



2022 North Slope Borough, Alaska Popular Annual Financial Report



Healthy
communities
economically,
spiritually, and
culturally

A YEAR OF ACCOMPLISHMENTS

For the fiscal year ended June 30, 2022

North Slope Borough, Alaska

www.north-slope.org



About this report

Although this report is primarily based on the Borough's 2022 Annual Comprehensive Financial Report (ACFR), this report is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Only the financial data for the general government is included in this report and the information is presented in a summarized manner and certain financial statements and note disclosures required by GAAP are omitted. More detailed information is provided in the 2022 ACFR. A copy of this Popular Annual Financial Report (PAFR) as well as the Borough's 2022 ACFR, which is prepared and conforms with GAAP, are located on the Borough's website at www.north-slope.org, and linked under Financial and Budget Reports.

Table of contents

- 3** Message from the Mayor
- 4** About the Borough
- 5** 2022 Financial Highlights
- 6** Investment Portfolio
- 8** Where the Borough's Money Comes From
- 9** Where the Money Goes
- 10** Assets and Liabilities
- 11** Revenues and Expenditures
- 12** Net Position
- 13** Debt Service
- 14** Other Financial Information
- 15** Financial Planning & Policies
- 16** Mayor Initiatives
- 17** Awards

Elected Officials

Mayor

Harry K. Brower, Jr.

Assembly

Vernon J. Edwardsen, President

John Hopson, Jr., Vice President

Eva Kinneeveauk

Lars N. Nelson

Crawford A. Patkotak

Herman L. Ahsoak

Thomas Napageak, Jr.

Carla J. SimsKayotuk

Doreen Ahgeak Lampe

Trina Paul

William A. Tracey, Sr.

Borough Departments

Assembly

Mayor's Office

Administration & Finance

Law Department

Planning & Community Services

Inupiat History, Language & Culture

Housing

Human Resources

Health & Social Services

Wildlife Management

Police Department

Fire Department

Search & Rescue

Public Works

[Link to Borough's 2022 ACFR](#)



Message from the Mayor

“I am pleased to communicate the Borough’s financial position in a user-friendly manner.”

I take this opportunity to present you with the North Slope Borough’s (Borough) Popular Annual Financial Report (PAFR) for the year ended June 30, 2022. The intent of this report is to increase awareness throughout our communities of the financial condition of the Borough. As such, this report is written in a manner that will summarize and communicate the Borough’s financial position in a user-friendly manner.

I am pleased to report the Borough has received the Award for Outstanding Achievement in Popular Financial Reporting for seven consecutive years. This certificate is issued by the Government Finance Officers Association (GFOA). Additionally, the Borough has applied for this award for FY2022. If awarded, it will be the eighth consecutive year of earning this award.

In addition to providing financial information, it is important to outline and demonstrate the vast range of

services the Borough provides in maintaining healthy communities in the unique and vibrant environment of the North Slope.

Financial information within this report is derived primarily from the Borough’s 2022 Annual Comprehensive Financial Report (ACFR), which is prepared and conforms with Generally Accepted Accounting Principles (GAAP). Thank you for taking the time to review our 2022 PAFR. We welcome any feedback, comments, or concerns regarding the information included in this report.

Sincerely,

A handwritten signature in white ink that reads "Harry Brower, Jr." The signature is written in a cursive, flowing style.

Harry K. Brower, Jr.
Mayor

Our mission

The North Slope Borough is committed to having **healthy communities, economically, spiritually and culturally**. The borough works with the tribes, cities, corporations, schools, and businesses to support a **strong culture**, encourage families and employees to choose a **healthy lifestyle**, and sustain a **vibrant economy**.



About the Borough

The Borough encompasses an area of approximately 94,000 square miles, north of the Arctic Circle. It extends 650 miles east from Point Hope on the Chukchi Sea to the Canadian Border and 225 miles south from Point Barrow, the most northern point in the state. Prudhoe Bay, the largest oil field in the United States, is located in the northeastern portion of the Borough. It is also the origination point of the 800- mile Trans-Alaskan pipeline, which terminates at the City of Valdez on Prince William Sound.

Most of the Borough's 10,995 permanent residents live in eight communities, the largest of which is Utqiagvik, which also serves as the Borough seat of government. Another 4,903 people are counted as residents because they work at least half of the calendar year in the North Slope oil fields.

The Borough was incorporated on July 1, 1972, and on April 30, 1974, it adopted its Home Rule Charter, which

allows it to exercise any legal governmental power in addition to its mandatory powers of taxation, property assessment, education, and planning and zoning services. The legislative power of the Borough is vested in an eleven-member assembly body, elected to staggered three-year terms. The Borough's executive and administrative powers are vested in a mayor, limited to two consecutive three-year terms.

The Borough provides a full range of services including police and fire protection, search and rescue services, the construction and maintenance of roads and other infrastructure, sewers and sewage treatment, light, power and heat, health services and clinic facilities, fuel storage, water, and garbage, and solid waste collection and disposal. The Borough also is financially accountable for a legally separate school district and a legally separate college, both of which are reported separately within the Borough's financial statements.

