



IFA BOARD OF DIRECTORS REGULAR MEETING AGENDA

Date: Thursday September 11, 2025

Location: Craig City Hall & By Teleconference

Time: 10:00 AM

Teleconference Info: Meeting ID: 277 142 201 235 9 Passcode: DQ6Az6hm

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Agenda

1. Call to Order
2. Roll Call (Board, Staff, Public)
3. Approval of Agenda
4. Approval of Minutes
 - a. June 19, 2025 Regular Meeting
 - b. June 24, 2025 Emergency Meeting
5. Public Comment
6. Correspondence
 - a. Letter of Support of the Ketchikan Gateway Borough's Port Infrastructure Development Program (PIDP) Grant Application *Improving Rural Alaska's Maritime Connectivity Project*
7. General Manager's Report
8. Finance Manager's Report
9. Old Business
10. New Business
 - a. Motion: Accept Nomination of Amy McDonald-Killian to the Thorne Bay Board Seat Position
 - b. Motion: Approve to offer Driver Free for January, February and March 2025
 - c. Resolution 2026-01 "Accept FY2024 Financial Audit by Christine Harrington"
 - d. Southeast Conference September 16th to 18th in Sitka.
11. Board Comments
12. Schedule Next Meeting

December 9th or 10th? Early enough in the month not to interfere with holidays.
13. Adjournment



Board of Director Regular Meeting Minutes

June 19, 2025 Recorder: Johanna Thayer

1. **Call Meeting To Order:** Jeff Nickerson called meeting to order at 10:04 am.

2. **Roll Call:**

Chair	Klawock	Jeff Nickerson	Present
Vice Chair	Thorne Bay	Harvey McDonald	Present
Sec/Tres	Craig	Fred Hamilton	Present Via Phone
Director	Coffman Cove	Brian Wilson	Present
Director	Hydaburg	Sam Mooney	Present
Director	At Large	Doug Rhodes	Present

Staff Present: Ron Curtis, Chrissy Torsey-Lucero, and Johanna Thayer

Staff present via teleconference: Katie Martin, Jaemi Meurs, Tami Kingsley, Kristine Hansen, Jarrid Brendible, and Walter Marsh.

Public Present: None

Public present via teleconference: None

3. **Approval of Agenda**

Motion: Approve agenda as presented

Moved By: Brian Wilson

Seconded By: Harvey McDonald

Motion approved unanimously.

4. **Approval of Minutes**

Motion: Approve Minutes from March 31, 2025

Moved By: Doug Rhodes

Seconded By: Sam Mooney

5. **Public Comment**

a. No public was present for comment.

b. Harvey wished to address the Board. Harvey said that he has been experiencing health issues this year, and he feels like he is not capable of staying on the Board, and he feels he needs to resign. Ron adds that it is pending the City of Thorne Bay appointing someone new. Johanna said that she will write a letter to submit to the City of Thorne Bay informing them that they will need to appoint a new member. Harvey said he says someone that he thinks is interested and he will inform Thorne Bay. Chrissy included that she wanted to thank Harvey for his incredible commitment to the IFA, for 28 years. Doug adds, and echoes that the whole island is grateful to him for his contribution.

Ron adds that Harvey will be bestowed with a LifeTime Travel Benefit, that includes a PlusOne.

6. **Correspondence**

- a. Memo: Re: Donation from Len Lawrence's Daughter
Johanna explains that Len Lawrence's daughter inherited her father's Brenda Schwartz painting, and there is a letter to be signed to send to her as a thank you.
Ron talked about his experience speaking with Len Lawrence before he passed.
- b. CDS Funding from Lisa Murkowski's Office
Johanna walked the Board through the CDS funding received through the State of Alaska from the federal government. And that we have advanced to be approved by the federal government for the \$1.5 million to cover the cost of the life saving equipment.
Ron adds that Lisa Murkowski's office reached out to us to invite us to apply because we knew that we did not receive the BBB funds.
The Board thanks Johanna for her work applying for that funding.

7. General Manager's Report

- a. Ron Submitted a Written Report that is attached.
Doug asks Ron if we are able to move the rescue craft from vessel to vessel, and Ron says that in the CDS funding that will ensure that our rescue craft for both vessels is the same and can be easily transferred. Ron also adds that our current life saving equipment is obsolete, and we are getting to a point where we can't recertify it. But the work for getting new equipment is going to require engineering work to fix the vessel layout to accommodate the change.
Ron asks how many years they last, and Ron says we have had these ones for 23 years. And he includes that this is *part* of the reason we have delayed the POW overhaul.
Ron mentions that Management is currently exploring the option for providing temporary housing to help incentivize employees. Harvey suggested a good old trailer. Doug said that everyone on the island has lived in one at one point or another.
Ron read through the statistics for ridership in comparison to 2024 for May: 11% up for passengers and 1% from 2024. He adds that he doesn't think there has been much effect since increasing the fare.
Ron shares an update about the Vigor shipyard, their goal is a seamless transition for a new operator to move in to the shipyard. Ron is encouraged about where they are now with the transition.
Ron asks Kristine to share an update on fish boxes YTD, we have charged for 250 fish or game boxes, and collected \$5,220 we have collected. Ron asks if she has the comparison numbers. Chrissy adds that past counts are not accurate, because the free fish box wasn't recorded in anyway.
Ron adds that there are changes coming to the Lituya's schedule, there are some implications that will impact our boat swap, and they are working with AMHS to adjust for those changes as needed. Ron will send more details when he has them. Doug asks Ron if this will be a benefit or a deterrent for us. Ron says that there are some scenarios that could happen that we will need to develop contingency plans for with AMHS.
Jeff asks for Questions.
Jeff asks if the Stikine will need to go into dry dock. Chrissy asks Walt or Jarrid to share on where the Stikine is at on that. Jarrid says that we had some no sail items that have been fixed, and he will need to meet with the CG to discuss the COI, once that is all wrapped up we will swap the boats back up. Dry docking will be late next year, but due to the situation with the shipyard that is undetermined. Jeff thanks Jarrid.

8. Finance Report

Report submitted in writing and attached.

Chrissy says that there is a report in the packet to be approved for the final reading of the budget.

Chrissy adds that there is a 3% wage increase from the Wage Progression across the board. Health care costs have been updated, and there was a slight reduction in dental coverage.

The original budget that was presented included the 25% match included for the CDS match. The match was removed in the final budget, and moved into the Maintenance and engineering portion of the budget. The 30,000 replacement of the security system was added to the budget, since it was denied in for CDS funding, this will replace all cameras in Hollis and add a camera in Hollis.

