of Resources										
Deferred land sales	-	-	94,884	-	-	-	-	-	94,884	
Fund Balances										
Nonspendable	-	-	4,547,872	-	-	-	-	-	4,547,872	
Assigned	13,259	119,714	-	-	-	-	-	-	132,973	
Total Fund Balance	13,259	119,714	4,547,872	-	-	-	-	-	4,680,845	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,580	\$ 119,714	\$ 4,643,287	\$ 17,950	\$ 33,512	\$ 21	\$ 3,215	\$ 4,995	\$ 4,851,274	

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

Year Ended December 31, 2022	Capital Project Funds												Total Nonmajor Governmental Funds
	Visitor Special Revenue Fund	Debt Service Fund	Permanent Trust Fund	West Creek Improvements	Nelson Slough Bridge	Garden City RV Park	School Generator	Nahku Bay Cabin	Environmental Site Assessment	Chambers AV	AB Tower Fencing	7 Pasture ADA Path	
Revenues													
Short-term rentals	\$ 165,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,288
State of Alaska	9,883	-	-	-	-	-	-	-	-	-	-	-	9,883
Investment loss	-	-	(649,401)	-	-	-	-	-	-	-	-	-	(649,401)
Charges for services	238,258	-	304	-	-	-	-	-	-	-	-	-	238,562
Total Revenues	413,429	-	(649,097)	-	-	-	-	-	-	-	-	-	(235,668)
Expenditures													
General government	761,384	-	20,661	-	-	-	-	-	-	-	-	-	782,045
Debt service:													
Principal	-	922,847	-	-	-	-	-	-	-	-	-	-	922,847
Interest	-	760,733	-	-	-	-	-	-	-	-	-	-	760,733
Capital outlay:													
General government	-	-	-	-	-	59,632	-	-	-	199	10,501	-	70,332
Culture, recreation and library	-	-	-	26,444	-	-	-	-	-	-	-	19,462	45,906
Public works	-	-	-	-	13,357	-	-	6,927	28,804	-	-	-	49,088
Education	-	-	-	-	-	-	228,484	-	-	-	-	-	228,484
Total Expenditures	761,384	1,683,580	20,661	26,444	13,357	59,632	228,484	6,927	28,804	199	10,501	19,462	2,859,435
Excess (Deficiency) of Revenues Over Expenditures	(347,955)	(1,683,580)	(669,758)	(26,444)	(13,357)	(59,632)	(228,484)	(6,927)	(28,804)	(199)	(10,501)	(19,462)	(3,095,103)
Other Financing Sources (Uses)													
Transfers in	449,075	1,683,580	-	26,444	13,357	59,632	228,484	6,927	28,804	199	10,501	19,462	2,526,465
Transfers out	(101,122)	(547,222)	(55,247)	-	-	-	-	-	-	-	-	-	(703,591)
Proceeds from issuance of long-term debt	-	547,222	-	-	-	-	-	-	-	-	-	-	547,222
Sale of capital assets	-	-	159,050	-	-	-	-	-	-	-	-	-	159,050
Net Other Financing Sources (Uses)	347,953	1,683,580	103,803	26,444	13,357	59,632	228,484	6,927	28,804	199	10,501	19,462	2,529,146
Net Change in Fund Balances	(2)	-	(565,955)	-	-	-	-	-	-	-	-	-	(565,957)
Fund Balances, beginning	13,261	119,714	5,113,827	-	-	-	-	-	-	-	-	-	5,246,802
Fund Balances, ending	\$ 13,259	\$ 119,714	\$ 4,547,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,680,845

General Fund

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the Borough such as administrative services, police and fire protection, public works, planning, etc. Appropriations are made from the fund annually. The fund will continue to exist indefinitely.

General Fund revenues come from a variety of sources such as the State and federal governments, property taxes, investment income, etc. The revenues generally are not restricted to fund specific expenditures. General Fund expenditures are made primarily for current day-to-day operating purposes. Capital expenditures for large-scale public improvements, such as buildings, are accounted for elsewhere in the Capital Project Funds or Enterprise Funds.

Municipality of Skagway, Alaska

General Fund
Balance Sheet

<i>December 31,</i>	2022	2021
Assets		
Cash and investments	\$ 12,388,891	\$ 5,906,675
Receivables:		
Accounts	56,716	60,128
Leases	104,760	-
Property taxes	24,228	119,455
Grants	391,389	18,085
Allowance for doubtful accounts	(45,416)	(39,599)
Total receivables, net	531,677	158,069
Prepays	224,674	211,310
Due from other funds	-	807,347
Total Assets	\$ 13,145,242	\$ 7,083,401
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 203,431	\$ 401,668
Unearned revenue	12,157,218	6,017,189
Total Liabilities	12,360,649	6,418,857
Deferred Inflows of Resources		
Unavailable property taxes	55,459	113,744
Related to leases	104,760	-
Total Deferred Inflows of Resources	160,219	113,744
Fund Balance		
Nonspendable	224,674	211,310
Unassigned	399,700	339,490
Total Fund Balance	624,374	550,800
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 13,145,242	\$ 7,083,401

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

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Revenues				
Property taxes	\$ 2,020,000	\$ 2,190,968	\$ 170,968	\$ 2,708,273
Federal government:				
Payment in lieu of property taxes	198,000	218,598	20,598	210,375
Federal grants	6,509,497	6,458,862	(50,635)	312,653
Total federal government	6,707,497	6,677,460	(30,037)	523,028
State of Alaska	323,789	531,312	207,523	570,565
Investment income (loss)	90	479	389	(19,916)
Other revenues:				
Licenses and fees	102,755	103,711	956	68,088
Service and admission fees	138,333	154,342	16,009	48,819
Rental income	50,700	58,606	7,906	59,237
Norwegian Cruise Lines donations	-	-	-	1,550,000
Donations and other	466,080	457,000	(9,080)	14,819
Total other revenues	757,868	773,659	15,791	1,740,963
Total Revenues	\$ 9,809,244	\$ 10,173,878	\$ 364,634	\$ 5,522,913

