

HAINES BOROUGH  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

HAINES BOROUGH  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Net Position (Deficit)	3
Statement of Activities	4
Balance Sheets - Governmental Funds	5
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Balance Sheets - Proprietary Funds	8
Statements of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	9
Statements of Cash Flows - Proprietary Funds	10
Component Units Combining Statement of Net Position (Deficit)	11
Component Units Combining Statement of Activities	12
Notes to Financial Statements	13 - 43
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedule - Passenger Vessel Tax Special Revenue Fund	45
Schedule of the Borough's Proportionate Share of the Net Pension Liability	46
Schedule of Borough Contributions	47
Schedule of the School District's Proportionate Share of the Net Pension Liability	48
Schedule of School District Contributions	49

# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801  
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Borough Assembly and Borough Manager  
Haines Borough

### **Report on the Financial Statements**

We have audited the accompanying 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 Haines Borough (the Borough), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Borough's 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; this includes 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.

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Haines Borough School District, which represent 2.28% of total assets in the statement of net position and 23% of total revenues in the statement of activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haines Borough School District, is based on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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*, we have also issued our report dated December 26, 2017 on our consideration of the Borough's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Borough's internal control over financial reporting and compliance.



December 26, 2017

HAINES BOROUGH  
STATEMENT OF NET POSITION (DEFICIT)

June 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	\$ 804,717	\$ 300	\$ 805,017	\$ 1,078,533
Investments	9,030,646	-	9,030,646	5,443
Receivables	557,650	2,761,998	3,319,648	210,880
Internal balances, net	(2,033,863)	2,033,863	-	-
Due from component units	23,843	-	23,843	-
Due from governmental entity	-	-	-	362
Inventory and prepaid expenses	49,426	172,856	222,282	188,493
Total current assets	8,432,419	4,969,017	13,401,436	1,483,711
Restricted Assets				
Cash and cash equivalents	15,779	-	15,779	-
Investments	8,728,899	-	8,728,899	-
Revenue bond debt service reserve investments	-	87,344	87,344	-
Receivables	53,916	-	53,916	-
Noncurrent Assets				
Receivables, net of current portion	179,559	-	179,559	-
Capital assets, net	31,798,652	41,286,046	73,084,698	187,286
Total assets	49,209,224	46,342,407	95,551,631	1,670,997
Deferred Outflows of Resources	744,030	121,122	865,152	814,974
Total assets and deferred outflows of resources	49,953,254	46,463,529	96,416,783	2,485,971
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current Liabilities				
Accounts payable and accrued expenses	399,670	1,292,479	1,692,149	18,291
Accrued payroll	243,515	-	243,515	65,273
Due to primary government	-	-	-	24,205
Due to component units	163,851	-	163,851	-
Deposits	-	48,705	48,705	-
Unearned revenue	277,264	-	277,264	15,907
Current portion of long-term obligations	1,060,710	112,986	1,173,696	-
Total current liabilities	2,145,010	1,454,170	3,599,180	123,676
Noncurrent Liabilities				
Compensated absences	179,625	34,098	213,723	-
Accrued vacation	-	-	-	101,213
Bonds and loans payable	10,105,605	2,109,766	12,215,371	-
Net pension liability	4,313,787	702,243	5,016,030	3,998,401
Total liabilities	16,744,027	4,300,277	21,044,304	4,223,290
Deferred Inflows of Resources	503,649	81,990	585,639	227,741
Total liabilities and deferred inflows of resources	17,247,676	4,382,267	21,629,943	4,451,031
NET POSITION (DEFICIT)				
Net investment in capital assets	20,632,337	39,240,755	59,873,092	187,286
Restricted for				
Bond reserves	-	87,344	87,344	-
Medical services	162,708	-	162,708	-
Capital projects	1,538,764	-	1,538,764	-
Economic development	502,308	-	502,308	-
Museum projects and other	-	-	-	196,004
Permanent fund - nonexpendable	7,396,826	-	7,396,826	-
Unrestricted	2,472,635	2,753,163	5,225,798	(2,348,350)
Total net position (deficit)	\$ 32,705,578	\$ 42,081,262	\$ 74,786,840	\$ (1,965,060)

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Governmental activities								
General government	\$ 819,867	\$ -	\$ -	\$ -	\$ (819,867)	\$ -	\$ (819,867)	\$ -
Public safety	1,997,734	2,337	223,168	-	(1,772,229)	-	(1,772,229)	-
Public works and streets	1,856,726	750	-	66,636	(1,789,340)	-	(1,789,340)	-
Economic development	596,118	-	-	-	(596,118)	-	(596,118)	-
Education	2,607,720	-	-	712,515	(1,895,205)	-	(1,895,205)	-
Port development	121,241	-	185,095	-	63,854	-	63,854	-
Culture, recreation and library	1,370,638	76,548	-	-	(1,294,090)	-	(1,294,090)	-
Interest on long-term debt	484,434	-	-	-	(484,434)	-	(484,434)	-
Total governmental activities	9,854,478	79,635	408,263	779,151	(8,587,429)	-	(8,587,429)	-
Business-type activities								
Water	672,739	422,230	-	-	-	(250,509)	(250,509)	-
Sewer	683,596	494,748	-	-	-	(188,848)	(188,848)	-
Small boat harbor	749,355	530,233	-	-	-	(219,122)	(219,122)	-
Lutak dock	325,238	476,687	-	-	-	151,449	151,449	-
Port Chilkoot dock	474,029	86,775	-	-	-	(387,254)	(387,254)	-
Total business-type activities	2,904,957	2,010,673	-	-	-	(894,284)	(894,284)	-
Total primary government	\$ 12,759,435	\$ 2,090,308	\$ 408,263	\$ 779,151	(8,587,429)	(894,284)	(9,481,713)	-
Component Units	\$ 7,045,837	\$ 114,647	\$ 948,108	\$ -				(5,983,082)
General Revenue and Transfers								
Property taxes					2,794,636	-	2,794,636	-
Sales taxes					2,999,352	-	2,999,352	-
Provided by general government					-	-	-	1,791,648
Intergovernmental revenue not restricted to specific programs					711,492	8,450,069	9,161,561	2,975,308
Investment income					360,342	9,356	369,698	1,961
Contributions to Permanent Fund principal - inflation proofing					73,236	-	73,236	-
Licenses and permits					24,033	-	24,033	-
Rentals					97,584	-	97,584	-
Contributions and other					607,073	-	607,073	162,516
Payments in lieu of taxes					353,000	-	353,000	-
Land sales					254	-	254	-
Transfers					(295,415)	295,415	-	-
Total general revenue and transfers					7,725,587	8,754,840	16,480,427	4,931,433
Change in net position					(861,842)	7,860,556	6,998,714	(1,051,649)
Net Position (Deficit), beginning of year					33,567,420	34,220,706	67,788,126	(913,411)
Net Position (Deficit), end of year					\$ 32,705,578	\$ 42,081,262	\$ 74,786,840	\$ (1,965,060)