Chrissy gives a summary of the financials. We have \$90,000 left in one of the legislative grants for match funds. Year to date we have received 350,000 from that grant, and we are waiting to receive another 226,000 and that leaves us with 620,000 left to pull down. And we can still submit reports 60 days after the end of the fiscal year. Chrissy guarantees that we will collect on all of that 1.2 million. We have received back the entirety of the transfer from the State of Alaska, it is currently in safe keeping in our Money Market Saving account. Last month the interest was \$675 dollars. Ron does want Chrissy to investigate ways to increase the interest on those funds to maximize the dollars that we have.

Chrissy adds that the CDS match will come to around \$390,000.

The last of our insurance premiums that we financed will come to the end at the end of June, which will give us a break on it July-September. In September we will finalize the next year's insurance.

9. **Old Business** No Old Business

10. **New Business**

- a. Motion: To approve Resolution No. 2025-05, 2nd Reading and adoption of the Budget for FY2026

Moved by: Sam Mooney

Seconded by: Brian Wilson

Fred had a question, regarding the previous year's budget. Chrissy says that she can start sending past year budgets again when she sends the current years. Chrissy added that last year's budget was \$5,206,036 and that she will send last year's approved budget when she returns to the office.

Chair	Klawock	Jeff Nickerson	Yes
Vice Chair	Thorne Bay	Harvey McDonald	Yes
Sec/Tres	Craig	Fred Hamilton	Yes
Director	Coffman Cove	Brian Wilson	Yes
Director	Hydaburg	Sam Mooney	Yes
Director	At Large	Doug Rhodes	Yes

Motion Passed

- b. Motion: To approve Resolution No. 2025-06 Changes to Employee Handbook for FY2026

Johanna gives a summary of the changes to the handbook. When Proposition 1 passed during the last election cycle, it not only increased minimum wage for the State of Alaska, but it also added mandatory sick PTO to be provided by employers. The state requires less than we currently provide our employees, so that is not a real concern for us. However, it included that sick leave be returned to a returning employee if they are rehired within 6 months of departure. So, our sick leave policy was updated to reflect this change.

While making this change, Johanna said she figured we might as well update some other things in our handbook. This included the Computer & Technology policy. The previous policy was outdated and did not meet the actual practice of the IFA. So, this was updated to be in line with what we do and modernized for 2025.

Harvey asked if it was an increased cost to us. No it is not.

Jeff asks how many people have the Board Handbook. Ron asks if we send an electronic copy to the board and have a copy available at meetings. Johanna will provide a copy for the meeting, and it would be easy for her to laminate a copy for the board members.

Sam asks if new employees are given the handbook and if they sign a form when they receive

it. Johanna says yes, and when the new changes go into effect a new form will be provided to them.

Moved by: Doug Rhodes

Seconded by: Sam Mooney

Doug stats that he is not the most technologically literate guy, and wants to confirm that management agrees with the adoption. Ron says yes. Harvey says that he agrees with Doug on not being technology literate.

Chair	Klawock	Jeff Nickerson	Yes
Vice Chair	Thorne Bay	Harvey McDonald	Yes
Sec/Tres	Craig	Fred Hamilton	Yes
Director	Coffman Cove	Brian Wilson	Yes
Director	Hydaburg	Sam Mooney	Yes
Director	At Large	Doug Rhodes	Yes

Motion Passed

c. Board of Directors Appointment

Ron says that since two member communities appointed Doug Rhodes, and one put forward Anthony Christianson. Since majority rules, Doug Rhodes would receive the nomination.

Ron adds that he was a little disappointed that only three member communities nominated someone. Chrissy adds that it is at no fault of the IFA. Sam adds that as a Board they should encourage their communities to nominate in the future.

Jeff adds that Johanna should ask the board member who's seat is up if they are interested in continuing. Chrissy adds that maybe in future meetings we should work on updating the bylaws, to include what steps the IFA will take for nominations. Jeff said the reason is because he thought Doug no longer wanted to be on the Board.

Motion: To accept the nomination of Doug Rhodes by Coffman Cove and Craig to the Board of Directors.

Moved by: Sam Mooney

Seconded by: Harvey McDonald

Motion Passed. Doug Rhodes Abstains.

Fred adds that we should send a letter to Anthony thanking him for his interest in applying.

Ron asks if it would be more appropriate to send it to the city. Sam says yes. Johanna will do this.

d. Board of Directors Seat Appointments

Nomination: To Appoint Jeff Nickerson as Chairman of the Board

Moved by: Doug Rhodes

Seconded by: Harvey McDonald

Motion: Cast a unanimous ballot for Jeff Nickerson as Chairman of the Board.

Moved by: Fred Hamilton

Seconded by: Sam Mooney

Motion Passed

Nomination: To Appoint Brian Wilson as Vice Chairman of the Board

Moved by: Doug Rhodes

Seconded by: Sam Mooney

Motion: Cast a unanimous ballot for Brian Wilson as Vice Chairman of the Board

Moved by: Fred Hamilton

Seconded by: Sam Mooney

Motion Passed

Nomination: To appoint Fred Hamilton as Secretary/Treasurer of the Board

Moved by: Doug Rhodes

Seconded by: Sam Mooney

Motion: Cast a unanimous ballot for Fred Hamilton as Secretary/Treasurer of the Board

Moved by: Doug Rhodes

Seconded by: Sam Mooney

Motion Passed

Jeff asks if we will need to update signature cards at the bank. Johanna says not until we receive nomination from Thorne Bay for Harvey's seat.

Fred asks about the check signing procedures. Chrissy explains that the Accounts Payable clerk runs the checks needed and then we contact a check signer. Chrissy says that when she came into her position, she did not want to be a check signer. So it is up to the General Manager or a Board Member to sign those checks.

Fred says that he suggests that we have two signatures on the check. He feels that for checks and balances he would like to see two signatures on the checks, that it is good procedure. Jeff asks if it would be taken care of updating our policies.

Ron adds that if it gives any comfort, Chrissy is not the only person doing it. Someone else is doing it at Chrissy's direction, and then either a board or Ron are signing. He feels that to get checks out in time, having a second signature would slow it down.

Chrissy adds that she is not the one entering invoices in, unless it is payroll. What happens is one person enters the payables into the system, runs a list of the payables, Chrissy signs off on printing them, and then a board member or Ron signs the check.

Fred says that he doesn't feel like employees should be signing checks and that he should be the first point of contact as the Secretary Treasurer. Jeff adds that it would probably help if Fred has a conversation with Chrissy.

Ron adds that we are audited annually because we receive federal grants.

Brian says that he is very comfortable with the way that we do it now.

Jeff says that he has seen the same things that Fred has.

Fred reiterates that he would prefer to be the first one called. Chrissy thanks Fred, and said she can also send him the AP check review and then they will call him to come sign once he has reviewed the check run.

11. Board Comments

Brian said that he has been getting good feedback on our employees from people on the ferry. And he wanted to pass that on to them. Doug adds that he wants to provide a thank you to the employees, and he received good positive feed back from seeing the company at the Trade Show and the Marathon. It is good for us to be seen and he is thankful that we have employees willing to do it.