Municipality of Skagway, Alaska

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

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Expenditures				
General government:				
Administration:				
Payroll and payroll benefits	\$ 1,110,840	\$ 1,117,696	\$ (6,856)	\$ 1,022,087
Travel and training	41,684	11,524	30,160	652
Materials and supplies	8,000	15,333	(7,333)	8,143
Administration	184,706	222,081	(37,375)	175,638
Utilities	60,000	62,969	(2,969)	57,865
Insurance	241,000	236,466	4,534	258,416
Contract services	131,400	146,202	(14,802)	266,198
Repairs and maintenance	82,900	69,741	13,159	228,192
Capital outlay	53,500	-	53,500	-
Other	90,770	78,508	12,262	5,406
Total administration	2,004,800	1,960,520	44,280	2,022,597
City manager:				
Payroll and payroll benefits	445,865	479,458	(33,593)	244,246
Travel and training	20,200	14,403	5,797	2,523
Utilities	1,500	1,357	143	917
Repairs and maintenance	19,800	19,800	-	19,800
Total city manager	487,365	515,018	(27,653)	267,486
Assembly:				
Payroll and payroll benefits	38,000	46,116	(8,116)	31,780
Travel and training	10,900	37,617	(26,717)	14,570
Utilities	4,500	2,230	2,270	2,146
Administration	315,448	234,754	80,694	107,850
Contract services	510,000	509,327	673	61,473
Repairs and maintenance	59,350	57,840	1,510	383
Other	21,000	14,550	6,450	46,648
Total assembly	959,198	902,434	56,764	264,850
Total general government	3,451,363	3,377,972	73,391	2,554,933

Municipality of Skagway, Alaska

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

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public safety:				
Fire department:				
Payroll and payroll benefits	\$ 812,583	\$ 729,195	\$ 83,388	\$ 585,736
Travel and training	37,000	62,303	(25,303)	9,414
Materials and supplies	13,000	14,422	(1,422)	7,120
Utilities	100,000	121,437	(21,437)	104,716
Administration	27,074	20,977	6,097	30,429
Contract services	49,300	34,529	14,771	41,792
Repairs and maintenance	42,000	55,565	(13,565)	37,280
Capital outlay	158,843	99,517	59,326	97,986
Other	3,500	15,286	(11,786)	64,529
Total fire department	1,243,300	1,153,231	90,069	979,002
Police:				
Payroll and payroll benefits	945,796	985,210	(39,414)	778,554
Travel and training	25,000	17,378	7,622	12,903
Materials and supplies	-	838	(838)	-
Utilities	51,000	72,483	(21,483)	65,632
Administration	59,277	20,780	38,497	32,130
Contract services	9,950	13,646	(3,696)	9,488
Repairs and maintenance	75,000	21,666	53,334	26,694
Capital outlay	5,000	-	5,000	6,756
Other	21,350	11,920	9,430	1,179
Total police	1,192,373	1,143,921	48,452	933,336
General public safety:				
Payroll and payroll benefits	537,524	528,026	9,498	538,536
Travel and training	8,000	1,666	6,334	1,443
Materials and supplies	2,000	570	1,430	79
Utilities	-	399	(399)	399
Administration	35,159	37,943	(2,784)	64,821
Repairs and maintenance	30,000	14,424	15,576	29,126
Other	1,500	1,686	(186)	-
Total general public safety	614,183	584,714	29,469	634,404
Total public safety	3,049,856	2,881,866	167,990	2,546,742

Municipality of Skagway, Alaska

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

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Public works:				
Payroll and payroll benefits	\$ 866,124	\$ 682,655	\$ 183,469	\$ 756,417
Travel and training	5,000	5,620	(620)	-
Utilities	82,000	94,819	(12,819)	82,797
Administration	4,725	4,069	656	3,861
Contract services	7,500	1,790	5,710	-
Repairs and maintenance	270,000	306,017	(36,017)	148,755
Capital outlay	10,000	10,644	(644)	-
Other	5,000	-	5,000	-
Total public works	1,250,349	1,105,614	144,735	991,830
Culture, recreation and library:				
Rec center:				
Payroll and payroll benefits	476,813	485,129	(8,316)	368,839
Travel and training	2,500	2,184	316	3,928
Materials and supplies	4,000	5,129	(1,129)	2,104
Utilities	45,000	47,607	(2,607)	38,763
Administration	12,249	13,754	(1,505)	13,445
Contract services	12,500	14,172	(1,672)	10,159
Repairs and maintenance	7,500	10,111	(2,611)	9,753
Capital outlay	-	-	-	900
Other	15,000	14,994	6	11,803
Total rec center	575,562	593,080	(17,518)	459,694
Library:				
Payroll and payroll benefits	276,687	267,485	9,202	229,424
Travel and training	1,125	154	971	300
Materials and supplies	2,925	1,578	1,347	-
Utilities	17,500	16,927	573	15,974
Administration	8,274	11,359	(3,085)	10,546
Contract services	19,000	16,774	2,226	17,550
Repairs and maintenance	7,100	6,328	772	10,707
Capital outlay	11,250	9,904	1,346	-
Other	11,650	14,129	(2,479)	10,551
Total library	355,511	344,638	10,873	295,052