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
June 30, 2017

	General Fund	Permanent Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 804,617	\$ 15,779	\$ -	\$ -	\$ -	\$ 100	\$ 820,496
Investments	9,030,646	8,728,899	-	-	-	-	17,759,545
Receivables	398,695	53,916	43,651	110,222	-	184,641	791,125
Due from other funds	115,842	-	9,145	1,505,335	49,590	1,514,114	3,194,026
Due from component units	23,843	-	-	-	-	-	23,843
Prepaid expenses	1,311	-	-	-	-	-	1,311
Inventory	48,115	-	-	-	-	-	48,115
Total assets	<u>\$ 10,423,069</u>	<u>\$ 8,798,594</u>	<u>\$ 52,796</u>	<u>\$ 1,615,557</u>	<u>\$ 49,590</u>	<u>\$ 1,698,855</u>	<u>\$ 22,638,461</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 92,733	\$ 1,833	\$ -	\$ 76,793	\$ 8,646	\$ 219,502	\$ 399,507
Accrued payroll	243,678	-	-	-	-	-	243,678
Due to other funds	5,164,305	63,584	-	-	-	-	5,227,889
Due to component units	163,851	-	-	-	-	-	163,851
Unearned revenue	353,000	-	-	-	36,544	277,264	666,808
Total liabilities	<u>6,017,567</u>	<u>65,417</u>	<u>-</u>	<u>76,793</u>	<u>45,190</u>	<u>496,766</u>	<u>6,701,733</u>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue - property taxes	98,715	-	-	-	-	-	98,715
Unavailable revenue - land sales	-	-	-	-	-	98,184	98,184
Total deferred inflow of resources	<u>98,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,184</u>	<u>196,899</u>
<b>Fund Balances:</b>							
Nonspendable	49,426	7,396,826	-	-	-	-	7,446,252
Restricted	1,731,206	-	52,796	1,538,764	-	1,103,905	4,426,671
Assigned	87,671	1,336,351	-	-	-	-	1,424,022
Unassigned	2,438,484	-	-	-	4,400	-	2,442,884
Total fund balances	<u>4,306,787</u>	<u>8,733,177</u>	<u>52,796</u>	<u>1,538,764</u>	<u>4,400</u>	<u>1,103,905</u>	<u>15,739,829</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,423,069</u>	<u>\$ 8,798,594</u>	<u>\$ 52,796</u>	<u>\$ 1,615,557</u>	<u>\$ 49,590</u>	<u>\$ 1,698,855</u>	
<b>Net position reported for governmental activities is different from fund balance due to:</b>							
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds							31,798,652
Unearned revenues and deferred inflows not available to pay for current-period expenditures are reported as earned in the statement of net position							586,443
Contributions to the pension plan and other items in the current fiscal year are deferred outflows on the Statement of Net Position							744,030
Pension related deferred inflows for changes differences in projections, actual earnings are not reported in the funds							(503,649)
Long-term liabilities, including bonds and pensions payable, compensated absences and the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds							(15,659,727)
Net position of governmental activities							<u>\$ 32,705,578</u>

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	General Fund	Permanent Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes							
Property	\$ 2,283,255	\$ -	\$ 602,275	\$ -	\$ -	\$ 14,100	\$ 2,899,630
Sales	1,376,850	-	-	811,251	-	811,251	2,999,352
Intergovernmental							
Federal grants and contracts	38,707	-	-	11,443	-	-	50,150
Federal payments in lieu of taxes	348,013	-	-	-	-	-	348,013
State grants and contracts	890,371	-	712,515	52,926	170,433	26,980	1,853,225
Service and admission fees	78,885	-	-	-	-	750	79,635
Licenses and permits	24,033	-	-	-	-	-	24,033
Rentals	97,584	-	-	-	-	-	97,584
Investment earnings	53,934	379,644	-	-	-	-	433,578
Contributions and other	56,865	-	-	5,000	-	152,267	214,132
Total revenues	5,248,497	379,644	1,314,790	880,620	170,433	1,005,348	8,999,332
Expenditures							
Current							
General government	945,805	21,938	-	-	-	9,164	976,907
Public safety	1,492,669	-	-	-	-	253,147	1,745,816
Public works and streets	826,380	-	-	-	-	18,878	845,258
Economic development	-	-	-	-	-	534,304	534,304
Education	1,771,642	-	-	-	-	-	1,771,642
Port development	-	-	-	-	101,334	-	101,334
Culture, recreation, and library	1,062,711	-	-	-	-	-	1,062,711
Debt service							
Principal	-	-	810,000	-	-	6,608	816,608
Interest	-	-	476,894	-	-	7,540	484,434
Capital outlay	-	-	-	918,957	-	150,000	1,068,957
Total expenditures	6,099,207	21,938	1,286,894	918,957	101,334	979,641	9,407,971
Excess (deficiency) of revenues over (under) expenditures	(850,710)	357,706	27,896	(38,337)	69,099	25,707	(408,639)
Other financing sources (uses)							
Transfers in	483,490	-	-	404,956	-	-	888,446
Transfers out	(417,889)	(293,000)	-	(362,377)	(69,099)	(41,496)	(1,183,861)
Sale of capital assets	-	-	-	-	-	16,873	16,873
Total other financing sources (uses)	65,601	(293,000)	-	42,579	(69,099)	(24,623)	(278,542)
Net change in fund balances	(785,109)	64,706	27,896	4,242	-	1,084	(687,181)
Fund Balances, beginning of year	5,091,896	8,668,471	24,900	1,534,522	4,400	1,102,821	16,427,010
Fund Balances, end of year	\$ 4,306,787	\$ 8,733,177	\$ 52,796	\$ 1,538,764	\$ 4,400	\$ 1,103,905	\$ 15,739,829

The accompanying notes to financial statements are an integral part of these statements.



HAINES BOROUGH  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds		\$ (687,181)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, costs of those assets are capitalized and are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlays	944,800	
Depreciation expense	<u>(1,502,992)</u>	(558,192)
Other transactions involving sales of land net of cash collected. Cash collected is presented as current year income in the fund financial statements.		(16,619)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the change in the net amount recognized from year to year.		32,469
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, this has no effect on net position since payments are applied to debt recorded on the statement of net position rather than as an expense item. This amount reflects principal payments made during the fiscal year.		1,037,765
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Pension expense, net of pension contributions reflected in the governmental funds		(653,024)
Change in compensated absences		<u>(17,060)</u>
Change in net position of governmental activities		<u>\$ (861,842)</u>

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2017

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
Receivables	95,180	230,155	2,317,936	94,180	24,547	2,761,998
Due from other funds	290,612	911,883	-	1,359,726	64,582	2,626,803
Inventory	81,169	9,360	17,005	-	-	107,534
Prepaid expenses	-	65,322	-	-	-	65,322
Total current assets	466,961	1,216,720	2,335,241	1,453,906	89,129	5,561,957
<b>Restricted Assets</b>						
Revenue bond debt service reserve instruments	-	87,344	-	-	-	87,344
<b>Capital Assets</b>						
Land	85,584	9,000	-	-	-	94,584
Buildings, net of accumulated depreciation	29,597	-	-	-	379,252	408,849
Improvements other than buildings, net of accumulated depreciation	7,604,552	4,343,094	6,365,533	1,956,784	8,535,059	28,805,022
Equipment, net of accumulated depreciation	-	82,468	29,015	-	-	111,483
Construction in progress	-	272,895	11,459,654	133,559	-	11,866,108
Total capital assets	7,719,733	4,707,457	17,854,202	2,090,343	8,914,311	41,286,046
Deferred Outflows of Resources	34,606	34,606	25,955	17,303	8,652	121,122
Total assets and deferred outflows of resources	8,221,300	6,046,127	20,215,398	3,561,552	9,012,092	47,056,469
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<b>Current Liabilities</b>						
Accounts payable	3,310	113,737	1,170,500	3,577	1,355	1,292,479
Loan payable - current	63,126	-	-	-	-	63,126
Bond payable - current	-	49,860	-	-	-	49,860
Deposits	10,078	11,453	27,174	-	-	48,705
Due to other funds	-	-	592,940	-	-	592,940
Total current liabilities	76,514	175,050	1,790,614	3,577	1,355	2,047,110
<b>Noncurrent Liabilities</b>						
Accrued vacation	13,386	13,386	7,326	-	-	34,098
Revenue bonds payable	-	1,077,894	-	-	-	1,077,894
Loans payable	941,755	90,117	-	-	-	1,031,872
Net pension liability	200,641	200,641	150,480	100,321	50,160	702,243
Total noncurrent liabilities	1,155,782	1,382,038	157,806	100,321	50,160	2,846,107
Deferred Inflows of Resources	23,426	23,426	17,569	11,713	5,856	81,990
Total liabilities and deferred inflows of resources	1,255,722	1,580,514	1,965,989	115,611	57,371	4,975,207
<b>NET POSITION</b>						
Net investment in capital assets	6,714,852	3,667,047	17,854,202	2,090,343	8,914,311	39,240,755
Restricted for bond reserves	-	87,344	-	-	-	87,344
Unrestricted	250,726	711,222	395,207	1,355,598	40,410	2,753,163
Total net position	\$ 6,965,578	\$ 4,465,613	\$ 18,249,409	\$ 3,445,941	\$ 8,954,721	\$ 42,081,262