Harvey encourages the Board to go watch CSPAN, to keep an eye on what might impact us here at the ferry and to make sure that we get our money.

Harvey asks to be added to the mailing list for future meetings.

12. Schedule Next Meeting

September 11th is the chosen date for the Board Meeting.

13. Adjournment

Motion: Adjourn meeting at 11:42 a.m.

Moved by: Sam Mooney

Seconded by: Brian Wilson



Board of Director Emergency Meeting Minutes

June 24, 2025 Recorder: Johanna Thayer

1. **Call Meeting To Order:** Jeff Nickerson called meeting to order at 11:07am

2. **Roll Call:**

Chair	Klawock	Jeff Nickerson	Present
Vice Chair	Coffman Cove	Brian Wilson	Absent Excused
Sec/Tres	Craig	Fred Hamilton	Present
Director	Thorne Bay	Harvey McDonald	Absent Excused
Director	Hydaburg	Sam Mooney	Present
Director	At Large	Doug Rhodes	Absent Excused

Staff Present: None

Staff present via teleconference: Chrissy Torsey-Lucero, Ron Curtis, Jarrid Brendible, Johanna Thayer

Public Present: None

Public present via teleconference: None

3. **Approval of Agenda**

Motion: Approve agenda as presented

Moved By: Sam Mooney

Seconded By: Fred Hamilton

Motion approved unanimously.

4. **Approval of Minutes**

Motion: None

Moved By:

Seconded By: Sam Mooney

5. **New Business**

a. **Motion:** To accept the resignation of Harvey McDonald from the Board of Directors.

Moved by: Sam Mooney

Seconded by: Fred Hamilton

Chair	Klawock	Jeff Nickerson	Yes
Vice Chair	Coffman Cove	Brian Wilson	Absent
Sec/Tres	Craig	Fred Hamilton	Yes
Director	Thorne Bay	Harvey McDonald	Absent
Director	Hydaburg	Sam Mooney	Yes
Director	At Large	Doug Rhodes	Absent

Motion Passed

b. Forming a Bylaw Commission

Sam requested a current copy of the bylaws, Johanna will provide them for Sam on Saturday.

The commission is currently Sam, Ron, Fred and Johanna. Meetings with the commission will be held off until after the summer has ended.

6. **Adjournment**

Motion: Adjourn meeting at 11:14 a.m.

Moved By: Sam Mooney

Seconded By: Fred Hamilton

8-27-2025

The Honorable Sean Duffy, Secretary
Federal Highway Administration, U.S. Department of Transportation
1200 New Jersey Ave., SE.
Washington, DC 20590

RE: Letter of Support for the Ketchikan Gateway Borough's Port Infrastructure Development Program (PIDP) Grant Application *Improving Rural Alaska's Maritime Connectivity* Project.

Dear Honorable Secretary Duffy:

I am writing to express the Inter-Island Ferry Authority's (IFA) support for the Ketchikan Gateway Borough's Port Infrastructure Development Program (PIDP) Grant Application for *Improving Rural Alaska's Maritime Connectivity*, submitted on behalf of the City of Saxman.

The Improving Rural Alaska's Maritime Connectivity project will construct a long desired, state-of-the-art Alaska Marine Highway System (AMHS) ferry terminal at the Saxman Seaport, improving safety, efficiency, and resiliency to a critical transportation route. Currently, the island village of Metlakatla is an isolated community without regular barge or daily ferry service to connect them to the greater transportation system. This project aims to provide more frequent maritime transportation service between Metlakatla and the communities of Saxman and Ketchikan by allowing for shorter runtime, increased dock availability and reduced congestion, thus enabling freight and passenger traffic to move safely and efficiently between the three communities. A new berth will also increase the area's transportation system resiliency as it will provide an additional berth facility that will increase access in times of emergencies. The route is a critical link to the residents of Metlakatla for Medical transport.

The IFA is an Alaska municipal port authority organized under Title 29 of Alaska Statutes. IFA has a close and productive relationship with AMHS: we share a berth in Ketchikan with the AMHS ferry *Lituya*, the IFA fills in for the *Lituya* when that vessel is undergoing maintenance, and have an agreement in place to operate at the AMHS terminal in Hollis, Alaska. The proposed PIDP project stands to benefit AMHS and IFA by providing redundancy in local marine transportation infrastructure.

The IFA supports the Ketchikan Gateway Borough and the City of Saxman's efforts to improve safety, efficiency, reliability and resiliency on a critical transportation route, and encourages US DOT to award the PIDP grant to the Ketchikan Gateway Borough for the *Improving Rural Alaska's Maritime Connectivity* Project. Thank you for your consideration.

Sincerely,



Ronald D. Curtis
General Manager
Inter-Island Ferry Authority
PO Box 495
Craig, AK 99921
907.401.3564
rcurtis@interislandferry.com



June 24, 2025

Mayor Shane Nyquest
City of Thorne Bay
P.O. Box 19110
Thorne Bay, AK 99919

Dear Mayor Nyquest,

I am writing to formally inform you that the City of Thorne Bay's representative to the Inter-Island Ferry Authority Board, Mr. Harvey McDonald, has submitted his resignation, effective June 24, 2024.

In accordance with the Inter-Island Ferry Authority Bylaws, the City of Thorne Bay is responsible for appointing a new representative to fill the vacant seat. Once a new appointment is made, we kindly request that official documentation, either meeting minutes or a resolution confirming the appointment, be provided to the IFA Board Chair, Jeff Nickerson and myself. Our contact information is listed below for your convenience.

Mr. McDonald will continue to serve in the role until a new representative is officially appointed. The newly appointed representative will serve the remainder of the current term, which expires on June 30, 2026.

Our next board meeting is scheduled for September 11, 2025. An official nomination will be needed by August 11, 2025. If you anticipate any delay in making an appointment, please notify me as soon as possible.

Should you have any questions or need further clarification, please don't hesitate to reach out.

Johanna Thayer
Administrative Director
907-313-8882
jlambeth@interislandferry.com

Jeff Nickerson
Chairman of the Board
jnickerson@interislandferry.com



RESOLUTION 25-08-05-01
CITY OF THORNE BAY

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF THORNE BAY, NOMINATING AMY KILLIAN TO SERVE
ON THE INTER-ISLAND FERRY AUTHORITY (HEREINAFTER "IFA") BOARD OF DIRECTORS AS THE
REPRESENTATIVE FOR THORNE BAY

WHEREAS, the City Council is the Governing Body for the City of Thorne Bay; and

WHEREAS, the City of Thorne Bay representative to the Inter-Island Ferry Authority Board of Director seat, recently filled by Harvey McDonald has been vacated as of June 24, 2025; and

WHEREAS, in accordance with the By-Laws of the Inter-Island Ferry Authority, the City of Thorne Bay must reappoint the current representative or appoint a new representative by providing official documentation in the form of meeting minutes or resolution of that action to the IFA Board; and

WHEREAS, Amy Killian has expressed interest in serving as Thorne Bay's Representative; and

WHEREAS, the City Council feels it to be in the best interest of the community to nominate Amy Killian to serve a four-year term on the IFA Board of Directors.