Municipality of Skagway, Alaska

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

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Expenditures, continued:				
Culture, recreation and library, continued:				
Museum:				
Payroll and payroll benefits	\$ 202,562	\$ 211,604	\$ (9,042)	\$ 155,309
Materials and supplies	2,000	1,542	458	-
Utilities	22,000	25,301	(3,301)	22,671
Administration	550	-	550	1,775
Contract services	2,000	1,371	629	1,331
Repairs and maintenance	10,000	9,020	980	2,434
Other	29,769	21,522	8,247	21,660
Total museum	268,881	270,360	(1,479)	205,180
Parks and rec:				
Payroll and payroll benefits	335,664	212,778	122,886	227,560
Utilities	14,500	17,979	(3,479)	14,256
Repairs and maintenance	83,300	57,472	25,828	92,968
Capital outlay	20,000	17,994	2,006	-
Other	5,000	814	4,186	4,414
Total parks and rec	458,464	307,037	151,427	339,198
COVID-19 response - economic stimulus and support	450,000	448,365	1,635	1,574,256
Total culture, recreation and library	2,108,418	1,963,480	144,938	2,873,380
Total Expenditures	9,859,986	9,328,932	531,054	8,966,885
Excess (Deficiency) of Revenues Over Expenditures	(50,742)	844,946	895,688	(3,443,972)
Other Financing Sources (Uses):				
Transfers in	2,560,742	1,703,114	(857,628)	3,477,326
Transfers out	(2,510,000)	(2,474,486)	35,514	(30,300)
Net Other Financing Sources (Uses)	50,742	(771,372)	(822,114)	3,447,026
Net Change in Fund Balance	\$ -	73,574	\$ 73,574	3,054
Fund Balance, beginning		550,800		547,746
Fund Balance, ending		\$ 624,374		\$ 550,800

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Special Revenue Funds

A Special Revenue Fund is established to finance particular activities and is created from receipts of designated revenues.

Municipality of Skagway's Special Revenue Funds are as follows:

Sales Tax

This fund accounts for the revenue received from the Borough's sales tax.

Excise Tax

This fund accounts for excise tax appropriations from the State of Alaska and other sources.

Visitor

This fund accounts for the revenue from the Borough's 8% hotel tax. Taxes collected is to be used for tourism promotion.

Municipality of Skagway, Alaska
Sales Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Revenues				
Sales taxes	\$ 4,379,884	\$ 6,803,196	\$ 2,423,312	\$ 1,350,885
Investment income (loss)	-	(1,131,595)	(1,131,595)	739,074
Total Revenues	4,379,884	5,671,601	1,291,717	2,089,959
Expenditures				
General government	-	37,699	(37,699)	159,353
Education	4,834,367	3,277,912	1,556,455	2,031,542
Total Expenditures	4,834,367	3,315,611	1,518,756	2,190,895
Excess (Deficiency) of Revenues				
Over Expenditures	(454,483)	2,355,990	2,810,473	(100,936)
Other Financing Uses - transfers out	(2,608,628)	(2,465,795)	142,833	(2,394,071)
Net Change in Fund Balance	<u>\$ (3,063,111)</u>	(109,805)	<u>\$ 2,953,306</u>	(2,495,007)
Fund Balance, beginning		<u>9,543,712</u>		<u>12,038,719</u>
Fund Balance, ending		<u>\$ 9,433,907</u>		<u>\$ 9,543,712</u>

Municipality of Skagway, Alaska
Excise Tax Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Revenues				
Excise taxes	\$ 400,000	\$ 393,370	\$ (6,630)	\$ -
Investment income (loss)	-	(1,999,528)	(1,999,528)	1,396,053
Total Revenues	400,000	(1,606,158)	(2,006,158)	1,396,053
Expenditures - general government	80,000	65,246	14,754	83,223
Excess (Deficiency) of Revenues Over Expenditures	320,000	(1,671,404)	(1,991,404)	1,312,830
Other Financing Uses - transfers out	(7,730,595)	(4,699,576)	3,031,019	(5,433,271)
Net Change in Fund Balance	<u>\$ (7,410,595)</u>	(6,370,980)	<u>\$ 1,039,615</u>	(4,120,441)
Fund Balance, beginning		<u>16,552,467</u>		<u>20,672,908</u>
Fund Balance, ending		<u>\$ 10,181,487</u>		<u>\$ 16,552,467</u>

Municipality of Skagway, Alaska
Visitor Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Revenues				
Short-term rentals	\$ 60,475	\$ 165,288	\$ 104,813	\$ 47,861
State of Alaska	-	9,883	9,883	6,084
Private grants	-	-	-	2,000
Charges for services	202,665	238,258	35,593	9,537
Other revenues	-	-	-	3,054
Total Revenues	263,140	413,429	150,289	68,536
Expenditures				
General government:				
Salaries and benefits	331,273	329,019	2,254	262,472
Travel and training	15,000	20,589	(5,589)	4,489
Materials and supplies	4,000	6,310	(2,310)	1,224
Utilities	14,800	25,506	(10,706)	16,480
Insurance	18,200	18,496	(296)	19,968
Administration	305,175	297,617	7,558	249,747
Contracted services	34,174	38,143	(3,969)	49,924
Repairs and maintenance	21,145	14,782	6,363	9,885
Other expenditures	31,900	10,922	20,978	6,594
Total Expenditures	775,667	761,384	14,283	620,783
Excess (Deficiency) of Revenues				
Over Expenditures	(512,527)	(347,955)	164,572	(552,247)
Other Financing Sources (Uses)				
Transfers in	613,649	449,075	(164,574)	653,369
Transfers out	(101,122)	(101,122)	-	(101,122)
Net Other Financing Sources (Uses)	512,527	347,953	(164,574)	552,247
Net Change in Fund Balance	\$ -	(2)	\$ (2)	-
Fund Balance, beginning		13,261		13,261
Fund Balance, ending		\$ 13,259		\$ 13,261

Debt Service Fund

The *Debt Service Fund* accounts for assets set aside to make debt service payments.