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
Operating Revenue						
Charges for services	\$ 422,230	\$ 494,748	\$ 530,233	\$ 476,687	\$ 86,775	\$ 2,010,673
General Revenue						
Intergovernmental - State of Alaska	50,820	177,645	8,221,604	-	-	8,450,069
Total operating and general revenue	473,050	672,393	8,751,837	476,687	86,775	10,460,742
Operating Expenses						
Depreciation	278,162	245,803	326,461	99,319	348,296	1,298,041
Salaries and benefits	278,570	285,989	75,288	185,815	80,140	905,802
Materials and supplies	49,967	17,262	266,669	16,816	23,639	374,353
Utilities	24,843	80,028	54,450	5,321	10,101	174,743
Banking and insurance	7,282	13,468	14,952	4,654	7,377	47,733
Professional services	20,337	1,262	2,167	5,204	549	29,519
Repairs and maintenance	532	(3,588)	6,096	5,700	1,741	10,481
Vehicle	2,512	2,875	1,482	1,403	781	9,053
Travel and training	2,219	-	1,333	526	894	4,972
Advertising, dues and subscriptions	220	2,954	457	480	511	4,622
Total operating expenses	664,644	646,053	749,355	325,238	474,029	2,859,319
Operating income (loss)	(191,594)	26,340	8,002,482	151,449	(387,254)	7,601,423
Nonoperating Revenue (Expense)						
Investment income	3,523	1,273	2,816	1,744	-	9,356
Interest expense	(8,095)	(37,543)	-	-	-	(45,638)
Total nonoperating revenue (expense)	(4,572)	(36,270)	2,816	1,744	-	(36,282)
Income (loss) before contributions and transfers	(196,166)	(9,930)	8,005,298	153,193	(387,254)	7,565,141
Transfers in	134,739	52,366	74,772	-	33,538	295,415
Change in net position	(61,427)	42,436	8,080,070	153,193	(353,716)	7,860,556
Net Position, beginning of year	7,027,005	4,423,177	10,169,339	3,292,748	9,308,437	34,220,706
Net Position, end of year	\$ 6,965,578	\$ 4,465,613	\$ 18,249,409	\$ 3,445,941	\$ 8,954,721	\$ 42,081,262

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
Cash Flows from Operating Activities						
Cash received from customers	\$ 842,378	\$ 495,648	\$ 6,522,835	\$ 426,846	\$ 85,138	\$ 8,372,845
Cash received (paid) to suppliers	(273,246)	(5,685)	725,932	(37,324)	(46,361)	363,316
Cash paid to employees	(202,526)	(171,515)	(161,025)	(91,084)	(32,776)	(658,926)
Net cash transferred from (to) general fund	(477,163)	(7,503)	1,095,766	(166,623)	(39,539)	404,938
Net cash flows from (for) operating activities	(110,557)	310,945	8,183,508	131,815	(33,538)	8,482,173
Cash Flows from Capital and Related Financing Activities						
Purchases of fixed assets	(199,601)	(272,895)	(8,261,096)	(133,559)	-	(8,867,151)
Net cash transferred from other funds	134,739	52,366	74,772	-	33,538	295,415
Proceeds from loans	219,406	-	-	-	-	219,406
Repayment of loan payable	(39,415)	-	-	-	-	(39,415)
Interest on bonds and loan payable	(8,095)	(42,402)	-	-	-	(50,497)
Repayment of bonds payable	-	(49,624)	-	-	-	(49,624)
Net cash flows from (for) capital and related financing activities	107,034	(312,555)	(8,186,324)	(133,559)	33,538	(8,491,866)
Cash Flows from Investing Activities						
Change in performance deposit	-	337	-	-	-	337
Cash receipts from investments	3,523	1,273	2,816	1,744	-	9,356
Net cash flows from investing activities	3,523	1,610	2,816	1,744	-	9,693
Net increase in cash	-	-	-	-	-	-
Cash and Cash Equivalents, beginning of year	-	-	300	-	-	300
Cash and Cash Equivalents, end of year	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities						
Operating income (loss)	\$ (191,594)	\$ 26,340	\$ 8,002,482	\$ 151,449	\$ (387,254)	\$ 7,601,423
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	278,162	245,803	326,461	99,319	348,296	1,298,041
Pension Expense	73,173	111,603	89,239	94,233	47,115	415,363
Changes in operating assets and liabilities						
Receivables	369,677	(176,589)	(2,229,002)	(49,841)	(1,637)	(2,087,392)
Due to/from other funds	(477,163)	(7,503)	1,095,766	(166,623)	(39,539)	404,938
Inventory	2,054	998	(5,919)	-	-	(2,867)
Accounts payable	(167,388)	107,578	1,079,457	2,780	(768)	1,021,659
Accrued vacation	1,876	1,876	2,756	-	-	6,508
Deferred outflows of resources for pensions	(4,176)	(6,190)	4,420	(5,109)	(2,555)	(13,610)
Deferred inflows of resources for pensions	20,610	21,548	11,936	11,713	5,856	71,663
Net pension liability	(15,439)	(14,363)	(194,088)	(6,106)	(3,052)	(233,048)
Deposits	(349)	(156)	-	-	-	(505)
Total adjustments	81,037	284,605	181,026	(19,634)	353,716	880,750
Net cash flows from (for) operating activities	\$ (110,557)	\$ 310,945	\$ 8,183,508	\$ 131,815	\$ (33,538)	\$ 8,482,173

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
 COMPONENT UNITS COMBINING STATEMENTS OF NET POSITION (DEFICIT)  
 June 30, 2017

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,006,973	\$ 34,868	\$ 36,692	\$ 1,078,533
Investments	5,443	-	-	5,443
Receivables	108,857	823	101,200	210,880
Due from governmental entity	-	-	362	362
Inventory and prepaid expenses	155,682	32,811	-	188,493
Total current assets	1,276,955	68,502	138,254	1,483,711
Noncurrent Assets				
Capital assets, net	159,199	28,087	-	187,286
Deferred Outflows of Resources				
Pension	814,974	-	-	814,974
Total assets	2,251,128	96,589	138,254	2,485,971
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	14,383	3,908	-	18,291
Due to governmental entity	-	24,205	-	24,205
Accrued payroll and related liabilities	58,550	6,723	-	65,273
Deferred revenue	-	15,907	-	15,907
Total current liabilities	72,933	50,743	-	123,676
Noncurrent Portion of Long-Term obligations				
Accrued vacation	101,213	-	-	101,213
Net Pension Liability	3,998,401	-	-	3,998,401
Deferred Inflows of Resources				
Pension	227,741	-	-	227,741
Total Liabilities	4,400,288	50,743	-	4,451,031
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	159,199	28,087	-	187,286
Restricted for Museum projects and other	-	196,004	-	196,004
Unrestricted	(2,308,359)	(178,245)	138,254	(2,348,350)
Total net position (deficit)	\$ (2,149,160)	\$ 45,846	\$ 138,254	\$ (1,965,060)