Borough Facts

Assessed Value 1/1/22		Demographics (continued)	
Oil and Gas	\$ 20,953,122,300	School Enrollment	2,064
Local	1,029,755,419	Unemployment Rate	6.3%
Tax Levied in FY22 & Collected in FY23		Public Safety	
Tax Levied	395,471,970	Police Stations	9
Tax Collected	393,241,777	Police Patrol Units	68
Outstanding Debt		Fire Stations	9
GO Bonds	204,840,000	Fire Trucks	20
Bond Premiums	—	Ambulances	9
Demographics		Helicopters	2
Population		King Air Plane	1
North Slope Borough	10,995	Pilatus	1
Oil Field Workers	4,903		

Financial Highlights

North Slope Borough Financial Highlights FY 2022

Net position decrease

The Borough's total net position decreased by \$92,064,129 to \$2,972,567,805 for FY 2022.

Governmental fund balance decrease

At the end of FY 2022, the Borough's governmental funds reported combined ending fund balances of \$1,413,782,646, a decrease of \$78,420,344 in comparison with the prior year. The net decrease is a result of losses due to decreased market value of investments.

Unassigned fund balance

At the end of FY 2022, unassigned fund balance for the General Fund was \$86,548,831, or 21% of total General Fund expenditures. The decrease from FY 2021 was largely due to the use of \$18 million for hazardous waste clean-up activities.

Long-term liabilities

The Borough's governmental activities long-term liabilities decreased by approximately \$6 million in the current year mainly as a result of a \$28 million decrease in the net pension liability and an increase in overall bond debt of \$22 million.

Available cash and investments

The Borough's primary government reported available cash and investments with central treasury at \$949,739,959 an increase of \$43,359,415 from prior year. This is mainly due to an increase in unexpended bond proceeds.

Bond refunding

The Borough engaged in a bond refunding in FY2022 which resulted in reduced debt service payments of \$8.2 million and an economic savings of \$75MM.

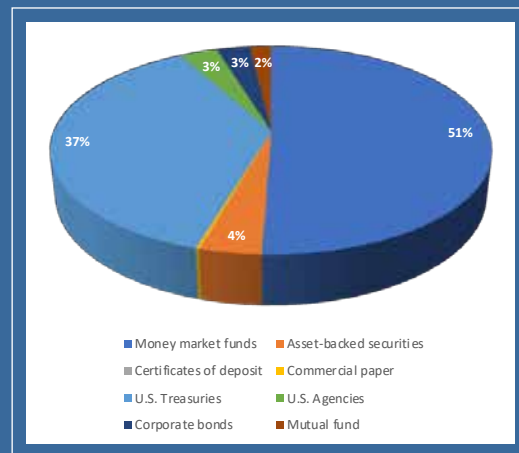


Operating Investment Portfolio

Investments are reported at fair value. Certain Investments of the Permanent Fund are deposited or invested in individual segregated bank accounts. Moneys of all other funds are maintained or invested in a common group of bank accounts. Collectively, these common bank accounts and investments represent the central treasury and each fund whose moneys are included in the central treasury has equity therein. The Borough does not have a formal Investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Borough places no limit on the amount it may invest in any one issuer; however, no more than 60% of the Permanent Fund may be invested in non-domestic investments.

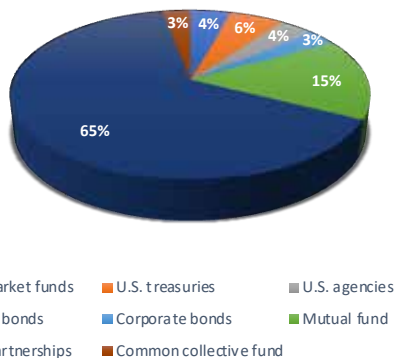
Central Treasury

INVESTMENT TYPE	FAIR VALUE
Central treasury:	
Money market funds	\$ 451,428,752
Asset-backed securities	34,074,690
Certificates of deposit	39,836
Commercial paper	1,998,741
Debt securities:	
U.S. treasuries	333,438,720
U.S. agencies	29,162,899
Corporate bonds	25,843,889
Equity Securities:	
Mutual fund	16,648,027
	<u>\$ 892,635,554</u>



Long-term Investment Portfolio

In 1984, the Borough established a Permanent Fund to provide a long-term source of funding for Borough services. An amount up to 8% of the average total value of the Permanent Fund at the end of the previous three Fiscal Years may be transferred annually to the General Fund. The Charter prohibits the use of the investments or income from the Permanent Fund transferred to the General Fund to pay debt service on the Borough's debt. Money may be appropriated to the Permanent Fund from any source including direct appropriations and transfer of excess money in the General Fund at the close of the Borough's Fiscal Year. On June 30, 2022, the value of the Permanent Fund investments was over \$900 million.



Permanent Fund

INVESTMENT TYPE	FAIR VALUE
Permanent fund:	
Money market funds	\$ 40,434,756
Debt securities:	
U.S. treasuries	53,478,963
U.S. agencies	34,301,178
Municipal bonds	153,858
Corporate bonds	28,501,523
Equity Securities:	
Mutual fund	146,511,012
Limited partnerships	606,470,669
Common collective fund	27,107,612
	<u>\$ 936,959,571</u>

Financials | Where the money comes from

Like all governments, the Borough must raise funds to pay for the services it provides to its local residents and communities. These sources of funds, referred to as revenue, are primarily derived from property taxes, charges for services, grants, and other related revenues.