Municipality of Skagway, Alaska

Debt Service Fund

Balance Sheet

<i>December 31,</i>	2022	2021
Assets		
Cash and investments	\$ 34,388	\$ -
Accounts receivable:		
Grants	85,326	-
Loan proceeds	-	648,727
Total accounts receivable	85,326	648,727
Total Assets	\$ 119,714	\$ 648,727
Liabilities and Fund Balance		
Liabilities		
Due to other funds	\$ -	\$ 529,013
Fund Balance		
Assigned	119,714	119,714
Total Liabilities and Fund Balance	\$ 119,714	\$ 648,727

Municipality of Skagway, Alaska
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Expenditures				
Debt service:				
Principal	\$ 922,847	\$ 922,847	\$ -	\$ 885,203
Interest	760,733	760,733	-	798,865
Total Expenditures	1,683,580	1,683,580	-	1,684,068
Deficiency of Revenues				
Over Expenditures	(1,683,580)	(1,683,580)	-	(1,684,068)
Other Financing Sources (Uses)				
Transfers in	1,683,580	1,683,580	-	1,684,068
Transfers out	(700,000)	(547,222)	152,778	(2,947,743)
Proceeds from issuance of long-term debt	700,000	547,222	(152,778)	2,947,743
Net Other Financing Sources (Uses)	1,683,580	1,683,580	-	1,684,068
Net Change in Fund Balance	\$ -	-	\$ -	-
Fund Balance, beginning		119,714		119,714
Fund Balance, ending		\$ 119,714		\$ 119,714

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Permanent Fund

The Permanent Trust Fund accounts for assets held in a trustee capacity. The fund represents the proceeds from the sale of land conveyed by the State of Alaska under the Municipal Entitlement Act. The principal balance of the fund (nonexpendable portion) cannot be spent and must be held in trust for the benefit of future residents of the Borough. Earnings (expendable portion) can be spent under certain guidelines.

Municipality of Skagway, Alaska

Permanent Trust Fund

Balance Sheet

<i>December 31, 2022</i>	2022	2021
Assets		
Restricted assets:		
Cash and investments	\$ 4,544,906	\$ 5,153,204
Accounts receivable:		
Interest	3,497	6,485
Land sales contracts	94,884	109,935
Total Assets	\$ 4,643,287	\$ 5,269,624
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 531	\$ 45,862
Deferred Inflows of Resources		
Deferred land sales	94,884	109,935
Fund Balance		
Nonspendable	4,547,872	5,113,827
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,643,287	\$ 5,269,624

Municipality of Skagway, Alaska
Permanent Trust Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

Years Ended December 31,	2022			2021
	Budget	Actual	Variance	Actual
Revenues				
Investment income (loss)	\$ 9,540	\$ (649,401)	\$ (658,941)	\$ 384,034
Charges for services	-	304	304	40,750
Total Revenues	9,540	(649,097)	(658,637)	424,784
Expenditures				
General government:				
Administration	2,000	136	1,864	74,308
Contracted services	23,243	20,525	2,718	-
Total Expenditures	25,243	20,661	4,582	74,308
Excess (Deficiency) of Revenues				
Over Expenditures	(15,703)	(669,758)	(654,055)	350,476
Other Financing Sources (Uses)				
Transfers out	(150,000)	(55,247)	94,753	-
Sale of capital assets	15,703	159,050	143,347	204,680
Net Other Financing Sources (Uses)	(134,297)	103,803	238,100	204,680
Net Change in Fund Balance	<u>\$ (150,000)</u>	(565,955)	<u>\$ (415,955)</u>	555,156
Fund Balance, beginning		<u>5,113,827</u>		<u>4,558,671</u>
Fund Balance, ending		<u>\$ 4,547,872</u>		<u>\$ 5,113,827</u>

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Enterprise Funds

Enterprise Funds (a type of proprietary fund) are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Borough's Enterprise Funds are as follows:

Water and Sewer

This fund accounts for the operations of the water and sewer utilities.

Small Boat Harbor

This fund accounts for the operations of the boat harbor and the Borough's freight ramp.

Health Clinic

This fund accounts for the operations of the health clinic.

Port

This fund accounts for the operations of the port commission.

Garbage

This fund accounts for the operations of the waste management.