NOW, THEREFORE, BE IT RESOLVED that the Mayor and City Council of the City of Thorne Bay, Alaska, hereby nominates Amy Killian, to serve on the IFA Board of Directors as the Representative for the City of Thorne Bay for the term covering July 1, 2025, to June 30, 2029.

PASSED AND APPROVED by the City Council of the City of Thorne Bay, Alaska this 5th day of August 2025, with a vote of 6 Yea's and 0 Nay's


Shane Nyquest, Mayor

ATTEST:


Caitlyn Sawyer, City Clerk



Resolution No. 2026-01

A RESOLUTION BY THE INTER-ISLAND FERRY AUTHORITY BOARD OF DIRECTORS TO ACCEPT THE FINANCIAL REPORT FROM CHRISTINE HARRINGTON, CPA.

WHEREAS, the Board of Directors of the Inter-Island Ferry Authority is committed to maintain transparent and accurate financial records; and

WHEREAS, the Inter-Island Ferry Authority is required to comply with State and Federal Laws in regards to financial reporting requirements; and

WHEREAS, The Inter-Island Ferry Authority is required to produce regular accurate financial statements from a Certified Public Accountant; and

WHEREAS, Christine Harrington, Certified Public Accountant (CPA), has diligently conducted a thorough examination of the financial records of the Inter-Island Ferry Authority for Fiscal Year ending 2024; and

WHEREAS, The financial report prepared by Christine Harrington, CPA, provides a comprehensive and accurate representation of the Inter-Island Ferry Authority's financial position;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE INTER-ISLAND FERRY AUTHORITY, AS FOLLOWS:

The Inter-Island Ferry Authority's Board of Directors expresses its gratitude to Christine Harrington, CPA, for her professional services in ensuring the financial integrity of the Inter-Island Ferry Authority. The board of Directors hereby accepts and approves the financial reports submitted by the CPA, recognizing the thoroughness and accuracy of the CPA's examination.

This resolution shall become effective immediately upon approval.

Approved this 11th day of September 2025

Chair, Jeff Nickerson

ATTEST:

Secretary/Treasurer, Fred Hamilton

INTER-ISLAND FERRY AUTHORITY

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2024

INTER-ISLAND FERRY AUTHORITY

TABLE OF CONTENTS

June 30, 2024

	<u>Page</u>
Independent Auditor's Report	1 - 3
Basic financial statements:	4
Statement of Net Position	5 - 6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Basic Financial Statements	9 - 25
Required Supplementary Information	26
Public Employees Retirement System Pension Plan	
Schedule of IFA's Proportionate Share of the Net Pension Liability	27
Schedule of IFA's Contributions	28
Public Employees Retirement System OPEB Plans	
Schedule of IFA's Proportionate Share of Net OPEB Liability- ARHCT	29
Schedule of IFA's Proportionate Share of Net OPEB Liability- RMP	30
Schedule of IFA's Proportionate Share of Net OPEB Liability - ODD	31
Schedule of IFA's Contributions - ARHCT	32
Schedule of IFA's Contributions - RMP	33
Schedule of IFA's Contributions - ODD	34
Notes to Required Supplementary Information	35 - 36
Compliance Reports	37
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38 - 39

CHRISTINE E. HARRINGTON

Certified Public Accountant, LLC

329 Harbor Drive, Suite 210, P.O. Box 1328 Sitka, Alaska 99835 (907) 747-5500

To the Board of Directors of
Inter-Island Ferry Authority

Independent Auditor's Report

I have audited the accompanying financial statements of the Inter-Island Ferry Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Inter-Island Ferry Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Inter-Island Ferry Authority as of June 30, 2024, and the changes in in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Inter-Island Ferry Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Inter-Island Ferry Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. 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

generally accepted auditing standards 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, misrepresentation, or override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, I:

- Exercise professional judgement 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 Inter-Island Ferry Authority'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Inter-Island Ferry Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Net Pension Liability and Pension Contributions on pages 27 - 28, and the Other Post-Employment Benefit (OPEB) schedules on page 29 - 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2025 on my consideration of the Inter-Island Ferry Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Inter-Island Ferry Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Inter-Island Ferry Authority's internal control over financial reporting and compliance.

Christine E. Harrington

Sitka, Alaska
June 29, 2025

BASIC FINANCIAL STATEMENTS

INTER-ISLAND FERRY AUTHORITY

STATEMENT OF NET POSITION

June 30, 2024

ASSETS AND DEFERRED OUTFLOWS

Current assets:

Cash	\$	189,091
Accounts receivable		41,761
Grants receivable		251,199
Prepaid items		<u>184,712</u>

Total current assets 666,763

Noncurrent assets:

Property and equipment		35,292,446
Accumulated depreciation		<u>(23,579,897)</u>

Total property and equipment 11,712,549

Other long-term assets:

Net OPEB asset		<u>1,011,565</u>
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Total assets 13,390,877

Deferred outflows of resources

Pension related		284,125
OPEB related		<u>67,937</u>

Total deferred outflows 352,062

Total Assets and Deferred Outflows \$ 13,742,939

LIABILITIES AND DEFERRED INFLOWS

Current liabilities:

Accounts payable	\$	278,825
Accrued liabilities		256,552
Deferred revenue		<u>231,342</u>

Total current liabilities 766,719

Other liabilities

Net pension liability		<u>2,171,662</u>
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Total other liabilities 2,171,662

Total liabilities 2,938,381

INTER-ISLAND FERRY AUTHORITY

STATEMENT OF NET POSITION

(continued)

June 30, 2024

Deferred inflows of resources	
Pension related	-
OPEB related	59,491
	<hr/>
Total deferred inflows	59,491
	<hr/>
Total Liabilities and Deferred Inflows	2,997,872
NET POSITION	
Investment in capital assets	11,712,549
Unrestricted	(967,482)
	<hr/>
Total net position	10,745,067
	<hr/>
Total liabilities and net position	\$ 13,742,939
	<hr/> <hr/>

INTER-ISLAND FERRY AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2024

Operating revenues:

Sales to customers	\$ 3,509,122
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Operating expenses:

Vessel operations	5,983,178
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Shoreside operations	528,276
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Administrative expenses	<u>1,086,001</u>
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Total operating expenses	<u>7,597,455</u>
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Operating loss	(4,088,333)
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Nonoperating revenues (expenses):

