

HAINES BOROUGH  
FEDERAL AND STATE SINGLE AUDIT REPORTS  
For the Year Ended June 30, 2016

HAINES BOROUGH  
FEDERAL AND STATE SINGLE AUDIT REPORTS  
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# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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*

To the Borough Assembly and Borough Manager  
Haines Borough  
Haines, Alaska

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haines Borough (the Borough) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated January 18, 2017. Our report includes a reference to other auditors who audited the financial statements of the Borough's School District, as described in our report on Haines Borough's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the Borough in a separate letter dated January 18, 2017.

## **Purpose of this Report**

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

A handwritten signature in black ink, consisting of the letters 'E', 'R', and 'M' in a stylized, cursive-like font.

January 18, 2017

# ELGEE REHFELD MERTZ, LLC

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *UNIFORM GUIDANCE*

To the Borough Assembly and Borough Manager  
Haines Borough  
Haines, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited Haines Borough's (the Borough) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Borough's major federal program for the year ended June 30, 2016. The Borough's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Borough's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Borough's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Borough complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **Report on Internal Control over Compliance**

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon dated January 18, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink, consisting of the letters 'E', 'R', and 'M' in a stylized, cursive font.

January 18, 2017

HAINES BOROUGH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Federal Assistance Description	CFDA Number	Award Number	Passed Through to Subrecipients	Expenditures
<b>Department of Agriculture</b>				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development				
National Forest Receipts Title I	10.665	n/a	\$ -	\$ 145,551
Total Department of Agriculture			-	145,551
<b>Department of the Interior</b>				
Payments in Lieu of Taxes	15.226	n/a	-	344,344
Passed through the State of Alaska Department of Commerce, Community, and Economic Development				
Brown Parcel Acquisition	15.668	10-CIAP-026	-	1,326
Total Department of the Interior			-	345,670
<b>Institute of Museum and Library Services</b>				
Native American and Native Hawaiian Library Services				
Passed through Chilkoot Indian Association				
Basic with Education/Assessment Option	45.311	n/a	-	7,000
Enhancement Grant	45.311	n/a	-	48,257
Total Institute of Museum and Library Services			-	55,257
<b>Department of Transportation</b>				
Federal Highway Administration				
Passed through the State of Alaska Department of Transportation and Public Facilities				
Picture Point Wayside Project	20.205	AK-SB12(7)	-	63,385
Acquisition of Picture Point	20.205	SB-AK-11(02)	-	27,826
Total Department of Transportation			-	91,211
<b>Environmental Protection Agency</b>				
Passed through the State of Alaska Department of Environmental Conservation				
Piedad Springs Water Source Upgrades - Loan Proceeds	66.468	ADWF#395171	-	143,506
Piedad Springs Water Source Upgrades - Loan Principal Forgiveness	66.468	ADWF#395171	-	118,566
A/C Pipe Replacement - Loan Principal Forgiveness	66.468	ADWF#395141	-	88,386
A/C Pipe Replacement - Allen Road - Loan Principal Forgiveness	66.468	ADWF#395191	-	62,445
Total Environmental Protection Agency			-	412,903
<b>National Endowment for the Humanities</b>				
Passed through Sheldon Museum and Cultural Center, Inc.				
Analyzing Climate Control	45.149	n/a	-	1,250
Total National Endowment for the Humanities			-	1,250
Total Federal Expenditures			\$ -	\$ 1,051,842

See Notes to Schedule of Expenditures of Federal Awards.



HAINES BOROUGH  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of Haines Borough. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Haines Borough's reporting entity is defined in Note 1 to Haines Borough's basic financial statements. Federal awards received directly from federal agencies, as well as federal financial assistance passed through other government agencies are included in the schedule.

Basis of Accounting

Expenditures reported on the accompanying SEFA are presented using the modified-accrual basis of accounting, which is described in Note 1 to Haines Borough's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Haines Borough has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Loans Outstanding

At June 30, 2016, there was an outstanding balance of \$919,631 on loans obtained in the current or previous years. Of this balance, \$143,506 is included in the Schedule of Expenditures of Federal Awards as loan proceeds used in the current fiscal year.