Municipality of Skagway, Alaska

Water and Sewer Enterprise Fund

Statement of Net Position

<i>December 31,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 34,554	\$ 26,931
Grants	-	47,833
Allowance for doubtful accounts	(1,840)	(2,495)
Net receivables	32,714	72,269
Inventory	116,782	152,006
Total Current Assets	149,496	224,275
Capital Assets		
Infrastructure	7,852,601	7,852,601
Buildings	7,455,565	7,455,565
Equipment	5,637,276	5,637,277
Construction in progress	7,026,928	6,403,809
Other improvements	1,803,793	1,803,793
Total capital assets	29,776,163	29,153,045
Less accumulated depreciation	(11,845,128)	(10,997,082)
Net Capital Assets	17,931,035	18,155,963
Net OPEB asset	156,980	178,085
Total Assets	18,237,511	18,558,323
Deferred Outflows of Resources		
Pension related	32,113	28,737
Other postemployment benefits related	15,988	3,111
Total Deferred Outflows of Resources	48,101	31,848
Total Assets and Deferred Outflows of Resources	\$ 18,285,612	\$ 18,590,171

Municipality of Skagway, Alaska
Water and Sewer Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 50,417	\$ 166,499
Accounts payable - capital related	15,027	-
Compensated absences	13,666	10,625
Due to other funds	39,482	16,249
Total Current Liabilities	118,592	193,373
Noncurrent Liabilities		
Net pension liability	386,916	244,552
Total Liabilities	505,508	437,925
Deferred Inflows of Resources		
Pension related	-	97,522
Other postemployment benefits related	14,537	97,002
Total Deferred Inflows of Resources	14,537	194,524
Net Position		
Investment in capital assets	17,916,008	18,155,963
Unrestricted (deficit)	(150,441)	(198,241)
Total Net Position	17,765,567	17,957,722
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 18,285,612	\$ 18,590,171

Municipality of Skagway, Alaska
Water and Sewer Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2022	2021
Operating Revenues		
Charges for services	\$ 527,346	\$ 307,855
Grant revenue	-	47,833
Contributions	3,432	-
Total Operating Revenues	530,778	355,688
Operating Expenses		
Payroll and payroll benefits	400,296	97,575
Utilities	187,151	167,668
Insurance	22,596	24,230
Administration	2,791	4,210
Contracted services	40,791	32,439
Repairs and maintenance	196,101	114,976
Depreciation	848,046	777,485
Other	9,837	10,258
Total Operating Expenses	1,707,609	1,228,841
Loss from Operations	(1,176,831)	(873,153)
Nonoperating Revenues - PERS relief	(7,409)	48
Loss Before Transfers and Contributions	(1,184,240)	(873,105)
Transfers in	992,085	4,645,291
Capital contributions	-	1,599,108
Change in Net Position	(192,155)	5,371,294
Net Position, beginning	17,957,722	12,586,428
Net Position, ending	\$ 17,765,567	\$ 17,957,722

Municipality of Skagway, Alaska

Water and Sewer Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2022	2021
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 522,500	\$ 373,184
Payments to suppliers	(540,125)	(831,239)
Payments to employees	(437,435)	(301,753)
Net cash flows for operating activities	(455,060)	(759,808)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	368,967	378,818
Increase in due to other funds	23,233	16,249
Net cash flows from noncapital financing activities	392,200	395,067
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(608,091)	(5,802,272)
Capital contributions received	47,833	1,577,281
Transfers from other funds	623,118	4,266,473
Net cash flows from capital and related financing activities	62,860	41,482
Decrease in Cash and Investments	-	(323,259)
Cash and Investments, beginning of year	-	323,259
Cash and Investments, end of year	\$ -	\$ -
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (1,176,831)	\$ (873,153)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation	848,046	777,485
Noncash expense - PERS relief	(7,409)	48
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	(8,278)	17,496
Inventory	35,224	(30,849)
Net OPEB asset	21,105	(144,527)
Deferred outflows of resources related to pensions	(3,376)	13,176
Deferred outflows of resources related to other postemployment benefits	(12,877)	19,602
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(116,082)	(446,609)
Compensated absences	3,041	(16,777)
Net pension liability	142,364	(230,512)
Net other postemployment benefits liability	-	(1,397)
Deferred inflows of resources related to pensions	(97,522)	87,137
Deferred inflows of resources related to other postemployment benefits	(82,465)	69,072
Net Cash Flows for Operating Activities	\$ (455,060)	\$ (759,808)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 15,027	\$ 111,316

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 1,688,995	\$ 1,667,040
Receivables:		
Accounts	32,463	31,803
Grants	7,525	17,298
Allowance for doubtful accounts	(1,187)	(1,289)
Net receivables	38,801	47,812
Total Current Assets	1,727,796	1,714,852
Capital Assets		
Infrastructure	12,617,706	12,617,706
Seawall	7,014,362	7,014,362
Seawalk	5,908,059	5,905,264
Buildings	1,033,250	1,033,250
Other improvements	2,960,433	2,960,433
Equipment	312,553	312,553
Construction in progress	263,678	187,001
Total capital assets	30,110,041	30,030,569
Less accumulated depreciation	(10,889,787)	(10,146,844)
Net Capital Assets	19,220,254	19,883,725
Net OPEB asset	71,326	102,511
Total Assets	21,019,376	21,701,088
Deferred Outflows of Resources		
Pension related	14,591	16,542
Other postemployment benefits related	7,264	1,791
Total Deferred Outflows of Resources	21,855	18,333
Total Assets and Deferred Outflows of Resources	\$ 21,041,231	\$ 21,719,421

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 17,831	\$ 32,310
Accounts payable - capital related	7,496	-
Compensated absences	39,993	24,897
Total Current Liabilities	65,320	57,207
Noncurrent Liabilities		
Net pension liability	175,800	140,772
Total Liabilities	241,120	197,979
Deferred Inflows of Resources		
Pension related	-	56,137
Other postemployment benefits related	6,605	55,838
Total Deferred Inflows of Resources	6,605	111,975
Net Position		
Investment in capital assets	19,212,758	19,883,725
Unrestricted	1,580,748	1,525,742
Total Net Position	20,793,506	21,409,467
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,041,231	\$ 21,719,421