Grant income	1,035,296
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Interest income	<u>464</u>
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Total nonoperating revenue (expenses)	<u>1,035,760</u>
---------------------------------------	------------------

Net loss	(3,052,573)
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Total net position - beginning of year	<u>13,797,640</u>
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Total net position - end of year	<u><u>\$ 10,745,067</u></u>
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INTER-ISLAND FERRY AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2024

Cash flows from operating activities:

Receipts from customers	\$ 3,522,476
Payments to suppliers	(2,369,492)
Payments to employees	<u>(2,817,925)</u>

Net cash flows used by operating activities (1,664,941)

Cash flows from noncapital financing activities:

Noncapital grants	<u>1,162,263</u>
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Net cash flows provided by noncapital financing activities 1,162,263

Cash flows from capital and related financing activities

Capital outlay	<u>(46,515)</u>
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Net cash flows used by capital and related financing activities (46,515)

Cash flows from investing activities:

Interest received	<u>464</u>
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Net cash flows provided by investing activities 464

Net change in cash and cash equivalents (548,729)

Cash and cash equivalents, beginning of year 737,820

Cash and cash equivalents, end of year \$ 189,091

Reconciliation of net operating loss to net cash flows from operating activities

Net operating loss \$ (4,088,333)

Adjustments to reconcile net loss to

net cash used by operating activities:

Depreciation	1,169,794
Noncash expense - PERS relief	37,306

Change in assets and liabilities:

Decrease in accounts receivable	7,491
Decrease in prepaid items	1,358,203
Increase in net OPEB asset	(219,208)
Increase in deferred outflows	(258)
Decrease in accounts payable	(124,378)
Decrease in accrued liabilities	(3,429)
Increase in deferred revenue	5,863
Increase in net pension liability	204,293
Decrease in deferred inflows	<u>(12,285)</u>

Net adjustments 2,423,392

Net cash used by operating activities \$ (1,664,941)

INTER-ISLAND FERRY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Inter-Island Ferry Authority ("IFA") is an Alaskan Port Authority, established in 1997 under AS 29.25.600-730, The Municipal Port Authority Act (Section 2ch 97 SLA 1992). Members included the Cities of Coffman Cove, Craig, Klawock, Hydaburg, and Thorne Bay, Alaska. Ferry service between Prince of Wales Island and Ketchikan began in January 2002.

The IFA is governed by a Board of Directors who are appointed by the City Councils of the participating communities. An additional member is appointed by the Board of Directors. Currently the IFA has six board members.

The financial statements include all the activities of the IFA. A component unit includes any governmental organization over which the primary government and its governing body exercise oversight responsibility. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The IFA has no component units.

B. Basis of Accounting

The IFA utilizes the flow of economic resources measurement focus. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

C. Operating and Nonoperating Revenues and Expenses

The IFA's revenues are derived primarily from providing transportation services to passengers and vehicles. Revenue is recognized on the accrual basis of accounting and is recorded when the services are provided. Grants, financing and investing transactions are reported as nonoperating revenues. All expenses related to operating the IFA are reported as operating expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts.

For the purposes of the statement of cash flows the IFA considers all highly liquid investments with a maturity of three months or less (if any) to be cash equivalents.

2. Receivables

The IFA records accounts receivable at estimated net realizable value. Due to the IFA's conservative credit policy, all the accounts receivable on June 30, 2024, are considered collectible. There is no allowance for uncollectable accounts.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items. Prepayments include insurance and amounts held by the State of Alaska as local match on grant funded refurbishment projects.

4. Capital Assets

Capital assets, which include property, plant, and equipment are defined by the IFA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Vessels and terminal buildings	30
Vehicles and terminal equipment	5
Equipment	5 - 10

5. Compensated Absences

It is the IFA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation leave is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

6. Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. A deferred inflow of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows and inflows of resources consist of certain pension and OPEB related accounts.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

8. Pensions and Other Postemployment Benefits (OPEB)

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, other postemployment benefits and pension expense, information about fiduciary net position of the Public Employees Retirement System and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

9. Deferred Revenue

Deferred revenue represents payments by customers for travel after June 30, 2024.

10. Net position and Net Position Flow Assumptions

Net position (deficit) represents the difference between assets and deferred outflows less liabilities and deferred outflows.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the expended and outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets.

Unrestricted net position (deficit) is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Note 2. Cash

IFA had the following deposits at June 30, 2024:

	Book Balance	Bank Balance
Checking	\$ 155,626	\$ 155,989
Savings	30,005	30,005
Petty cash	3,460	-
Total cash and cash equivalents	<u>\$ 189,091</u>	<u>\$ 185,994</u>

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the IFA's deposits may not be returned to it. It is the IFA's policy to fully collateralize its deposits with securities held in the name of the IFA by an agent of the financial institution holding the demand deposits. On June 30, 2024, of the bank balance, \$250,000 was covered by federal deposit insurance and any remaining amount was fully collateralized.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Fixed Assets

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, Being depreciated				
Vessels	\$ 33,903,301	\$ -	\$ -	\$ 33,903,301
Terminal buildings	1,080,486	-	-	1,080,486
Equipment	262,142	46,517	-	308,659
Total capital assets Being depreciated	35,245,929	46,517	-	35,292,446
Accumulated depreciation	(22,410,103)	(1,169,794)	-	(23,579,897)
Capital assets, net of depreciation	\$ 12,835,826	\$ (1,123,277)	\$ -	\$ 11,712,549

Depreciation expense of \$1,169,794 was charged to operations for the year ended June 30, 2024.

Note 4. Leases

The IFA operates the terminal in Hollis, Alaska under an Inter-Agency Land Management Agreement with the State of Alaska. There are no fees paid to the State of Alaska. The IFA is required to pay all operating and maintenance costs of the facility.

Note 5. Risk Management

The IFA 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 IFA carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The IFA has not accrued a liability for claims and judgments at June 30, 2024 because the amounts of potential claims at year end was determined not to be material. The IFA made no claim payments during fiscal year 2024.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Retirement Plans

A. Defined Benefit (DB) Pension Plan

General Information About the Plan

The IFA 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 to provide pension benefits. 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. The report is available via the internet at <https://drb.alaska.gov/docs/reports/#pers>. Actuarial valuations reports, audited financial statements, and additional detailed plan information are also available on this website.

PERS provides retirement, death and disability, and postemployment health care benefits. Participants are segregated into three tiers for PERS based on the participant's plan entry date. For all tiers within the defined benefits pension plans, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salaries times the number of years of service. The multiplier is dependent upon years of services for most employees. Each tier within the Plan establishes the criteria for normal retirement age, early retirement ages, and the calculation of average monthly salary, COLA adjustments, and other postemployment retirement benefits. A complete benefit comparison chart is available at the website noted above.