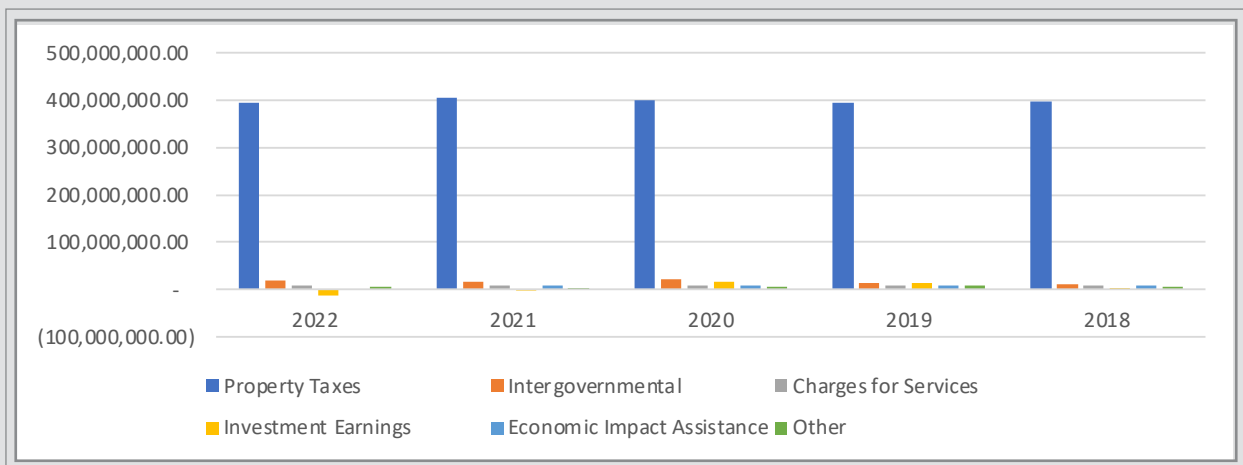
Analysis of the financial results of the Borough focuses primarily on the General Fund. The General Fund is the

general operating fund of the Borough and supports the regular day-to-day operations of the Borough. It is used to account for all revenues and expenditures of the Borough, except those required to be accounted for in another fund (i.e. Capital Projects Funds, Enterprise Funds, and etc.). In this section, we will discuss General Fund revenues, the largest of which are property taxes.

General fund revenues

Revenues	2022	2021	2020	2019	2018
Property Taxes	\$ 393,942,032	\$ 405,614,767	\$ 398,234,519	\$ 393,299,524	\$ 396,360,301
Intergovernmental	19,784,961	17,470,883	20,873,632	15,067,758	12,450,233
Charges for Services	8,851,648	7,815,537	8,630,328	8,640,009	7,868,921
Investment Earnings	(12,107,186)	(845,514)	16,876,545	14,930,037	3,981,411
Economic Impact Assistance	—	9,718,000	9,550,000	8,378,766	8,231,311
Other	5,784,538	4,447,246	5,667,946	7,609,989	6,206,811
Total Revenues	\$ 416,255,993	\$ 444,220,919	\$ 459,832,970	\$ 447,926,083	\$ 435,098,988

The total General Fund Revenues decreased





Financials | Where the money goes

The Borough generates revenues to provide services to the residents of our eight villages and Prudhoe Bay. The revenues are also used to pay for the debt incurred from the issuance of bonds approved by the voters for infrastructure and capital improvements. The General Fund is the main

operating fund of the Borough. During the years ended June 30, 2022, 2021, 2020, 2019, and 2018, the Borough expended its funds as shown below. General Fund total expenditures decreased from FY21 to FY22 largely as a result of decreased debt service payment.