Municipality of Skagway, Alaska
Small Boat Harbor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2022	2021
Operating Revenues		
Charges for services	\$ 369,672	\$ 247,343
Contributions	2,175	-
Total Operating Revenues	371,847	247,343
Operating Expenses		
Payroll and payroll benefits	207,959	208,301
Materials and supplies	206	-
Utilities	41,171	32,977
Insurance	18,741	22,284
Administration	7,955	17,457
Repairs and maintenance	31,212	12,808
Depreciation	742,943	740,119
Other	11,441	8,751
Total Operating Expenses	1,061,628	1,042,697
Loss from Operations	(689,781)	(795,354)
Nonoperating Revenues - PERS relief	(3,365)	27
Loss Before Contributions and Transfers	(693,146)	(795,327)
Capital contributions	66,813	17,298
Transfers in	10,372	58,795
Change in Net Position	(615,961)	(719,234)
Net Position, beginning	21,409,467	22,128,701
Net Position, ending	\$ 20,793,506	\$ 21,409,467

Municipality of Skagway, Alaska

Small Boat Harbor Enterprise Fund

Statement of Cash Flows

<i>Years Ended December 31,</i>	2022	2021
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 371,085	\$ 276,220
Payments to suppliers	(125,205)	(95,430)
Payments to employees	(238,907)	(190,836)
Net cash flows from (for) operating activities	6,973	(10,046)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	7,567	43,120
Cash Flows from (for) Capital and Related Financing Activities		
Purchase of capital assets	(71,976)	(4,180)
Transfers from other funds	2,805	15,675
Capital contributions received	76,586	-
Net cash flows from (for) capital and related financing activities	7,415	11,495
Increase (Decrease) in Cash and Investments	21,955	44,569
Cash and Investments, beginning of year	1,667,040	1,622,471
Cash and Investments, end of year	\$ 1,688,995	\$ 1,667,040
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities		
Loss from operations	\$ (689,781)	\$ (795,354)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:		
Depreciation	742,943	740,119
Noncash expense - PERS relief	(3,365)	27
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	(762)	28,877
Net OPEB asset	31,185	(90,273)
Deferred outflows of resources related to pensions	1,951	(4,039)
Deferred outflows of resources related to other postemployment benefits	(5,473)	6,235
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(14,479)	(1,153)
Compensated absences	15,096	12,091
Net pension liability	35,028	(5,028)
Net other postemployment benefits liability	-	(385)
Deferred inflows of resources related to pensions	(56,137)	53,069
Deferred inflows of resources related to other postemployment benefits	(49,233)	45,768
Net Cash Flows from (for) Operating Activities	\$ 6,973	\$ (10,046)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 7,496	\$ 28,793

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund

Statement of Net Position

<i>December 31,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 7,516	\$ 141,470
Receivables:		
Accounts	125,407	165,702
Grants	334,472	263,203
Allowance for doubtful accounts	(58,238)	(75,654)
Net receivables	401,641	353,251
Inventory	52,640	75,959
Total Current Assets	461,797	570,680
Capital Assets		
Buildings	8,964,628	8,964,628
Other improvements	52,485	52,485
Equipment	880,709	682,578
Total capital assets	9,897,822	9,699,691
Less accumulated depreciation	(3,590,099)	(3,303,940)
Net Capital Assets	6,307,723	6,395,751
Net OPEB asset	473,158	1,076,928
Total Assets	7,242,678	8,043,359
Deferred Outflows of Resources		
Pension related	96,791	173,781
Other postemployment benefits related	48,190	18,811
Total Deferred Outflows of Resources	144,981	192,592
Total Assets and Deferred Outflows of Resources	\$ 7,387,659	\$ 8,235,951

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 100,674	\$ 184,858
Compensated absences	46,683	66,870
Due to other funds	309,989	-
Total Current Liabilities	457,346	251,728
Noncurrent Liabilities		
Net pension liability	1,166,210	1,478,874
Total Liabilities	1,623,556	1,730,602
Deferred Inflows of Resources		
Pension related	-	589,742
Other postemployment benefits related	43,816	586,601
Total Deferred Inflows of Resources	43,816	1,176,343
Net Position		
Investment in capital assets	6,307,723	6,395,751
Unrestricted (deficit)	(587,436)	(1,066,745)
Total Net Position	5,720,287	5,329,006
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,387,659	\$ 8,235,951

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2022	2021
Operating Revenues		
Charges for services	\$ 872,416	\$ 1,051,342
Grant revenue	2,473,045	2,220,137
Contributions	300	1,010
Total Operating Revenues	3,345,761	3,272,489
Operating Expenses		
Payroll and payroll benefits	794,116	1,668,258
Travel and training	48,404	29,071
Materials and supplies	200,332	177,978
Utilities	132,452	115,136
Insurance	85,774	86,757
Administration	131,130	155,878
Contracted services	1,129,112	583,725
Repairs and maintenance	90,901	342,077
Depreciation	286,159	262,382
Other	33,770	42,176
Total Operating Expenses	2,932,150	3,463,438
Income (Loss) from Operations	413,611	(190,949)
Nonoperating Revenues - PERS relief	(22,330)	287
Income (Loss) Before Transfers	391,281	(190,662)
Transfers in	-	82,843
Change in Net Position	391,281	(107,819)
Net Position, beginning	5,329,006	5,436,825
Net Position, ending	\$ 5,720,287	\$ 5,329,006