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
 COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Haines Borough School District	Sheldon Museum	Non-Major Component Unit	Total
Haines Borough School District	\$ 6,681,102	\$ 56,195	\$ 869,115	\$ -	\$ (5,755,792)	\$ -	\$ -	\$ (5,755,792)
Sheldon Museum	340,593	58,452	66,093	-	-	(216,048)	-	(216,048)
Non-Major Component Unit	24,142	-	12,900	-	-	-	(11,242)	(11,242)
	<u>\$ 7,045,837</u>	<u>\$ 114,647</u>	<u>\$ 948,108</u>	<u>\$ -</u>	<u>(5,755,792)</u>	<u>(216,048)</u>	<u>(11,242)</u>	<u>(5,983,082)</u>
General Revenues								
Provided by general government					1,560,000	199,488	32,160	1,791,648
State of Alaska					2,975,308	-	-	2,975,308
Investment income					1,956	3	2	1,961
Contributions and other					156,803	5,513	200	162,516
Total General Revenues					<u>4,694,067</u>	<u>205,004</u>	<u>32,362</u>	<u>4,931,433</u>
Change in Net Position					(1,061,725)	(11,044)	21,120	(1,051,649)
Net Position (deficit), beginning of year					<u>(1,087,435)</u>	<u>56,890</u>	<u>117,134</u>	<u>(913,411)</u>
Net Position (deficit), end of year					<u>\$ (2,149,160)</u>	<u>\$ 45,846</u>	<u>\$ 138,254</u>	<u>\$ (1,965,060)</u>

The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Haines Borough ("the Borough") was created in October 2002, when the public voted to combine the Haines Borough with the City of Haines. The Borough is incorporated under the laws of the State of Alaska as a Home Rule borough. The Borough operates under a Manager-Assembly form of government and provides the following services: public safety (police, fire, and medical services), streets and sidewalks, water and sewer, health, culture-recreation and economic development, port authority, public improvements, planning and zoning, and general administrative services.

Discretely Presented Component Units

The accompanying financial statements present the Borough and its component units. The Borough Assembly approves the total annual budgets of these entities and annually provides significant operating subsidies to them. In addition, the Borough levies taxes on behalf of the Haines Borough School District ("the School District"). Accordingly, the Borough is considered to be financially accountable for these entities. However, each entity has a separate governing board (the District's board is elected by the public) and the component units are therefore discretely presented in the financial statements. The component units are:

- Haines Borough School District which provides elementary and secondary education within the Borough's jurisdiction.
- The Sheldon Museum and Cultural Center which operates and maintains the museum.
- Klehini Valley Volunteer Fire Department which provides fire protection in the Klehini Valley.

Information about major component units is included in the combining statement of net position (deficit) (page 11) and the combining statement of activities (page 12).

Complete financial statements for the School District may be obtained at the School District's administrative offices:

Haines Borough School District  
P.O. Box 1289  
Haines, AK 99827

The other component units do not have separately audited financial statements.

**Government-Wide and Fund Financial Statements**

The statement of net position (deficit) and the statement of activities display information about the primary government (the Borough) and its component units. These statements include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Borough. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Borough, and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Borough reports the following major governmental funds:

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

*Permanent Fund* – Accounts for assets held in a trustee capacity. The fund represents the cumulative net proceeds from the sale of municipal lands less construction of public improvements within local improvement districts. The principal balance of the fund cannot be spent and must be held in trust for the benefit of future residents of the Borough. Only income of the fund may be spent. The Assembly shall provide for the protection of the fund principal from the effects of inflation and may appropriate any remaining income for Borough expenses.

*New School Debt Service* – Accounts for property tax revenue and State of Alaska grants used to make payments on the bonds that were issued to construct the new school and related projects.

*Capital Project Funds* – This is made up of all the capital project funds, as they fluctuate in materiality yearly. All accounts for various capital projects, primarily funded by government grants and sales taxes that benefit the entire Borough area.

*Passenger Vessel Tax* – Accounts for docks and harbors improvements, funded by passenger vessel taxes.

The Borough reports the following major proprietary funds:

*Water Fund* – Accounts for activities including operating the water storage and distribution systems.

*Sewer Fund* – Accounts for activities including operating the sewage treatment plant, sewage pumping stations, and collection systems.

*Small Boat Harbor Fund* – Accounts for activities including operating the small boat harbor.

*Lutak Dock Fund* – Accounts for activities including operating Lutak Dock.

*Port Chilkoot Dock Fund* – Accounts for activities including operating Port Chilkoot Dock.

Garbage service for the Borough is not operated by the Borough government, but is provided by a private business.



HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Basis of accounting refers to when financial activities are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments (if any), are recorded only when payment is due.

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

Proprietary (or enterprise) funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue fees intended to recover the cost of connecting new customers to the systems.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes

Property taxes are levied on July 1 and payable in two installments on September 1 and December 1. Property taxes attach as an enforceable lien on property approximately one year from the due date. The Borough bills and collects taxes for its own and school purposes. Borough property tax revenues are recognized when they become measurable and available which is generally when levied. Delinquent property taxes are not considered currently available, so they are reported as deferred inflow of resources in the fund financial statements.

Land Sales

The Borough also occasionally sells land using long-term receivable contracts. In the fund financial statements, the amounts due on the receivable contracts are not available to finance current period expenditures; therefore, they are reported as deferred inflow of resources in the fund financial statements. The amounts due on the receivable contracts are recognized as revenue when the funds are available to

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

meet current period expenditures. These contracts are revenue for the government-wide statement of activities when the sale occurs.

**Use of 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 certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

**Assets, Liabilities, Deferred Inflows and Outflows of Resources, Net Position and Fund Balance**

Deposits and Investments

All cash deposits are in a single financial institution and are carried at cost. The Borough considers all investments in money market funds and highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Borough pools most of its cash resources of its various funds to facilitate the management of cash. The majority of the cash balances are recorded in the general fund with amounts allocated to the appropriate funds.

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

Receivables

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

Due to and Due from Other Funds

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

Inventory

Inventory consists of fuel, parts, supplies and museum merchandise, and is stated at the lower of cost (first-in, first-out basis) or market.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain cash, investments, and receivables are classified as restricted assets on the balance sheet because they are permanently held for the benefit of future residents of the Borough.

In addition, assets which are restricted for specific uses by bond covenants, grant provisions, or other requirements are classified as restricted assets.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Estimated Useful Life</u>
Building structures and other improvements	10 – 40 years
Machinery and equipment	5 – 15 years
Roads and bridges	15 – 50 years

All significant capital assets including infrastructure assets are capitalized and reported by the Borough.

Compensated Absences

It is the Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenue

Amounts received from grants and other sources, but not yet spent for their restricted purpose, are shown on the balance sheet as unearned revenue on both the government-wide and fund financial statements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund balance sheets.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alaska Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and additions to/deductions from PERS's and TRS's fiduciary net position have been determined on the same basis as PERS and TRS, assuming the State's pension support under AS 39.35.280 is a "Special Funding Situation" as defined by GASB 68. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, and related debt. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough Assembly or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

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

Fund Balance

Generally, fund balance represents the difference between the current assets, current liabilities and deferred inflows of resources. The Borough classifies its fund balances in accordance with GASB Statement No. 54 nonspendable, restricted, committed, assigned, or unassigned fund balance categories. See Note 7 for further information of the Borough's fund balance classifications.

In governmental funds, the Borough's policy regarding when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available is to consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, then committed amounts would be reduced first, followed by assigned and then unassigned amounts.

The Borough has not formally adopted a policy with respect to the minimum fund balance amount.

Reclassifications

Certain prior year financial statement balances have been reclassified to conform to the current year presentation.

Date of Subsequent Review

The Borough has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

The appropriated budget is prepared by fund, function, and department using the modified accrual basis of accounting. The Borough's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Borough Assembly.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The Assembly made several supplemental budgetary appropriations throughout the year. The significant supplemental budgetary appropriations made were related to intergovernmental revenue, investment income, wage related expenses, and transfers.