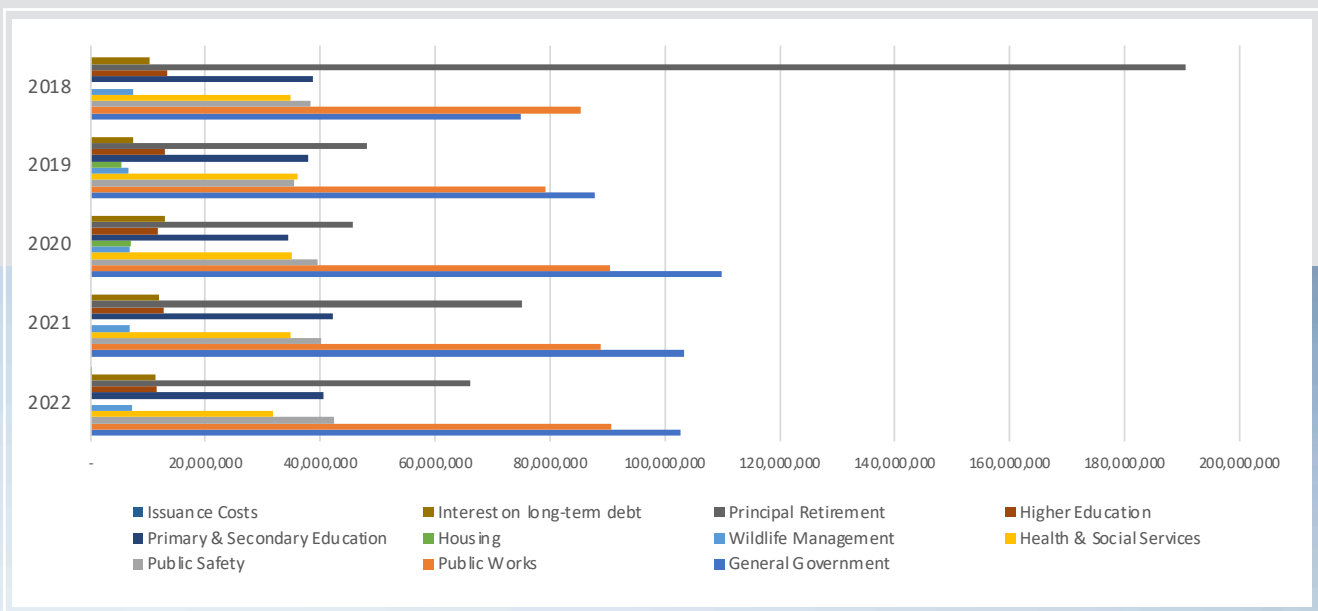
General fund expenditures

Expenditures	2022	2021	2020	2019	2018
General Government	\$ 102,672,401	\$ 103,386,394	\$ 109,858,477	\$ 87,823,017	\$ 74,995,852
Public Works	90,616,669	88,866,902	90,376,576	79,175,787	85,361,453
Public Safety	42,489,715	40,164,839	39,580,681	35,379,551	38,331,725
Health & Social Services	31,713,129	34,910,223	34,995,833	36,077,109	34,880,418
Wildlife Management	7,219,485	6,804,125	6,864,942	6,647,076	7,533,949
Housing	—	—	7,030,336	5,415,777	—
Primary & Secondary Education	40,467,042	42,292,818	34,502,123	37,935,606	38,763,467
Higher Education	11,448,727	12,752,424	11,753,326	13,040,740	13,277,643
Debt Service					
Principal Retirement	66,210,000	75,095,000	45,695,000	48,170,000	190,671,918
Interest on long-term debt	11,259,904	11,959,080	12,914,030	7,462,918	10,344,566
Issuance Costs	382,800	—	—	—	—
Total Expenditures	\$ 404,479,872	\$ 416,231,805	\$ 393,571,324	\$ 357,127,581	\$ 494,160,991



The expenditures of the General Fund are classified by the type of service provided. Below is a summary of the function and the major departments within that function.

- General Government expenditures are related to the administration of the Borough affairs. These expenses include the mayor’s office, administration and finance, law department, as well as several other departments.
- Public Works expenditures include management oversight of the village airports, village landfills, and natural gas infrastructure. Additionally, the department provides for the operation and maintenance of facilities and equipment.
- Public Safety expenditures represent the police force, fire department, and search and rescue.
- Health & Social Services expenditures include health care services to all the NSB residents.
- Education includes funding for the School District and Ilisagvik College.
- Debt Service includes payment toward existing debt of General Obligation bonds.





Financials | Asset, Liabilities & Fund Balance

Understanding where the Borough’s money comes from and where it goes is critical to understanding the flow of the current financial position and resources of the Borough. In looking at the overall financial position of the Borough, it’s essential to note that the Borough uses a modified accrual basis of accounting. This is a combination of cash basis and full accrual basis. Revenue is recognized when both measurable and available.

The Borough’s General Fund fund balance totaled over \$150 million as of June 30, 2022, with unassigned fund balance making up 57.5% of total General Fund balance.

The Borough utilizes a modified accrual basis of accounting.

Five components of General Fund Balance

- **Non-spendable** consists of pre-paids and inventory.
- **Restricted** includes amounts in bonded capital projects funds, and debt service.
- **Committed** reflects amounts that are committed for specific purposes by formal action of the assembly (i.e. self-insurance, litigation, and etc.)
- **Assigned** includes encumbrances at year-end, as approved by the Assembly.
- **Unassigned** consists of the remaining amounts after applying the above categories.

	2022	2021	2020	2019	2018
Total assets	\$ 585,055,739	\$ 596,373,670	\$ 605,285,316	\$ 534,878,006	\$ 470,853,001
Total liabilities	24,555,946	25,579,706	24,937,375	27,001,541	23,650,259
Total deferred inflows of resources	409,910,235	407,523,591	418,648,462	407,159,400	403,801,938
Total fund balance	150,589,558	163,170,373	161,699,479	100,717,065	43,400,804
Total liabilities deferred inflows of resources and fund balance	\$ 585,055,739	\$ 596,373,670	\$ 605,285,316	\$ 534,878,006	\$ 470,853,001

In addition to liabilities, the Borough’s Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a portion of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until such time as those revenues are earned. The Governmental Funds report unavailable revenue from four sources: real property taxes, economic impact assistance, loans, and grants. These amounts are

deferred and recognized as an inflow of resources in the period that the amounts become available.

The Borough’s assets totaled \$585 million at the end of FY22, with cash and investments with central treasury making up 96% of the General Fund assets. The net decrease in total assets from FY21 to FY22 of approximately \$35 million is primarily due to lower investment earnings and use of \$18 million for hazardous waste clean-up activities.

Financials | Revenues & Expenses

Revenues vs. Expenditures (General Fund)

This table summarizes the revenue and expenditure activity of the Borough's General Fund for the year ended June 30, 2022.