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

Special Funding Situation

In connection with the conversion of the PERS plan in 2008 from an agent-multiple employer plan to a cost-sharing plan, the State of Alaska passed 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 those paid to participants of the PERS Tier IV defined contribution plan.

State of Alaska statutes require the state to contribute an amount equal to the difference between the statutory employer contribution rate and the rate sufficient to pay the past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the plan is considered to be a special funding situation as defined by GASB. The IFA has recorded the related on-behalf of contribution as both revenue and expense.

The IFA recorded the related on-behalf contributions as revenue and expense as prescribed by GAAP.

Employee Contribution Rates

IFA employees are required to contribute 6.75% of their annual covered salary.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare 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 percentage 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 normally paid 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 Contractual Rate. 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 for the year ended June 30, 2024 were determined in the June 30, 2022 actuarial valuation. The IFA's contribution rates for the 2024 fiscal year were as follows:

	ARM Board Adopted Rate	State Contribution Rate
Pension	18.47%	3.10%
Postemployment healthcare (ARHCT)	-%	-%
Defined contribution - Pension	6.63%	-%
Total contribution rates	25.10%	3.10%

Alaska statute capped the employer rate at 22% with the State of Alaska making a non-employer contribution for the difference between actuarially required contribution and the cap. For the fiscal year the employer rate is 22% for pension and 0.00% for ARHCT. The contribution requirements for the IFA are established and may be amended by the ARMB. Additionally, there is a 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 22.0% less (b) total of the employer contribution for defined contribution employer match amount, (2) major medical, (3) occupational death and disability, and (4) health reimbursement arrangement. This difference is deposited based on an actuarial allocation into the defined benefit's pension and healthcare funds.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

In 2024, the IFA was credited with the following contributions to the pension plan.

	Measurement Period July 1, 2022 - June 30, 2023	IFA Fiscal Year July 1, 2023 - June 30, 2024
Employer contributions (including DBUL)	\$ 208,810	\$ 227,441
Non-employer contribution (on-behalf)	37,306	43,419
Total PERS contributions	<u>\$ 246,116</u>	<u>\$ 270,860</u>

Participating employees contributed \$29,185 to the Plan during the IFA's fiscal year.

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

At June 30, 2024, the IFA reported a liability for its proportionate share of the net pension liability. The amount recognized by the IFA as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability associated with the IFA were as follows:

IFA's proportionate share of the NPL	\$ 2,171,662
State's proportionate share of the NPL associated with the IFA	<u>724,254</u>
Total net pension liability	<u>\$ 2,895,916</u>

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 and adjusted to reflect updated assumptions to calculate the net pension liability as of that date. The IFA's proportion of the net pension liabilities were based on a projection of the IFA's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2023 measurement date, the IFA's proportion of the PERS net pension liability was 0.04188 percent, which is an increase of .00328 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the IFA recognized pension expense of \$419,381 and on-behalf of revenue of \$37,306.

At June 30, 2024, the IFA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

	Deferred Outflows of Resources	Deferred Inflows of Resources
IFA contributions subsequent to the measurement date	\$ 227,441	\$ -
Net difference between projected and actual earnings on pension plan investments	<u>56,684</u>	<u>-</u>
Total Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	<u>\$ 284,125</u>	<u>\$ -</u>

The amount reported as deferred outflows of resources related to pensions resulting from the IFA's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2024	\$ (21,498)
2025	(47,546)
2026	128,629
2027	<u>(2,901)</u>
Total amortization	<u>\$ 56,684</u>

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation rate	2.50%
Salary increases	Salary increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2023 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contributions for the Plan for fiscal years 2024 to 2039. The liability is expected to go to zero at 2039.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5 % and a real rate of return of 4.75%.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Mortality

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% male and 106% of female rates the Pub-2010 General Retiree table, amount-weighted, and projected with MP-2010 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 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 102% of male and 108% of female rates of the Pub 2010 Contingent Survivor table, amount-weighted, and projected with MP2021 generational improvement. These rates are applied only after the death of the original member.

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

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 investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. Best estimates of arithmetic real return, excluding the inflation component of 2.82%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table.

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

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Discount Rate

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

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

The following presents the IFA's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the IFA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share		1% Decrease (6.25%)		Discount Rate (7.25%)		1% Increase (8.25%)
IFA's proportionate share of the net pension liability	0.04188%	\$	2,915,451	\$	2,171,662	\$	1,543,381

Pension Plan Fiduciary Net Position

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

B. Defined Contribution (DC) Pension Plan

Employees hired on or after July 1, 2006 participate in PERS Tier IV, a DC plan. The Plan is administered by the State of Alaska, Department of Administration in conjunction with the DB plan described in the notes 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. The Plan is included in the comprehensive annual financial reports for PERS at the following website, <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 non-employer contributions. In addition, employers are required to contribute 22% of all PERS defined contribution wages. After deducting the DC plan contributions (and related OPEB contribution), the remaining amount remitted (the DBUL) is deposited into the defined benefit 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 with five years of service. Nonvested employer contributions are forfeited upon termination of employment from the Plan. Such forfeitures were applied in the year ended June 30, 2024 to cover a portion of the IFA's employer match contributions. For the year ended June 30, 2024, forfeitures reduced pension expense by \$0.

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Employee Contribution Rate

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

Employer Contribution Rates

For the year ended June 30, 2024, the IFA was required to contribute 5% of covered salary into the Plan.

The IFA and employee contributions to PERS for pensions for the year ended June 30, 2024, were \$54,577 and \$87,323, respectively. IFA contributions are recognized as pension expense.

C. Defined Benefit OPEB Plan

As part of its participation in the PERS, the IFA 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 is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The OPEB plans are included in a annual comprehensive financial report for PERS, at the follow 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 June 30, 2024 were as follows:

Alaska Retiree Healthcare Trust	-%
Retiree Medical Plan	1.01%
Occupational Death and Disability	0.30%
Total contribution rates	1.31%

In 2024, the IFA was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2022 - June 30, 2023	IFA Fiscal Year July 1, 2023 - June 30, 2024
Employer contribution -ARHCT	\$ -	\$ -
Employer contribution - RMP	10,160	11,025
Employer contribution – ODD	2,771	3,275
Total Contributions	\$ 12,931	\$ 14,300

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2024, the IFA reported an asset of for its proportionate share of the net OPEB asset (NOA) that reflected a deduction for State OPEB support provided to the IFA. The amount recognized by the IFA as its proportionate share, the related State proportion and the total were as follows:

IFA's proportionate share of NOA - ARHCT	\$	962,635
IFA's proportionate share of NOA – RMP		25,723
IFA's proportionate share of NOA - ODD		<u>23,207</u>
Total IFA Proportionate Share of Net OPEB Asset		1,011,565
State's proportionate share of the ARHCT NOA associated with IFA		<u>323,774</u>
Total net OPEB asset	\$	<u>1,335,339</u>

The total OPEB liabilities (assets) for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 to calculate the net OPEB liabilities as of that date. The IFA's proportion of the net OPEB liabilities (assets) is based on a projection of the IFA's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30,2022 Measurement Date Employer Proportion	June 30, 2023 Measurement Date Employer Proportion	Change
IFA's proportionate share of the net OPEB liability			
ARHCT	0.03832%	0.04184%	0.00352%
RMP	0.04503%	0.05418%	0.00915%
ODD	0.05368%	0.04523%	0.00845%

For the year ended June 30, 2024, the IFA recognized OPEB expense of \$(197,794). The OPEB expense is listed by plan in the table below.