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

- a. During the month of March, the Borough Manager submits to the Borough Assembly a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A minimum of two public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- d. The Borough Assembly may pass ordinances during the year that amend the budget.
- e. The Borough administration may transfer amounts between cost centers within a department's budget classification.
- f. Appropriations for the general fund and special revenue funds lapse at year-end. Appropriations for capital projects and those needed to meet grant requirements lapse when the project is complete or abandoned.
- g. The Borough's legally prescribed budgetary basis of accounting is consistent with accounting principles generally accepted in the United States and, accordingly, where budgetary data are presented, the budget and actual information conform to the same basis of accounting.

The Borough Manager may establish line item expenditures within an authorized appropriation and/or transfer from within a department from one authorized appropriation to another any amount which does not exceed 10% of the total fund appropriation or \$10,000, whichever is less. The reported budget amounts are as originally adopted or as amended.

Excess of Expenditures over Appropriations

For the year ended June 30, 2017 there were no departments with significant excess of expenditures over appropriations.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Borough follows the practice of pooling cash equivalents of its various funds. Interest income from pooled cash equivalents is allocated ratably over the various funds.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

At June 30, 2017, the carrying amount of the Borough's cash balances was \$908,140, while the bank and other institution balances were \$931,033. These balances are categorized as follows:

	<u>Bank Balance</u>
Amount insured by the FDIC (up to \$250,000) or collateralized with securities held by the bank or other institutions in the Borough's name	\$ 861,567
Uncollateralized/uninsured	<u>69,466</u>
	<u><u>\$ 931,033</u></u>

The cash and cash equivalents for component units other than the School District are fully insured by the FDIC. The School District had uninsured but collateralized deposits of \$919,225 at June 30, 2017.

The following is the reconciliation of various components of cash to amounts presented in the statement of net position:

	<u>Carrying Amount</u>
Reconciliation to statement of net position-	
Cash and cash equivalents	\$ 805,017
Restricted assets:	
Cash and cash equivalents	15,779
Revenue bond debt service reserve instruments	<u>87,344</u>
	<u><u>\$ 908,140</u></u>

#### NOTE 4 - INVESTMENTS

*Credit risk* – Statutes authorize the Borough to invest in obligations insured or guaranteed by the United States government or its agencies, as well as obligations of the State of Alaska or municipalities of the state, certificates of deposit, and corporate obligations of prime or equivalent quality as recognized by a nationally recognized rating organization. In addition, the Permanent Trust Fund may be partially invested in equities.

*Custodial credit risk* – The Borough does not have a formal investment policy related to custodial credit risk, but management does not believe there is significant risk with respect to uncollateralized funds based on the nature and size of the custodian.

*Interest rate risk* – The Borough does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair market value of securities is determined by established trading market prices.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Investments made by the Borough are summarized below:

	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	Over 10	
Investments held by agent in the Borough's name					
Certificates of Deposit	\$ 3,459,804	\$ 4,436,737	\$ -	\$ -	\$ 7,896,541
U.S. Government Instruments	134,784	3,089,016	1,239,447	-	4,463,247
Corporate Debt	590,043	1,318,196	415,427	-	2,323,666
Municipal Securities	239,434	40,527	-	-	279,961
Total debt securities	<u>\$ 4,424,065</u>	<u>\$ 8,884,476</u>	<u>\$ 1,654,874</u>	<u>\$ -</u>	14,963,415
Common stocks (mutual fund that holds the stocks of the S&P 500)					1,990,446
Equity funds					805,684
					<u>\$ 17,759,545</u>
Reconciliation to statement of net position:					
Investments					9,030,646
Restricted investments					8,728,899
					<u>\$ 17,759,545</u>

The School District's investment balance of \$5,443 consisted of mutual funds and their cost approximates market value.

The credit quality ratings of the Borough's corporate debt, municipal securities, and U.S. Government instrument investments as of June 30, 2017, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair Value	Percentage of Total
Corporate debt	AAA	\$ 129,651	5.58%
Corporate debt	AA	606,395	26.10%
Corporate debt	A	1,127,503	48.52%
Corporate debt	BBB	460,117	19.80%
		<u>\$ 2,323,666</u>	<u>100.00%</u>
Municipal securities	AA	279,961	100.00%
		<u>\$ 279,961</u>	<u>100.00%</u>
U.S. Government instruments	AAA	\$ 3,389,491	75.94%
U.S. Government instruments	AA	854,144	19.14%
U.S. Government instruments	Unrated	219,612	4.92%
		<u>\$ 4,463,247</u>	<u>100.00%</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 - RECEIVABLES, DEFERRED INFLOW OF RESOURCES, AND UNEARNED REVENUE**

Receivables at June 30, 2017, for the individual major funds and nonmajor funds in the aggregate were as follows:

	Taxes	Land Sale/LID Contracts	Revolving Loan Contracts	Customer Charges	State and Federal Governments	Accrued Interest and Other	Total
<i>Governmental funds:</i>							
General fund	\$ 233,963	\$ -	\$ 106,375	\$ -	\$ 3,434	\$ 54,923	\$ 398,695
Permanent fund	-	-	-	-	-	53,916	53,916
New school debt service	-	-	-	-	43,651	-	43,651
Capital project funds	86,456	-	-	-	23,766	-	110,222
Other governmental funds	86,457	96,005	-	-	-	2,179	184,641
<i>Enterprise funds:</i>							
Water fund	-	-	-	40,930	54,250	-	95,180
Sewer fund	-	-	-	51,515	178,640	-	230,155
Small boat harbor fund	-	-	-	28,953	2,288,983	-	2,317,936
Lutak dock fund	-	-	-	94,180	-	-	94,180
Port Chilkoot dock fund	-	-	-	24,547	-	-	24,547
<b>Total</b>	<b>\$ 406,876</b>	<b>\$ 96,005</b>	<b>\$ 106,375</b>	<b>\$ 240,125</b>	<b>\$ 2,592,724</b>	<b>\$ 111,018</b>	<b>\$ 3,553,123</b>

Reconciliation to statement of net position:

Current receivables	\$ 3,319,648
Restricted receivables	53,916
Noncurrent receivables, net of current portion	179,559
	<u>\$ 3,553,123</u>

All receivables other than land sale/LID and revolving loan contracts are expected to be collected within one year. Land sale/LID contracts are to be collected over various lives and interest is charged at 10%. The current portion of these contracts is approximately \$50,000. Revolving loan contracts are loans contracted through the Juneau Economic Development Council with interest charged between 7.5% and 7.75%, of which 5% interest goes to the loan fund and any additional interest received goes to the Borough.

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue, a liability, in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflow of resources and unearned revenue reported in the governmental funds balance sheets and the statements of net position were as follows:



HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

	Unavailable	Unearned	Total
Property taxes receivable (general fund)	\$ 98,715	\$ -	\$ 98,715
Payments in lieu of taxes	-	353,000	353,000
Land sale/LID receivables (including accrued interest)	98,184	-	98,184
Grants and contributions	-	313,808	313,808
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflow of resources/unearned revenue for governmental funds	196,899	666,808	863,707
Amounts recognized in the government-wide financial statements			
Property taxes receivable	(98,715)	-	(98,715)
Payments in lieu of taxes	-	(353,000)	(353,000)
Land sales/LID receivables	(98,184)	-	(98,184)
Passenger vessel excise tax	-	(36,544)	(36,544)
	<u>          </u>	<u>          </u>	<u>          </u>
Total unearned revenue for government-wide financial statements	<u>\$ -</u>	<u>\$ 277,264</u>	<u>\$ 277,264</u>