Revenues	\$ 416,255,993
Expenditures for Services	(326,627,168)
Debt Service	(77,852,704)
Net Other Financing Sources (Uses)	(24,356,936)
Net Change in Fund Balance	\$ (12,580,815)

Capital Projects Funds

The Borough maintains separate Capital Projects Funds to account for the financial transactions and resources used by the Borough for the acquisition or construction of major capital projects and related assets. A summary of the Borough's revenue and expenditures of the Capital Projects Fund is provided to the right.

Beginning Capital Projects Funds Balance	\$ 273,345,280
Revenues	658,575
Expenditures	(71,764,718)
Net Other Financing Sources (Uses)	110,862,892
Net Increase in Fund Balance	\$ 39,756,749

Proprietary Funds

The Borough maintains five proprietary funds. The Borough uses enterprise funds to account for a Prudhoe Bay solid waste disposal and water treatment facility (Service Area 10), a revolving loan fund (Home Assistance Loan), an electric utility (Power and Light), the Real Property Management Fund, and the Technical Training Center Fund.

Major Enterprise Funds	Power & Light	Real Property Management	Non-major Entp. Funds	Total
Net position, beginning of year	\$ 67,548,947	\$ 273,838,213	\$ 89,644,758	\$ 431,031,918
Operating Revenues	8,163,130	3,325,673	16,340,173	27,828,976
Operating Expenses	27,438,936	1,892,568	21,577,004	50,908,508
Non-operating Revenues (expenses)	405,676	1,304,525	309,133	2,100,334
Transfers	16,579,367	(11,975,745)	9,527,938	14,131,560
Capital Contributions	3,590,941	—	5,998,427	9,589,368
Net Position, End of Year	\$ 68,849,125	\$ 264,600,098	\$ 100,324,425	\$ 433,773,648



Government-wide statement of net position

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Borough 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 a useful indicator of whether the financial position of the Borough is improving or deteriorating.

Total current and other assets increased by approximately \$283 million primarily due to investment earnings and an increase in unexpended bond proceeds.

Accounting terminology

- **NET POSITION** represents the Borough's assets less liabilities.
- **NET INVESTMENT IN CAPITAL ASSETS** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets.
- **RESTRICTED NET POSITION** consists of bonded capital projects funds and the Permanent Fund Corpus and Permanent Fund earnings.
- **UNRESTRICTED NET POSITION** represents the remaining net position of the Borough after subtracting net investment in capital assets and restricted net position.

	2022	2021	2020	2019	2018
Current and other assets	\$ 2,024,693,852	\$ 1,987,416,127	\$ 1,704,112,591	\$ 1,580,195,450	\$ 1,413,789,608
Capital assets	1,891,025,866	1,899,992,059	1,872,616,457	1,937,870,049	1,948,464,054
Deferred outflows of resources					
Pension and OPEB related	19,680,845	25,825,492	26,991,902	28,585,577	20,268,060
Total assets and deferred outflows of resources	\$ 3,935,400,563	\$ 3,913,233,678	\$ 3,603,720,950	\$ 3,546,651,076	\$ 3,382,530,722
Long-term liabilities	\$ 396,898,264	\$ 393,298,956	\$ 406,938,049	\$ 389,446,129	\$ 349,369,950
Deferred inflows of resources	533,979,852	413,111,217	422,371,596	415,811,205	418,202,738
Other liabilities	31,954,642	42,191,571	32,770,509	38,363,163	32,122,181
Total liabilities and deferred inflows of resources	\$ 962,832,758	\$ 848,601,744	\$ 862,080,154	\$ 843,620,497	\$ 799,694,869
Net investment in Capital Assets	\$ 1,807,044,331	\$ 1,859,730,135	\$ 1,829,452,791	\$ 1,886,807,815	\$ 1,874,699,252
Restricted	1,091,865,679	1,152,569,750	955,406,132	929,898,068	904,519,620
Unrestricted	73,657,795	52,332,049	(43,218,127)	(113,675,304)	(196,383,019)
Net Position	\$ 2,972,567,805	\$ 3,064,631,934	\$ 2,741,640,796	\$ 2,703,030,579	\$ 2,582,835,853

Debt Service

Debt service mill rate is legally set and may not be used for any other purpose. The Borough has unlimited statutory taxing authority to meet its debt service. Debt service is planned at a total mill rate including operations and debt service of 17.99 mills.

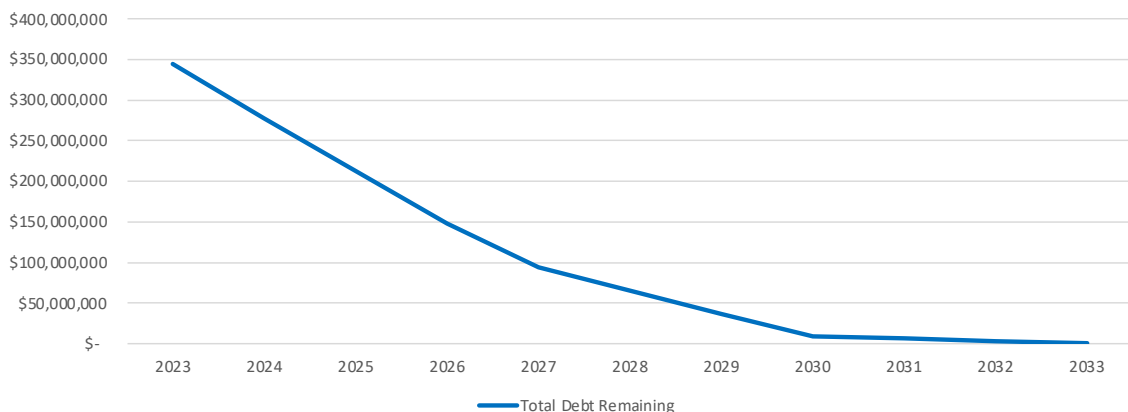
Pursuant to the Charter, general obligation bonds of the Borough are secured by a pledge of the Borough's full faith

and credit. The Borough may levy ad valorem taxes without limitation as to rate or amount, on property in the Borough, subject to taxation by the Borough, sufficient to provide for the payment of debt. Payment is not limited to a particular fund or source of revenue. Permanent Fund income or transfers from the Permanent Fund cannot be utilized to pay debt service. Below is a summary of the Borough's existing debt profile.