Municipality of Skagway, Alaska

Health Clinic Enterprise Fund

Statement of Cash Flows

Years Ended December 31,	2022	2021
Cash Flows from (for) Operating Activities		
Receipts from customers and users	\$ 895,595	\$ 1,042,786
Operating grants received	2,401,776	3,034,411
Payments to suppliers	(1,912,740)	(1,384,693)
Payments to employees	(1,630,443)	(1,840,880)
Net cash flows from (for) operating activities	(245,812)	851,624
Cash Flows from (for) Noncapital Financing Activities		
Transfers from other funds	-	82,843
Increase (decrease) in due to other funds	309,989	(762,714)
Net cash flows from (for) noncapital financing activities	309,989	(679,871)
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(198,131)	(30,283)
Increase (Decrease) in Cash and Investments	(133,954)	141,470
Cash and Investments, beginning of year	141,470	-
Cash and Investments, end of year	\$ 7,516	\$ 141,470
Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities		
Income (loss) from operations	\$ 413,611	\$ (190,949)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:		
Depreciation	286,159	262,382
Noncash expense - PERS relief	(22,330)	287
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	22,879	(9,566)
Operating grants receivable	(71,269)	814,274
Inventory	23,319	8,849
Net OPEB asset	603,770	(928,209)
Deferred outflows of resources related to pensions	76,990	(26,910)
Deferred outflows of resources related to other postemployment benefits	(29,379)	62,923
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(84,184)	139,256
Compensated absences	(20,187)	(48,629)
Net pension liability	(312,664)	(259,635)
Deferred inflows of resources related to pensions	(589,742)	554,964
Deferred inflows of resources related to other postemployment benefits	(542,785)	472,587
Net Cash Flows from (for) Operating Activities	\$ (245,812)	\$ 851,624

Municipality of Skagway, Alaska

Port Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ -	\$ 3,956,125
Receivables:		
Accounts	22,500	-
Leases	115,366	-
Grants	3,138,589	33,413
Total receivables	3,276,455	33,413
Total Current Assets	3,276,455	3,989,538
Capital Assets		
Construction in progress	15,795,056	4,547,179
Other improvements	845,888	845,888
Total capital assets	16,640,944	5,393,067
Less accumulated depreciation	(164,315)	(78,940)
Net Capital Assets	16,476,629	5,314,127
Net OPEB asset	82,669	47,644
Total Assets	19,835,753	9,351,309
Deferred Outflows of Resources		
Pension related	16,911	7,688
Other postemployment benefits related	8,420	832
Total Deferred Outflows of Resources	25,331	8,520
Total Assets and Deferred Outflows of Resources	\$ 19,861,084	\$ 9,359,829

Municipality of Skagway, Alaska
Port Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 859,654	\$ 266,293
Accounts payable - capital related	1,466,194	-
Compensated absences	22,393	23,821
Due to other funds	859,807	-
Total Current Liabilities	3,208,048	290,114
Noncurrent Liabilities		
Net pension liability	203,757	65,426
Total Liabilities	3,411,805	355,540
Deferred Inflows of Resources		
Lease related	115,366	-
Pension related	-	26,090
Other postemployment benefits related	7,655	25,952
Total Deferred Inflows of Resources	123,021	52,042
Net Position		
Investment in capital assets	15,010,435	5,314,127
Unrestricted	1,315,823	3,638,120
Total Net Position	16,326,258	8,952,247
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,861,084	\$ 9,359,829

Municipality of Skagway, Alaska

Port Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2022	2021
Operating Revenues		
Charges for services	\$ 125,940	\$ 190,800
Grant revenue	258,288	-
Total Operating Revenues	384,228	190,800
Operating Expenses		
Payroll and payroll benefits	253,224	114,522
Travel and training	32,628	2,637
Materials and supplies	1,506	270
Utilities	10,777	829
Insurance	13,566	-
Administration	21,185	16,297
Contracted services	1,928,722	159,325
Repairs and maintenance	16,116	2,852
Depreciation	85,375	78,940
Other	1,005	-
Total Operating Expenses	2,364,104	375,672
Loss from Operations	(1,979,876)	(184,872)
Nonoperating Revenues		
PERS relief	(3,902)	13
Investment income	1,260	-
Loss Before Contributions and Transfers	(1,982,518)	(184,859)
Capital contributions	7,366,713	218,803
Transfers in	1,989,816	44,616
Transfers out	-	(426,274)
Change in Net Position	7,374,011	(347,714)
Net Position, beginning	8,952,247	9,299,961
Net Position, ending	\$ 16,326,258	\$ 8,952,247

Municipality of Skagway, Alaska

Port Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2022	2021
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 361,728	\$ 201,400
Payments to suppliers	(1,432,144)	(245,671)
Payments to employees	(216,446)	(29,384)
Net cash flows for operating activities	(1,286,862)	(73,655)
Cash Flows for Noncapital Financing Activities		
Transfers from other funds	-	44,616
Transfers to other funds	-	(426,274)
Net cash flows for noncapital financing activities	-	(381,658)
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(9,781,683)	(1,016,792)
Capital contributions received	4,261,537	287,496
Transfers from other funds	1,989,816	-
Increase in due to other funds	859,807	-
Net cash flows for capital and related financing activities	(2,670,523)	(729,296)
Cash Flows from Investing Activities		
Investment income received	1,260	-
Decrease in Cash and Investments	(3,956,125)	(1,184,609)
Cash and Investments, beginning of year	3,956,125	5,140,734
Cash and Investments, end of year	\$ -	\$ 3,956,125
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (1,979,876)	\$ (184,872)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation	85,375	78,940
Noncash expense - PERS relief	(3,902)	13
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable	(22,500)	74,200
Leases receivable	135,445	-
Net OPEB asset	(35,025)	(47,644)
Deferred outflows of resources related to pensions	(9,223)	(7,688)
Deferred outflows of resources related to other postemployment benefits	(7,588)	(832)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	593,361	(63,461)
Unearned revenue	-	(63,600)
Compensated absences	(1,428)	23,821
Net pension liability	138,331	65,426
Deferred inflows of resources related to leases	(135,445)	-
Deferred inflows of resources related to pensions	(26,090)	26,090
Deferred inflows of resources related to other postemployment benefits	(18,297)	25,952
Net Cash Flows for Operating Activities	\$ (1,286,862)	\$ (73,655)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 1,466,194	\$ 257,486