Alaska Retiree Healthcare Trust	\$	(200,569)
Retiree Medical Plan		3,169
Occupational Death and Disability		<u>(394)</u>
Total	\$	<u>(197,794)</u>

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

At June 30, 2024, the IFA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflow of Resources

	ARHCT	RMP	ODD
Difference between actual and expected experience	\$ -	\$ 784	\$ -
Changes in assumptions	1,999	2,766	-
Net difference between projected and actual investment earnings on plan investments	43,815	2,156	536
Changes in proportion and differences between employer contributions	-	399	1,183
IFA contributions subsequent to the measurement date	-	11,024	3,275
Total deferred outflow of resources	<u>\$ 45,814</u>	<u>\$ 17,129</u>	<u>\$ 4,994</u>

Deferred Inflow of Resources

Difference between actual and expected experience	\$ -	\$ (830)	\$ (6,521)
Change in assumptions	(17,715)	(20,920)	(97)
Change in proportion and differences between employer contributions	<u>(11,546)</u>	<u>(889)</u>	<u>(973)</u>
Total deferred inflows of resources	<u>\$ (29,261)</u>	<u>\$ (22,639)</u>	<u>\$ (7,591)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from the IFA's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2024	\$ (51,066)
2025	(44,843)
2026	104,446
2027	(7,641)
2028	(3,662)
Thereafter	<u>(3,087)</u>
	<u>\$ (5,853)</u>

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total OPEB liability for each plan was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Actuarial cost method	Entry age normal
Amortization method	Unfunded accrued actuarial liability, level percent of pay basis
Inflation rate	2.50%
Salary increases	Increases range from 6.75% to 2.85% based on service.
Allocation methodology	Amounts for the June 30, 2023 measurement date were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total present value of projected future contribution to the Plan for fiscal years 2024 to 2039.
Investment rate of return	7.25%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.5 % and a real rate of return of 4.75%.
Healthcare cost trend rates	Pre-65 medical: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.2% grading down to 4.5% Rx/EGWP: 7.2% grading down to 4.5% Initial trend rates are from FY 2024 Ultimate trend rates reached in FY 2050
Mortality	<p>ARHCT and RMP Plans – Pre-commencement mortality rates are based on the Pub-2010 General Employee table, headcount-weighted, and projected with MP-2021 generational improvement. Deaths are assumed to result from occupational causes 35% of the time. Post-commencement mortality rates for healthy retirees were based on 101% of male and 110% of female rate 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-2010 generational improvement. These rates are applied only after the death of the original member.</p> <p>ODD Plan – Pre-commencement mortality rates are 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-</p>

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

commencement mortality rates for healthy retirees were based on 98% of male and 106% of female rate 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-2020 generational improvement. These rates are applied only after the death of the original member.

ARHCT and ODD Plans – Deaths are assumed to result from occupational causes 35% of the time.

Participation (ARHCT)	100% of system paid members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible.
All others	25% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

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

Long-term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equities	27%	6.17%
Global equity (non-U.S.)	18%	6.55%
Aggregate bonds	19%	1.63%
Multi-asset	8%	-%
Real assets	14%	4.87%
Private equity	14%	11.57%
Cash equivalents	-%	0.49%

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Discount Rate

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

Sensitivity of the Net OPEB to Changes in the Discount Rate

The following presents the IFA's proportionate share of the net OPEB assets calculated using the discount rate of 7.25% as well as what the IFA's proportionate share of the net OPEB 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:

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
ARHCT	\$ (639,859)	\$ (962,632)	\$ (1,233,789)
RMP	(894)	(25,726)	(44,695)
ODD	(21,805)	(23,207)	(24,298)

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

The following presents the IFA's proportionate share of the net OPEB asset calculated using the healthcare cost trend rate as summarized in the 2022 actuarial valuation reports, as well as what the IFA's proportionate share of the net OPEB liabilities would be if it were calculated using healthcare cost trend rates that one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
ARHCT	\$ (1,264,805)	\$ (962,632)	\$ (602,838)
RMP	(47,241)	(25,726)	3,174
ODD	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 reports.

Defined Contribution OPEB

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

INTER-ISLAND FERRY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Contribution Rates

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

Annual Postemployment Healthcare Cost

In fiscal year 2024, the IFA contributed \$38,952 to the DC OPEB plan. These amounts have been recognized as an expense.

Note 7. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenses which may be disallowed by the grantors cannot be determined at this time although the IFA expects such amounts, if any, to be immaterial.

Note 8. New Accounting Pronouncements

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

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

GASB Statement N. 102 – Certain Risk Disclosures – Effective for year-end June 30, 2025. Earlier application is encouraged. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosures will provide financial statement users timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

GASB Statement No. 103 – Financial Reporting Model Improvements – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104 – Disclosure of Certain Capital Assets – Effective for year-end June 30, 2026. Earlier application is encouraged. The objective of this Statement is to provide users of government financial statement with essential information about certain types of capital assets to make informed decisions and assess accountability. The disclosure requirements will improve consistency and comparability between governments.

REQUIRED SUPPLEMENTARY INFORMATION

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHEDULE OF THE IFA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Year ended June 30,</u>	<u>IFA's Proportion of Net Pension Liability</u>	<u>IFA's Proportionate Share of the Net Pension Liability</u>	<u>State of Alaska Proportionate Share of the Net Pension Liability</u>	<u>Total Net Pension Liability</u>	<u>IFA's Covered Payroll</u>	<u>IFA's Proportionate Share of the Net Pension Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.02662%	\$ 1,241,639	\$ 1,119,359	\$ 2,360,998	\$ 1,118,894	111%	62.37%
2016	0.04767%	2,311,860	621,166	2,933,026	1,212,649	191%	63.96%
2017	0.05031%	2,812,250	354,645	3,166,895	1,144,825	246%	59.55%
2018	0.03922%	2,027,635	789,000	2,816,635	1,163,198	174%	63.37%
2019	0.03940%	1,957,822	568,062	2,525,884	1,196,086	164%	65.19%
2020	0.03880%	2,123,747	846,472	2,970,219	1,213,048	175%	63.42%
2021	0.03856%	2,275,560	944,706	3,220,266	1,197,944	190%	61.61%
2022	0.04486%	1,645,506	220,971	1,866,477	1,162,458	142%	76.46%
2023	0.03860%	1,967,369	541,395	2,508,764	1,322,515	149%	67.97%
2024	0.04188%	2,171,662	724,254	2,895,916	1,368,616	159%	68.23%