Annual Debt Service Payments

Fiscal Year	Bond Principal	Interest	Total
2023	\$ 55,340,000	\$ 12,156,162	\$ 67,496,162
2024	53,530,000	11,237,450	64,767,450
2025	55,255,000	8,657,950	63,912,950
2026	47,390,000	6,211,050	53,601,050
2027	25,570,000	4,161,000	29,731,000
2028	25,555,000	2,890,550	28,445,550
2029	25,755,000	1,633,550	27,388,550
2030	2,490,000	367,200	2,857,200
2031	2,610,000	251,750	2,861,750
2032	2,005,000	144,450	2,149,450
2033	1,080,000	54,000	1,134,000
Total	\$ 296,580,000	\$ 47,765,112	\$ 344,345,112

Outstanding Debt Service by Year





Other Financial Information

The following table sets out certain information concerning the principal property taxpayers in the Borough in Fiscal Year 2022.

State assessed/received in FY 2022	Type of Business	Assessed Value	Tax Levy	% of Total Tax Levy
Hilcorp North Slope LLC	Oil & Gas Producer	\$ 8,028,651,070	\$ 144,399,453	36.51
ConocoPhillips Alaska, Inc.	Oil & Gas Producer	6,939,874,850	124,848,349	31.57
Alyeska Pipeline Services Co.	Pipeline Transportation	2,226,646,730	40,057,375	10.13
ENI US Operating	Oil & Gas Producer	1,687,394,730	30,356,231	7.68
ExxonMobil Corporation	Oil & Gas Condensate Producer	1,258,824,250	22,642,650	5.73
Doyon Drilling Inc.	Oilfield Services	149,678,640	2,692,719	0.68
Nabors Alaska Drilling	Oilfield Services	76,165,300	1,370,214	0.35
Arctic Slope Regional Corporation	Commercial Property	52,117,300	937,590	0.24
Halliburton Energy Services, Inc.	Oilfield Services	51,926,890	934,165	0.24
Worley Equipment Inc.	Oilfield Services	42,113,700	763,562	0.19
Total of state assessed		\$ 20,511,523,460	\$ 369,002,308	93.32
Locally assessed/received in FY 2022	Type of Business	Assessed Value	Tax Levy	% of Total Tax Levy
ASRC Properties, LLC	Commercial Property	\$ 102,181,384	\$ 1,838,243	0.46
Ukpeagvik Inupiat Corporation	Village Corporation (Construction)	95,609,870	1,720,022	0.43
Alaska Frontier Construction, Inc.	Construction	61,106,770	1,099,311	0.28
Colville, Inc.	Logistics	55,357,430	995,880	0.25
Worley Alaska, Inc.	Oilfield Services	52,822,100	950,270	0.24
Ice Services	Oilfield Services	36,181,220	650,900	0.16
Quintillion Holdings, LLC	Telecommunications	33,283,910	598,778	0.15
Schlumberger Companies	Oilfield Services	30,937,300	556,562	0.14
Halliburton Energy Services, Inc.	Oilfield Services	28,058,200	504,767	0.13
Deadhorse Aviation Center, LLC	Aviation	21,406,450	385,102	0.10
Airport Equipment Rentals, Inc.	Equipment Rental	18,657,630	335,651	0.08
Total of locally assessed		\$ 535,602,264	\$ 9,635,486	2.42
		\$ 21,047,125,724	\$ 378,637,794	95.74

The following chart sets forth the estimated non-agricultural annual average Borough employment by industry during calendar years 2017-2021 as reported by the Alaska Department of Labor and Workforce Development.

Industrial Classification	2021		2020		2019		2018		2017	
	Avg. Empl.	% of Total	Avg. Empl.	% of Total	Avg. Empl.	% of Total	Avg. Empl.	% of Total	Avg. Empl.	% of Total
Natural Resources and mining	4,404	45.1	4,995	46.5	6,539	52.0	6,016	50.5	6,293	50.7
Construction	138	1.4	99	0.9	105	0.8	106	0.9	146	1.2
Trade, trans and utilities	597	6.1	604	5.6	609	4.8	582	4.9	589	4.7
Information	53	0.5	54	0.5	55	0.4	54	0.5	55	0.4
Financial activities	72	0.7	77	0.7	90	0.7	73	0.6	73	0.6
Professional and business services	1,430	14.6	1,643	15.3	1,716	13.6	1,580	13.3	1,879	15.1
Educational and health services	489	5.0	483	4.5	497	4.0	473	4.0	449	3.6
Leisure and hospitality	457	4.7	547	5.1	658	5.2	671	5.6	676	5.4
Other services	95	1.0	139	1.3	139	1.1	116	1.0	115	0.9
Federal government	16	0.2	19	0.2	18	0.1	19	0.2	20	0.2
State government	64	0.7	57	0.5	53	0.4	56	0.5	58	0.5
Local government	1,957	20.0	2,033	18.9	2,097	16.7	2,157	18.1	2,069	16.7
Total average employment	9,772	100%	10,750	100%	12,576	99.8%	11,903	100.1%	12,422	100%