Relationship to Basic Financial Statements

The following is a reconciliation of federal revenues reported in Haines Borough's basic financial statements to federal expenditures reported in the Schedule of Expenditures of Federal Awards:

As reported in the Statement of Revenues, Expenditures,  
and Changes in Fund Balances – Governmental Funds:

Intergovernmental revenues – federal grants and contracts	\$ 200,808
Federal payments in lieu of taxes	344,344

Plus-

Amounts reported as federal expenditures in the Schedule of Expenditures of Federal Awards, but not included as federal revenue in the basic financial statements:

Federal loan proceeds and principle forgiveness passed through the State of Alaska	412,903
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Federal grants passed through the State of Alaska, shown as state revenues in the basic financial statements	92,537
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Component units' grants	<u>1,250</u>
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Total federal expenditures as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 1,051,842</u>
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HAINES BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016

**SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements noted?        Yes   x   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?        Yes   x   No

Major programs:

<u>CFDA #</u>	<u>NAME</u>
15.226	Payments in Lieu of Taxes

Auditee qualified as a low-risk auditee?   x   Yes        No

HAINES BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported for 2016.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported for 2016.

HAINES BOROUGH  
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL FINDINGS  
For the Year Ended June 30, 2016

**FINANCIAL STATEMENT AUDIT**

None reported for 2015.

**MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported for 2015.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE *STATE OF ALASKA* *AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

To the Borough Assembly and Borough Manager  
Haines Borough  
Haines, Alaska

### **Report on Compliance for Each Major State Program**

We have audited Haines Borough's (the Borough) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the Borough's major state programs for the year ended June 30, 2016. The Borough's major state programs are identified in the accompanying schedule of state financial assistance.

The Borough's financial statements include the operations of the Borough's School District, which received \$3,455,438 in state awards which is not included in the Borough's schedule of state financial assistance during the year ended June 30, 2016. Our compliance audit, described below, did not include the operations of the Borough's School District because the Haines Borough School District engaged other auditors to perform an audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

### **Auditor's Responsibility**

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

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

## **Opinion on Each Major State Program**

In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and which are described in the accompanying schedule of findings and questioned costs as items 2016-001. Our opinion on each major state program is not modified with respect to these matters.

The Borough's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Borough's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a significant deficiency.

The Borough's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Borough's response was not subjected to the

auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

We have audited the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements. We issued our report thereon dated January 18, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Borough's financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



January 18, 2017

HAINES BOROUGH  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2016

State Agency and Program Name	Award Number	Expenditures
<b>Department of Commerce, Community, and Economic Development</b>		
Haines Boat Harbor and Breakwater Improvements	13-DC-580	* \$ 313,172
High School Roof	15-DC-059	56,803
State Revenue Sharing	n/a	* 574,555
Total Department of Commerce, Community, and Economic Development		944,530
<b>Department of Environmental Conservation</b>		
Lily Lake Water Line Replacement	MMG#39539	* 301,961
Piedad Springs Water Source Upgrades - Loan Proceeds	ADWF#395171	* 75,900
A/C Pipeline Replacement - Allen Road - Loan Principal Forgiveness	ADWF#395191	71,166
Total Department of Environmental Conservation		449,027
<b>Department of Education and Early Development</b>		
Haines Schools Renovation Completion	GR-09-030	1,262
G.O. Bond School Debt Reimbursement	n/a	* 918,799
Public Library Assistance Grant	n/a	6,650
Library Travel Grant	n/a	2,460
Division of Libraries, Archives and Museums - FY14 Grant-In-Aid	n/a	2,229
Total Department of Education and Early Development		931,400
<b>Department of Administration</b>		
Vehicle Registration	n/a	28,434
PERS On-Behalf Funding	HB65	* 124,451
Total Department of Administration		152,885
<b>Department of Corrections</b>		
Jail Capital Projects FY14	n/a	8,533
Total Department of Corrections		8,533
<b>Department of Public Safety</b>		
Public Safety	n/a	3,780
Total Department of Public Safety		3,780
<b>Alaska Energy Authority</b>		
Haines Borough Municipal Building Biomass Project	7071021	* 117,333
Total Alaska Energy Authority		117,333
<b>Department of Revenue</b>		
Raw Fish Tax	n/a	* 212,855
Shared Taxes - Liquor Tax	n/a	17,250
Shared Taxes - Fisheries Business Tax	n/a	2,071
Shared Taxes - Marine Passenger Vessel Tax	n/a	* 187,625
Total Department of Revenue		419,801
Total State Expenditures		\$ 3,027,289

\* Denotes major program

See Notes to Schedule of State Financial Assistance.