Municipality of Skagway, Alaska

Garbage Enterprise Fund
Statement of Net Position

<i>December 31,</i>	2022	2021
Assets and Deferred Outflows of Resources		
Current Assets		
Receivables:		
Accounts	\$ 27,275	\$ 29,468
Allowance for doubtful accounts	(1,896)	(1,801)
Total Current Assets	25,379	27,667
Capital Assets		
Land improvements	271,314	271,314
Other improvements	368,266	368,266
Buildings	4,277,556	4,252,749
Equipment	1,449,185	1,223,175
Construction in progress	788,553	392,405
Total capital assets	7,154,874	6,507,909
Less accumulated depreciation	(4,095,503)	(3,969,445)
Net Capital Assets	3,059,371	2,538,464
Net OPEB asset	71,250	75,075
Total Assets	3,156,000	2,641,206
Deferred Outflows of Resources		
Pension related	14,575	12,115
Other postemployment benefits related	7,257	1,311
Total Deferred Outflows of Resources	21,832	13,426
Total Assets and Deferred Outflows of Resources	\$ 3,177,832	\$ 2,654,632

Municipality of Skagway, Alaska
Garbage Enterprise Fund
Statement of Net Position, continued

<i>December 31,</i>	2022	2021
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 54,810	\$ 32,644
Accounts payable - capital related	64,230	-
Compensated absences	15,182	8,842
Due to other funds	218,831	262,085
Total Current Liabilities	353,053	303,571
Noncurrent Liabilities		
Net pension liability	175,613	103,096
Total Liabilities	528,666	406,667
Deferred Inflows of Resources		
Pension related	-	41,112
Other postemployment benefits related	6,598	40,893
Total Deferred Inflows of Resources	6,598	82,005
Net Position		
Investment in capital assets	2,995,141	2,538,464
Unrestricted (deficit)	(352,573)	(372,504)
Total Net Position	2,642,568	2,165,960
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 3,177,832	\$ 2,654,632

Municipality of Skagway, Alaska

Garbage Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

<i>Years Ended December 31,</i>	2022	2021
Operating Revenues		
Charges for services	\$ 605,317	\$ 354,690
Contributions	4,036	-
Total Operating Revenues	609,353	354,690
Operating Expenses		
Payroll and payroll benefits	313,492	285,455
Materials and supplies	13,162	-
Utilities	143,725	107,476
Insurance	23,830	24,617
Recycling	119,203	53,392
Administration	2,673	4,819
Contracted services	89,170	60,896
Repairs and maintenance	90,694	36,918
Depreciation	126,058	72,241
Other	82,969	53,192
Total Operating Expenses	1,004,976	699,006
Loss from Operations	(395,623)	(344,316)
Nonoperating Revenues (Expenses)		
PERS relief	(3,362)	20
Loss on disposal of asset	-	(62,878)
Net Nonoperating Revenues (Expenses)	(3,362)	(62,858)
Loss Before Transfers	(398,985)	(407,174)
Transfers in	875,593	319,992
Change in Net Position	476,608	(87,182)
Net Position, beginning	2,165,960	2,253,142
Net Position, ending	\$ 2,642,568	\$ 2,165,960

Municipality of Skagway, Alaska

Garbage Enterprise Fund
Statement of Cash Flows

Years Ended December 31,	2022	2021
Cash Flows for Operating Activities		
Receipts from customers and users	\$ 611,641	\$ 365,006
Payments to suppliers	(543,260)	(426,854)
Payments to employees	(317,985)	(272,116)
Net cash flows for operating activities	(249,604)	(333,964)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	479,445	310,354
Increase (decrease) in due to other funds	(43,254)	49,596
Net cash flows from noncapital financing activities	436,191	359,950
Cash Flows for Capital and Related Financing Activities		
Purchase of capital assets	(582,735)	(50,624)
Transfers from other funds	396,148	9,638
Proceeds from sale of capital assets	-	15,000
Net cash flows for capital and related financing activities	(186,587)	(25,986)
Increase in Cash and Investments	-	-
Cash and Investments, beginning of year	-	-
Cash and Investments, end of year	\$ -	\$ -
Reconciliation of Loss from Operations to Net Cash Flows for Operating Activities		
Loss from operations	\$ (395,623)	\$ (344,316)
Adjustments to reconcile loss from operations to net cash flows for operating activities:		
Depreciation	126,058	72,241
Noncash expense - PERS relief	(3,362)	20
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable, net	2,288	10,316
Net OPEB asset	3,825	(66,219)
Deferred outflows of resources related to pensions	(2,460)	(3,744)
Deferred outflows of resources related to other postemployment benefits	(5,946)	5,196
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	22,166	(85,544)
Compensated absences	6,340	995
Net pension liability	72,517	5,414
Net other postemployment benefits liability	-	(617)
Deferred inflows of resources related to pensions	(41,112)	39,003
Deferred inflows of resources related to other postemployment benefits	(34,295)	33,291
Net Cash Flows for Operating Activities	\$ (249,604)	\$ (333,964)
Noncash Capital and Related Financing Activities		
Capital assets purchased on account	\$ 64,230	\$ 9,638