Financial Planning & Policies

Long-term financial planning | The foundation of the Borough's financial strength rests on conservative long-term financial planning. Since 1993, the Borough has used a sophisticated projection model to create a 12-year forecast of property tax revenues. This forecast is used to plan for future operating and capital expenditures as well as to insure adequate resources are available to repay bonded debt.

The Borough's economy is predominately based on oil and gas development. That means it depends on global markets and economic conditions, the oil industry's investment and development options around the world, state and federal policy, and the success of exploration activities on the North Slope. Many of these things are beyond the control of the Borough; however, the Borough has some influence in decisions relating to how exploration and development activities are conducted in the region.

Relevant financial policies | The Borough adheres to financial policies to support strategic goals, ensure stability in service delivery, and promote efficient use of public funds. It is the Borough's policy to maintain reserve funds, which can be used to reduce the impact of substantial revenue fluctuations, thus providing more stable delivery of services to Borough residents. In the financial statements, these can be observed as part of cash and cash equivalents as well as the fund balance categories. As a direct result of SB 138, the Borough was able to establish a General Fund Operating Contingency and Pension Reserve Fund to address any unexpected and un-budgeted emergencies without hampering the Borough's fund balance.

Borough's Permanent Fund | The commitment to investing for the future continues. For the sixth consecutive year, the North Slope Borough Operating Budget is balanced without any transfer from our Permanent Fund. Historically, the Permanent Fund transfer into the General Fund has ranged anywhere from \$16 million to \$25 million annually. Maintaining this commitment will allow the portfolio of the Permanent Fund to grow to a level that will provide for future operations of the North Slope Borough long after the full decline of oil production is realized. In fiscal year 2022, the Enterprise Fund transferred \$1 million to the Permanent Fund.

Debt management policy | The purpose of the Debt Management Policy is to provide effective guidelines for the issuance of bonds and other forms of indebtedness when necessary to finance capital construction, equipment, and other capital items for the Borough as well as guidelines for monitoring outstanding debt. The intent of this policy is to assist the Borough in determining the appropriate use of debt financing, establish debt management goals, and serve as a basis for maintaining and preserving the Borough's financial health and budget flexibility to finance future capital programs to better meet the needs of our communities.



Mayor's Initiatives

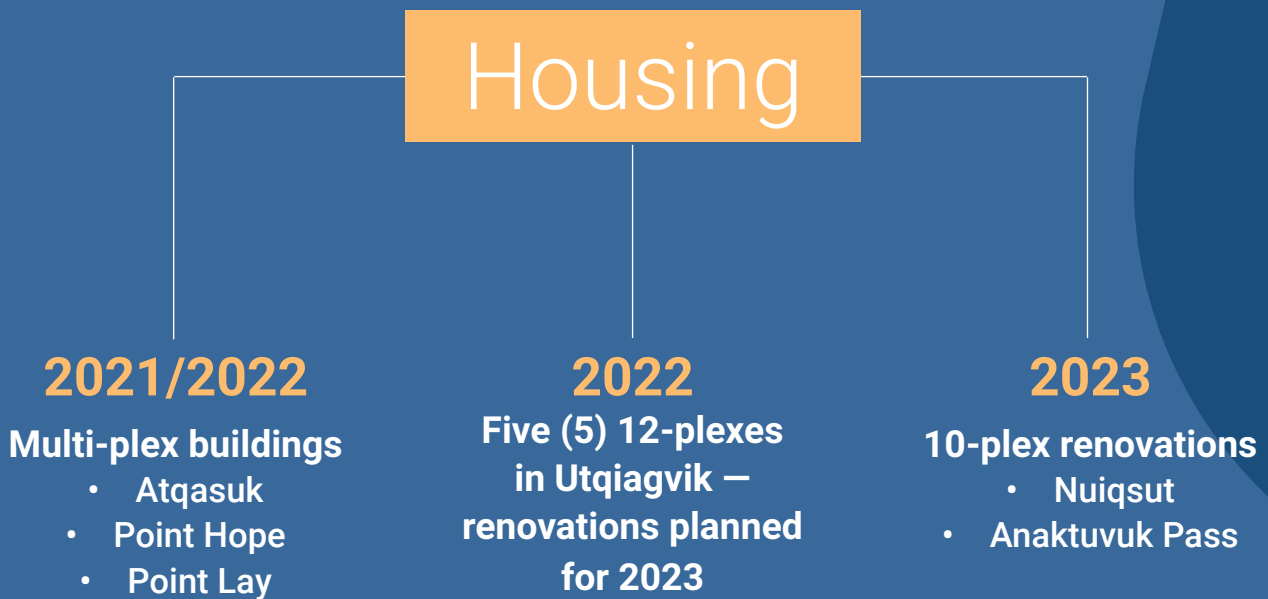
The Mayor has committed the full amount of the Economic Impact Assistance payments toward building capacity in each village. In fiscal year 2022, the Mayor committed a total of \$9.9 million in the form of grants to be distributed to each village to facilitate projects that each individual community deems the highest priority. The Mayor felt that this would give communities flexibility to invest in their residents' concerns as they see fit. In fiscal year 2023, the Mayor intends to commit a total of \$10.1 million in the form of grants to distribute among the communities.