HAINES BOROUGH  
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2016

General

The accompanying Schedule of State Financial Assistance presents the activity of all state financial assistance programs of Haines Borough. Haines Borough's reporting entity is defined in Note 1 of Haines Borough's financial statements. State financial assistance received directly from state agencies is included in the schedule.

Basis of Accounting

The accompanying Schedule of State Financial Assistance is presented using the modified-accrual basis of accounting, which is described in Note 1 of Haines Borough's financial statements.

Relationship to Financial Statements

The following is a reconciliation of state revenues reported in Haines Borough's financial statements to state expenditures reported in the Schedule of State Financial Assistance:

State revenues and capital contributions as reported in the basic financial statements:

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 2,594,932
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Statement of Revenues, Expenditures, and Changes in Fund Balances – Enterprise Funds	1,021,720
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Plus-

Amounts reported as state expenditures in the Schedule of State Financial Assistance, but not included as state revenue in the basic financial statements-

Component units' grants	2,229
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Less-

Amounts reported as state revenue in the basic financial statements, but not included as state expenditures in the Schedule of State Financial Assistance:

Federal assistance passed through the State of Alaska	(356,649)
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Grant revenue returned due to noncompliance	(15,209)
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State and local contracts	<u>(219,734)</u>
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State expenditures as reported on the Schedule of State Financial Assistance

\$ 3,027,289

HAINES BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

**SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?        None reported

Noncompliance material to financial statements noted?        Yes   x   No

***State Awards***

Internal control over compliance:

- Material weakness(es) identified?        Yes   x   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   x   Yes        No

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

Dollar threshold used to distinguish a state major program: \$75,000

Any audit findings disclosed that are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*?   x   Yes        No

HAINES BOROUGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2016

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported for 2016.

**FINDINGS AND QUESTIONED COSTS – MAJOR STATE AWARD PROGRAMS AUDIT**

<b><u>2016-001</u></b>	Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting
Program:	Alaska Energy Authority, Haines Municipal Building Biomass Project
Criteria:	<p>The grant agreement between Alaska Energy Authority and the Haines Borough states that the grant agreement is subject to 2 AAC 45.010, along with any additional audit requirements outlined in Appendix D.</p> <p>Per Appendix D of the grant agreement, “The Grantee will provide monthly progress and financial reports by email to the Authority Project Manager... These Monthly Progress Reports, which are due within 30 days of the end of the previous month...”</p>
Condition and Context:	Haines Borough failed to report three of the required monthly progress reports timely, as set forth in the grant agreement.
Cause:	Haines Borough hired a contractor to administer this grant and while the contractor was out of the country, the grant administer functions were not performed.
Effect:	The grantor could consider Haines Borough noncompliant, and take corrective action.
Questioned costs:	There are no questioned costs associated with this finding.
Repeat Finding	This is not a repeat finding.
Recommendation:	Management should review all grant requirements set forth in each grant award to ensure they stay in compliance with all applicable grant agreements.
View of Responsible Officials:	Management concurs with the finding and recommendation. See also corrective action plan.

HAINES BOROUGH  
SUMMARY SCHEDULE OF PRIOR YEAR STATE FINDINGS

For the Year Ended June 30, 2016

**FINANCIAL STATEMENTS**

None reported for 2015.

**MAJOR STATE AWARD PROGRAMS AUDIT**

None reported for 2015.

HAINES BOROUGH

CORRECTIVE ACTION PLAN

**Corrective Action Plan 2016-001**

Management has improved grant related controls and processes over the last several years, and plans to continue these efforts including to ensure that there is sufficient assignment of responsibility of all grant related compliance requirements.

**Person to Contact**

Jila Stuart, Finance Director.