INTER-ISLAND FERRY AUTHORITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF IFA'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>IFA's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 119,015	\$ 119,015	\$ -	\$ 1,212,649	9.81%
2016	115,013	115,013	-	1,144,825	10.05%
2017	131,763	131,763	-	1,163,198	11.33%
2018	154,317	154,317	-	1,196,086	12.90%
2019	143,658	143,658	-	1,218,048	11.79%
2020	127,305	127,305	-	1,197,944	10.63%
2021	146,447	146,447	-	1,162,458	12.60%
2022	173,201	173,201	-	1,322,515	13.10%
2023	208,810	208,810	-	1,368,616	15.26%
2024	227,441	227,441	-	1,523,906	14.92%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE IFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - ARHCT

<u>Year ended June 30,</u>	<u>IFA's Proportion of Net OPEB Liability</u>	<u>IFA's Proportionate Share of the Net OPEB Liability/(Asset)</u>	<u>State of Alaska Proportionate Share of the Net OPEB Liability/(Asset)</u>	<u>Total Net OPEB OPEB Liability/(Asset)</u>	<u>IFA Covered Payroll</u>	<u>IFA's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability(Asset)</u>
2018	0.03913%	\$ 330,523	\$ 123,158	\$ 453,681	\$ 1,163,198	28%	89.68%
2019	0.03940%	404,350	117,642	521,992	1,196,086	34%	88.12%
2020	0.03880%	57,532	22,905	80,437	1,213,048	5%	98.13%
2021	0.03850%	(174,326)	(72,504)	(246,830)	1,197,944	-15%	106.15%
2022	0.04517%	(1,158,725)	(151,688)	(1,310,413)	1,162,458	-99.68%	135.54%
2023	0.03832%	(753,979)	(215,566)	(969,545)	1,322,515	-57.01%	128.51%
2024	0.04184%	(962,635)	(323,774)	(1,286,409)	1,523,906	-63.17%	133.96%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE IFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - RMP

<u>Year ended June 30,</u>	<u>IFA's Proportion of Net OPEB Liability</u>	<u>IFA's Proportionate Share of the Net OPEB Liability(Asset)</u>	<u>IFA Covered Payroll</u>	<u>IFA's Proportionate Share of the Net OPEB Liability(Asset) as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability(Asset)</u>
2018	0.05662%	\$ 2,953	\$ 589,203	0.50%	93.98%
2019	0.05493%	6,990	621,710	1.12%	88.71%
2020	0.05501%	13,161	689,960	1.91%	83.17%
2021	0.05840%	4,142	789,186	0.52%	95.23%
2022	0.04906%	(13,168)	719,454	-1.83%	115.10%
2023	0.04503%	(19,739)	848,415	-2.33%	120.08%
2024	0.05418%	(25,723)	923,617	-2.79%	124.29%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN

SCHEDULE OF THE IFA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) - ODD

<u>Year ended June 30,</u>	<u>IFA's Proportion of Net OPEB Liability</u>	<u>IFA's Proportionate Share of the Net OPEB Liability(Asset)</u>	<u>IFA Covered Payroll</u>	<u>IFA's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2018	0.05662%	\$ (8,033)	\$ 589,203	-1.36%	212.97%
2019	0.05493%	(10,669)	621,710	-1.72%	270.62%
2020	0.04393%	(10,652)	689,960	-1.54%	297.43%
2021	0.04679%	(12,755)	789,186	-1.62%	238.80%
2022	0.04167%	(18,364)	719,454	-2.55%	374.22%
2023	0.05368%	(18,643)	848,415	-2.20%	348.80%
2024	0.04523%	(23,207)	923,617	-2.51%	349.24%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - ARHCT

SCHEDULE OF IFA'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>IFA's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 43,988	\$ 43,988	\$ -	\$ 1,196,086	3.68%
2019	51,975	51,975	-	1,218,048	4.27%
2020	50,857	50,857	-	1,197,944	4.25%
2021	32,917	32,917	-	1,162,458	2.83%
2022	30,627	30,627	-	1,322,515	2.32%
2023	-	-	-	1,368,616	0.00%
2024	-	-	-	1,523,906	0.00%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - RMP

SCHEDULE OF IFA'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>IFA's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 5,423	\$ 5,423	\$ -	\$ 621,710	0.87%
2019	6,468	6,468	-	689,960	0.94%
2020	10,417	10,417	-	789,186	1.32%
2021	9,155	9,155	-	719,454	1.27%
2022	9,083	9,083	-	848,415	1.07%
2023	10,160	10,160	-	923,617	1.10%
2024	11,025	11,025	-	1,091,535	1.01%

INTER-ISLAND FERRY AUTHORITY

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB PLAN - ODD

SCHEDULE OF IFA'S CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>IFA's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 1,527	\$ 1,527	\$ -	\$ 621,710	0.25%
2019	1,756	1,756	-	689,960	0.25%
2020	2,052	2,052	-	789,186	0.26%
2021	2,213	2,213	-	719,454	0.31%
2022	2,598	2,598	-	848,415	0.31%
2023	2,771	2,771	-	923,617	0.30%
2024	3,275	3,275	-	1,091,535	0.30%

INTER-ISLAND FERRY AUTHORITY

Notes to Required Supplementary Information

June 30, 2024

Note 1. Public Employees' Retirement System Pension Plan

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

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

Changes in Assumptions:

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

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

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

GASB requires ten years of information be presented.

Schedule of IFA Contributions

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

GASB requires ten years of information to be presented.

Note 2. Public Employees' Retirement System OPEB Plans (ARHCT, RMP, ODD)

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

These tables are presented based on the Plan measurement date. For June 30, 2024, the Plan measurement date is June 30, 2023.

Changes in Assumptions:

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

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

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

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

Schedule of IFA Contributions

These tables are based on the IFA's contributions for each fiscal year presented. The contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

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

COMPLIANCE REPORT

CHRISTINE E. HARRINGTON

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Directors
Inter-Island Ferry Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Inter-Island Ferry Authority, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the Inter-Island Ferry Authority's basic financial statements and have issued my report thereon dated June 29, 2025

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Inter-Island Ferry Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Inter-Island Ferry Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Inter-Island Ferry Authority's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Inter-Island Ferry Authority's financial statements are free of material misstatement, I performed tests of its compliance with

certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christine E Harrington

Sitka, Alaska
June 29, 2025