During fiscal years 2021 and 2022, the Mayor prioritized area-wide housing in an effort to curtail the housing shortages in the North Slope communities. During this time, the communities of Atqasuk, Point Hope, and Point Lay each welcomed their new multi-plex buildings.

In fiscal year 2022, the Borough took over the management of five 12-plexes in Utqiagvik, and plans are in the works for major renovations on those buildings. In fiscal year 2023, the Mayor expects that Nuiqsut will complete its new 10-plex and development is underway for a 10-plex in Anaktuvuk Pass.

\$10.1M =

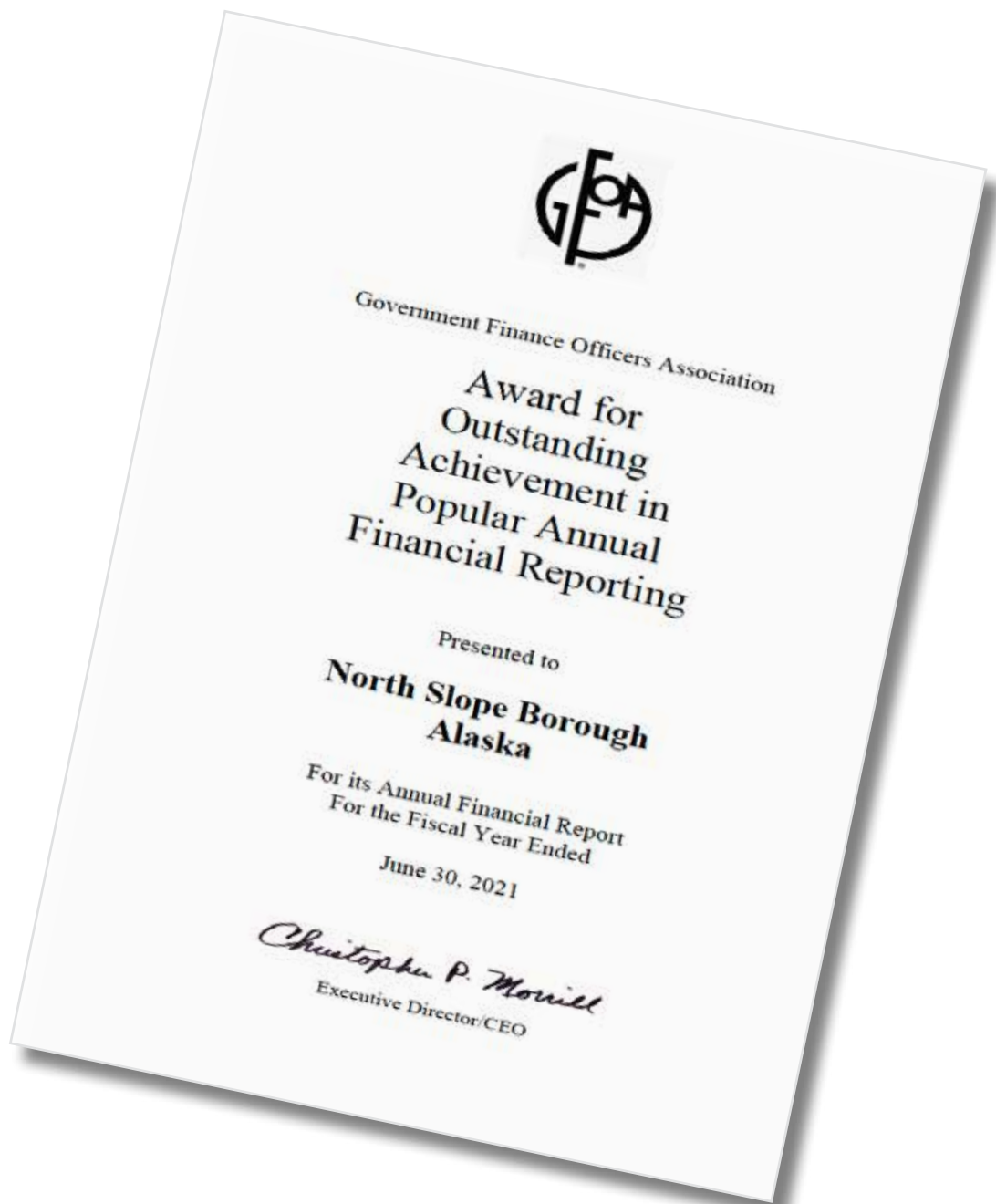
Mayor Brower has committed the full amount of the Economic Impact Assistance for North Slope villages in FY 2023.



Awards

The Borough has applied for its 8th award of Outstanding Achievement in Popular Annual Financial Reporting (PAFR), issued by the Government Finance Officers Association of the United States and Canada (GFOA). The results of that application have not yet been released at the time of

this report issuance. The intent of the PAFR is to increase awareness throughout the North Slope communities of the financial condition of the Borough. The report is written in a manner that summarizes and communicates the Borough's financial position in a user-friendly manner.





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