**NOTE 6 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2017 were as follows:

	Balance, June 30, 2016	Increases	Transfers/ Decreases	Balance, June 30, 2017
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 1,151,005	\$ -	\$ -	\$ 1,151,005
Construction in progress	-	243,761	-	243,761
	<u>1,151,005</u>	<u>243,761</u>	<u>-</u>	<u>1,394,766</u>
Total capital assets not being depreciated	1,151,005	243,761	-	1,394,766
Other capital assets:				
Buildings	34,489,046	395,208	(31,565)	34,852,689
Other improvements	11,002,203	-	-	11,002,203
Furniture and equipment	6,614,296	370,454	(33,058)	6,951,692
Road network	6,440,093	-	-	6,440,093
	<u>58,545,638</u>	<u>765,662</u>	<u>(64,623)</u>	<u>59,246,677</u>
Total other capital assets	58,545,638	765,662	(64,623)	59,246,677
Less accumulated depreciation for:				
Buildings	15,138,540	845,340	(23,675)	15,960,205
Other improvements	2,715,249	343,515	-	3,058,764
Furniture and equipment	4,918,960	370,375	(32,562)	5,256,773
Road network	4,567,049	-	-	4,567,049
	<u>27,339,798</u>	<u>1,559,230</u>	<u>(56,237)</u>	<u>28,842,791</u>
Total accumulated depreciation	27,339,798	1,559,230	(56,237)	28,842,791
Other capital assets, net	31,205,840	(793,568)	(8,386)	30,403,886
	<u>31,205,840</u>	<u>(793,568)</u>	<u>(8,386)</u>	<u>30,403,886</u>
Governmental activities capital assets, net	<u>\$ 32,356,845</u>	<u>\$ (549,807)</u>	<u>\$ (8,386)</u>	<u>\$ 31,798,652</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

	Balance, June 30, 2016	Increases	Transfers/ Decreases	Balance, June 30, 2017
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 94,584	\$ -	\$ -	\$ 94,584
Construction in progress	3,887,074	8,623,778	(644,744)	11,866,108
Total capital assets not being depreciated	3,981,658	8,623,778	(644,744)	11,960,692
Other capital assets:				
Buildings	484,327	-	-	484,327
Other improvements (including distribution and collection systems)	49,795,067	243,373	644,744	50,683,184
Equipment	252,833	-	-	252,833
Total other capital assets	50,532,227	243,373	644,744	51,420,344
Less accumulated depreciation for:				
Buildings	62,925	12,553	-	75,478
Other improvements (including distribution and collection systems)	20,612,428	1,265,734	-	21,878,162
Equipment	121,596	19,754	-	141,350
Total accumulated depreciation	20,796,949	1,298,041	-	22,094,990
Other capital assets, net	29,735,278	(1,054,668)	644,744	29,325,354
Business-type activities capital assets, net	\$ 33,716,936	\$ 7,569,110	\$ -	\$ 41,286,046

Depreciation expense was charged to functions/programs of the Borough as follows:

*Governmental activities*

General government	\$ 168,044
Public safety	95,239
Public works and streets, including depreciation of general infrastructure assets	381,637
Economic development	13,863
Education	677,081
Port development	10,813
Culture, recreation, and library	212,553
Total depreciation expense - governmental activities	<u>\$ 1,559,230</u>

*Business-type activities*

Water	\$ 278,162
Sewer	245,803
Small Boat Harbor	326,461
Lutak Dock	99,319
Port Chilkoot dock fund	348,296
Total depreciation expense - business-type activities	<u>\$ 1,298,041</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Construction contract commitments at year-end include outstanding contracts for the following projects:

- Harbor Expansion Project with a remaining commitment of approximately \$5,692,000.
- Wastewater Treatment Plant Upgrades with a remaining commitment of approximately \$7,756,000.

The Borough owns the land and buildings used by the School District and records the land, buildings, and certain equipment as part of governmental activity capital assets. At June 30, 2017, the cost and accumulated depreciation associated with these assets was \$23,882,101 and \$9,131,352, respectively.

**NOTE 7 - FUND BALANCES – GOVERNMENTAL FUNDS**

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – Nonspendable fund balance is that portion of fund equity that cannot be spent either because it is in a nonspendable form or because it is legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balance is that portion of fund equity that has constraints placed upon the use of the resources either by an external party or imposed by law.

Committed Fund Balance – Committed fund balance is that portion of fund equity that can only be used for specific purposes determined by a formal action by the Borough Assembly. Formal action by the Assembly is required to establish, modify or rescind a fund balance commitment.

Assigned Fund Balance – Assigned fund balance is that portion of fund equity that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent can be expressed by the governing body itself or by the Borough Manager or his designee to whom the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is that portion of fund balances not included in other spendable classifications.

This section left intentionally blank.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Permanent Fund	New School Debt Service	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Permanent fund	\$ -	\$ 7,396,826	\$ -	\$ -	\$ -	\$ -	\$ 7,396,826
Inventory	48,115	-	-	-	-	-	48,115
Prepaid expenses	1,311	-	-	-	-	-	1,311
Total nonspendable	49,426	7,396,826	-	-	-	-	7,446,252
<b>Restricted</b>							
Road maintenance	76,482	-	-	-	-	-	76,482
Fire service areas	44,154	-	-	-	-	-	44,154
Debt service	-	-	52,796	-	-	1,075	53,871
Capital projects	442,922	-	-	1,538,764	-	-	1,981,686
Medical services	-	-	-	-	-	162,708	162,708
Economic development	-	-	-	-	-	522,125	522,125
Land development	-	-	-	-	-	417,997	417,997
Townsite service area	1,167,648	-	-	-	-	-	1,167,648
Total restricted	1,731,206	-	52,796	1,538,764	-	1,103,905	4,426,671
<b>Assigned</b>							
Subsequent year expenditures	87,671	-	-	-	-	-	87,671
Permanent fund	-	1,336,351	-	-	-	-	1,336,351
Total assigned	87,671	1,336,351	-	-	-	-	1,424,022
<b>Unassigned</b>	2,438,484	-	-	-	4,400	-	2,442,884
Total fund balances	\$ 4,306,787	\$ 8,733,177	\$ 52,796	\$ 1,538,764	\$ 4,400	\$ 1,103,905	\$ 15,739,829

**NOTE 8 - LONG-TERM DEBT**

The Borough's long-term debt includes general obligation debt and revenue bonds. General obligation bonds and loans are direct obligations of the Borough and the Borough has pledged its full faith and credit to their repayment. Revenue bonds are payable from the sewer user fees. Compensated absences included in governmental activities are generally liquidated by the general fund.

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	Amounts Due Within One Year
<i>Governmental Activities</i>					
<b>Bonds and notes payable:</b>					
USDA bonds	\$ 160,358	\$ -	\$ 6,609	\$ 153,749	\$ 6,917
School construction bonds	10,595,000	-	810,000	9,785,000	835,000
Bond premium	1,448,722	-	221,156	1,227,566	218,793
Total bonds and notes payable	12,204,080	-	1,037,765	11,166,315	1,060,710
Compensated absences	162,565	17,060	-	179,625	-
Governmental activities long-term liabilities	\$ 12,366,645	\$ 17,060	\$ 1,037,765	\$ 11,345,940	\$ 1,060,710

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	Amounts Due Within One Year
<i>Business-type Activities</i>					
Bonds and notes payable:					
AMBBA sewer revenue bonds	\$ 1,095,000	\$ -	\$ 45,000	\$ 1,050,000	\$ 45,000
State of Alaska DEC loans payable	919,631	219,406	44,039	1,094,998	63,126
Bond premium	82,613	-	4,859	77,754	4,860
Total bonds and notes payable	2,097,244	219,406	93,898	2,222,752	112,986
Compensated absences	27,590	6,508	-	34,098	-
Business-type activities long-term liabilities	<u>\$ 2,124,834</u>	<u>\$ 225,914</u>	<u>\$ 93,898</u>	<u>\$ 2,256,850</u>	<u>\$ 112,986</u>

Bonds and notes payable at June 30, 2017, are comprised of the following individual issues:

*Governmental Activities:*

General obligation bonds:

\$1,155,000 2014 school construction bonds, due in annual installments of \$35,000 to \$90,000, plus interest at 2.0% to 5.25%, through June 2036 (not including unamortized premium of \$132,013 at June 30, 2017)	\$ 1,120,000
\$9,440,000 2014 school construction bonds, due in annual installments of \$775,000 to \$1,160,000, plus interest at 1.25% to 5.0%, through October 2025 (not including unamortized premium of \$1,095,552 at June 30, 2017)	8,665,000
Bonds payable to the United States Department of Agriculture used for construction of new library, due in semi-annual installments of \$7,074 through September 6, 2032, including interest at 4.75%	<u>153,749</u>
Total bond and note payable	9,938,749
Unamortized premium	<u>1,227,566</u>
Total general bond and note payable debt	11,166,315
Less current portion	<u>(1,060,710)</u>
Total general long-term bond and note payable debt	<u>\$ 10,105,605</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

*Business-type Activities :*

\$1,210,000 2013 sewer revenue bonds, due in semi-annual installments of \$61,849 to \$81,856, including interest at 2%, through 2033	\$ 1,050,000
Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments of \$14,203, plus interest at 1.5%, through 2022	71,020
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$2,904, including interest at 1.5%, through 2033	41,045
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$3,432, including interest at 1.5%, through 2034	53,790
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$14,439 including interest @ 1.5%, through 2034	215,253
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$4,936 including interest @ 1.5%, through 2034	71,024
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$7,692, starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	126,213
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$6,045 including interest @ 1.5%, through 2034	90,117
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$12,779 starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	219,406
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$12,079 starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	<u>207,130</u>
Total bond and note payable	2,144,998
Unamortized premium	<u>77,754</u>
Total enterprise funds bond and note payable debt	2,222,752
Less current portion	<u>(112,986)</u>
Total enterprise funds long-term bond and note payable debt	<u><u>\$ 2,109,766</u></u>

In conjunction with the issuance of the above school construction bonds, the State of Alaska Department of Education and Early Development have approved the project for a 70% reimbursement rate from the State of Alaska. As State of Alaska funding is on a reimbursement basis, the eventual payments to be received have not been recognized in these financial statements.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

The debt service annual requirements to amortize bond and note payable debt outstanding as of June 30, 2017, are as follows:

*Governmental Activities:*

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,060,710	\$ 462,631	\$ 1,523,341
2019	1,082,904	428,599	1,511,503
2020	1,099,610	388,226	1,487,836
2021	1,115,982	341,610	1,457,592
2022	1,146,146	292,603	1,438,749
2023-2027	4,898,385	667,097	5,565,482
2028-2032	419,603	137,324	556,927
2033-2037	342,975	36,126	379,101
	<u>\$ 11,166,315</u>	<u>\$ 2,754,216</u>	<u>\$ 13,920,531</u>

*Business-type Activities:*

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 112,986	\$ 56,214	\$ 169,200
2019	113,720	53,242	166,962
2020	119,466	49,908	169,374
2021	120,223	46,439	166,662
2022	125,997	42,659	168,656
2023-2027	615,879	157,924	773,803
2028-2032	691,895	77,522	769,417
2033-2037	322,586	8,874	331,460
	<u>\$ 2,222,752</u>	<u>\$ 492,782</u>	<u>\$ 2,715,534</u>

**NOTE 9 - BOND REQUIREMENTS**

The various bonds of the enterprise funds require establishment of certain cash reserves and maintenance of certain revenue levels.

The sewer revenue bonds required the establishment of a reserve account. The required reserve account was set up and fully funded in prior years. The reserve account balance at June 30, 2017, was \$87,344.

These bonds also require that the Borough maintain sewer rates at a level which will produce an annual amount of net operating revenue before depreciation equal to at least 1.25 times the maximum amount required each year for debt service. In fiscal year 2017, sewer fund net operating revenues were \$245,661 and the debt service requirement was \$85,971 resulting in a ratio of 2.86.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 - RETIREMENT PLANS**

Employees of the Borough and non-teaching-certified employees of the School District participate in Public Employees' Retirement System (PERS), teaching-certified employees of the School District participate in the State of Alaska Teachers Pension Plan (TPP) administered by the Teachers Retirement System (TRS), or the State of Alaska Defined Contribution Pension Plan (DC Plan), a defined contribution plan, based on date of initial hire by a participating employer. The plans are governed by the Alaska Retirement Management Board (the "Board" or the "System"), which consists of nine trustees, as follows: the commissioner of administration, the commissioner of revenue, two trustees who are members of the general public, one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS), two trustees who are members of PERS, and two trustees who are members of TRS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. PERS and TRS issue publicly available financial reports that can be obtained at <http://doa.alaska.gov/drb>.

**State of Alaska PERS Defined Benefit Plan**

**Plan Description**

PERS is a cost-sharing multiple-employer defined benefit (DB) pension plan administered by the State of Alaska which includes a defined benefit health plan, and occupational death and disability plan (Other Post Employment Benefits "OPEB"). All employees initially hired prior to July 1, 2006 must participate in this plan. With the passage of Senate Bill (SB) 141, the DB Plan is closed to all new members effective July 1, 2006. Employees hired on or after this date must participate in the DC Plan described later.

**Benefits Provided**

PERS provides retirement, health insurance premium supplement, long-term disability, occupational death and disability and survivor benefits. Retirement benefits are calculated on the basis of age, average monthly compensation and service credit as follows (a more complete description of benefits can be found at <http://doa.alaska.gov/drb/> or the financial report referred to above):

	<u>"Tier 1"</u>	<u>"Tier 2 and 3"</u>
Initial hire date	Before July 1, 1986 and all police and firefighters	July 1, 1986 to June 30, 1996 (2) After July 1, 1996 (3)
Minimum credited years of service	Five Years	Five Years
Retirement age with minimum years of service	55, or early retirement - 50, or any age with 30 or more service years	60, or early retirement - 55, or any age with 30 or more service years
Pension benefit:		
Basis	Years of Service based and average of three highest consecutive years' salaries	Years of Service based and average of three highest consecutive years' salaries
Amount per year of service	2% to 2.5% depending on hire date and length of service	2% to 2.5% depending on hire date and length of service



HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Form	Joint and survivor annuity	Joint and survivor annuity
Death benefit:		
Pre-retirement, work related, non-willful negligence death	Monthly survivor benefit	Monthly survivor benefit
Active DB Plan member, occupational death	40% of members' salary, higher amounts for police or firefighters	40% of members' salary, higher amounts for police or firefighters
Active DB Plan member, non-occupational death	Spouse receives 50% of members' benefit, or lump sum to other beneficiaries	Spouse receives 50% of members' benefit, or lump sum to other beneficiaries
Disability benefits	Paid to normal retirement age, if vested, when normal retirement benefits apply	Paid to normal retirement age, if vested, when normal retirement benefits apply
Medical benefits	Major medical benefits at no cost	Major medical at no cost after age 60, or premium amount if under age 60 (Tier 2), paid premium (Tier 3), at no cost if disabled
Postretirement pension adjustments (PRPA):		
Automatic	Benefits increased each July 1 based on cost of living increase the previous calendar year	Benefits increased each July 1 based on cost of living increase the previous calendar year
Discretionary	Granted if funding ratio of the DB Plan meets or exceeds 105%	Granted if funding ratio of the DB Plan meets or exceeds 105%

Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plan's members' contribution rates are 7.5% for peace officers and firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The Borough and the School District's effective contribution rate is 22.00% of annual payroll. Alaska Statute 39.35.280 states that the State of Alaska, as a nonemployer contributing entity, shall contribute each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

- (A) the amount calculated for the statutory employer contribution rate of 22.00% on eligible salary, less  
(B) the total of the employer contributions for
- (1) the defined contribution employer matching amount,
  - (2) major medical,
  - (3) occupational death & disability, and
  - (4) health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members were allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they reestablished an employee relationship with a participating DB Plan employer before July 1, 2010. Members who had not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 was not eligible to reinstate voluntarily refunded service and forfeited any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

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

At June 30, 2017, the Borough and the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Borough and the School District. The amount recognized by the Borough and the School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Borough and the School District were as follows:

Borough's proportionate share of the net pension liability	\$ 5,016,030
State's proportionate share of the net pension liability associated the Borough	<u>633,379</u>
Total Net Pension Liability	<u>\$ 5,649,409</u>
School District's proportionate share of the net pension liability for PERS	\$ 1,904,881
State's proportionate share of the net pension liability for PERS associated the School District	<u>239,593</u>
Total Net Pension Liability for PERS	<u>\$ 2,144,474</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

The Borough and the School District will record the entire net pension liability, including the State's proportionate share, if the State of Alaska no longer contributes its proportionate share as measured by the annual State contributions and provided under Alaska Statute 39.35.280. By changing the existing statute to a higher rate above and up to the actuarially determined rate, the Borough and the School District may be required to record some or all of the State's proportion and its contribution amounts will increase accordingly.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough and the School District's proportion of the net pension liability was based on a projection of the Borough and the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2016, the Borough's proportion was .08974%, which was an decrease of .01960% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's proportion was .03408%, which was a decrease of .00654% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Borough recognized pension expense of \$1,137,463 and related revenue of \$85,380 for support provided by the State. At June 30, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 461	\$ 55,912
Changes in assumptions	23,135	-
Net difference between projected and actual earnings on pension plan investments	493,052	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	93,044	529,727
Borough contributions subsequent to measurement date	<u>255,460</u>	<u>-</u>
Total	<u>\$ 865,152</u>	<u>\$ 585,639</u>

\$255,460 reported as deferred outflows of resources related to pensions resulting from the Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement year (fiscal year) as follows:

Year ended June 30:	
2017 (2018)	\$ (335,092)
2018 (2019)	27,428
2019 (2020)	201,561
2020 (2021)	130,155

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2017, the School District recognized pension expense of \$483,434 and revenue of \$32,297 for support provided by the State. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 175	\$ 21,233
Changes in assumptions	8,786	-
Net difference between projected and actual earnings on pension plan investments	187,241	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	36,883	179,517
School District contributions subsequent to measurement date	<u>68,594</u>	<u>-</u>
Total	<u>\$ 301,679</u>	<u>\$ 200,750</u>

\$68,594 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement year (fiscal year) as follows:

Year ended June 30:	
2017 (2018)	\$ 17,835
2018 (2019)	37,247
2019 (2020)	93,841
2020 (2021)	62,006

Actuarial Assumptions

The total pension liability at the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officers/Firefighters Graded by age and service, from 8.55% to 4.34% for All Others
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Project scale BB.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed as of June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board in December 2014 to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's current and expected asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	5.35%
Global equity (non-US)	5.55
Private equity	6.25
Fixed income composite	0.80
Real estate	3.65
Alternative equity	4.70

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer 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 Borough and the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Borough and the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Borough and the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

	1% Decrease (7.0)	Current Discount rate (8.0%)	1% Increase (9.0%)
Borough's proportionate share of the Net pension liability	\$ 6,460,392	\$ 5,016,030	\$ 3,797,776
School District's proportionate share of the net pension liability	\$ 2,453,391	\$ 1,904,881	\$ 1,442,239

**Pension Plan Fiduciary Net Position**

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

**PERS - Defined Benefit Other Postemployment Benefit Plans Funding Status**

The Borough's annual OPEB costs for the years ending June 30, 2017, 2016 and 2015, and the amounts actually contributed are listed below:

Period Ending	Annual OPEB Cost	Percentage of Required Contribution
June 30, 2017	\$ 50,726	100%
June 30, 2016	66,778	100%
June 30, 2015	86,933	100%

The School District's annual OPEB costs for the years ending June 30, 2017, 2016 and 2015, and the amounts actually contributed are listed below:

Period Ending	Annual OPEB Cost	Percentage of Required Contribution
June 30, 2017	\$ 37,065	100%
June 30, 2016	47,666	100%
June 30, 2015	51,375	100%

**State of Alaska TRS Defined Benefit Plan**

**Plan Description**

TRS is a cost-sharing multiple-employer defined benefit (DB) pension plan administered by the State of Alaska which includes a defined benefit health plan, and occupational death and disability plan (Other Post Employment Benefits "OPEB"). All employees initially hired prior to July 1, 2006 must participate in this plan. With the passage of Senate Bill (SB) 141, the DB Plan is closed to all new members effective July 1, 2006. Employees hired on or after this date must participate in the DC Plan described later.

**Benefits Provided**

TRS provides retirement, health insurance premium supplement, long-term disability, occupational death and disability and survivor benefits. Retirement benefits are calculated on the basis of age, average monthly compensation and service credit as follows (a more complete description of benefits can be found at <http://doa.alaska.gov/dr/b/> or the financial report referred to earlier):

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

	"Tier 1"	"Tier 2"
Initial hire date	Before July 1, 1990	July 1, 1990 to June 30, 2006
Minimum credited years of service	Five Years	Five Years
Retirement age with minimum years of service	55, or early retirement - 50, or any age with 30 or more service years	60, or early retirement - 55, or any age with 30 or more service years
Pension benefit:		
Basis	Years of Service based and average of three highest contract years salaries	Years of Service based and average of three highest contract years salaries
Amount per year of service	2% to 2.5% depending on hire date and length of service	2% to 2.5% depending on hire date and length of service
Form	Joint and survivor annuity	Joint and survivor annuity
Death benefit:		
Pre-retirement, work related, non-willful negligence death	Monthly survivor benefit	Monthly survivor benefit
Active DB Plan member, occupational death	40% of members' salary,	40% of members' salary,
Active DB Plan member, non-occupational death	Spouse receives 50% of members' benefit, or lump sum to other beneficiaries	Spouse receives 50% of members' benefit, or lump sum to other beneficiaries
Disability benefits	Paid to normal retirement age, if vested, when normal retirement benefits apply	Paid to normal retirement age, if vested, when normal retirement benefits apply
Medical benefits	Major medical benefits at no cost	Major medical at premium amount if under age 60, at no cost thereafter, if 25 years of service or if disabled
Postretirement pension adjustments (PRPA):		
Automatic	Benefits increased each July 1 based on cost of living increase the previous calendar year	Benefits increased each July 1 based on cost of living increase the previous calendar year
Discretionary	Granted if funding ratio of the DB Plan meets or exceeds 105%	Granted if funding ratio of the DB Plan meets or exceeds 105%

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plan members contribute 8.65% of their base salary as required by statute. The School District's effective contribution rate is 12.56% of annual payroll. Alaska Statute 14.25.085 requires that additional state contributions made each July 1, or as soon after July 1, for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

- (A) The amount calculated for the statutory employer contribution rate of 12.56% on eligible salary less
- (B) The total of the employer contributions for
  - (1) The defined contribution employer matching amount;
  - (2) Major medical;
  - (3) Occupational death & disability; and
  - (4) Health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds.

Refunds

DB Plan member contributions may be voluntarily or involuntarily refunded to the employee or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75<sup>th</sup> birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members were allowed to reinstate refunded service due to involuntary refunds by paying the total involuntary refunded balance and accrued interest, as long as they reestablished an employee relationship with a participating DB Plan employer before July 1, 2010. Members who had not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 was not eligible to reinstate voluntarily refunded service and forfeited any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

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

At June 30, 2017, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The amount recognized by the School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability for TRS	\$ 2,093,520
State's proportionate share of the net pension liability for TRS associated the School District	<u>2,488,836</u>
Total Net Pension Liability for TRS	<u>\$ 4,582,356</u>



HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

The School District will record the entire net pension liability, including the State's proportionate share, if the State of Alaska no longer contributes its proportionate share as measured by the annual State contributions and provided under Alaska Statute 14.25.085. By changing the existing statute to a higher rate above and up to the actuarially determined rate, the School District may be required to record some or all of the State's proportion and its contribution amounts will increase accordingly.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2016, the School District's proportion was .09169%, which was an increase of .01426% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$731,129 and revenue of \$296,336 for support provided by the State. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 26,991
Changes in assumptions	6,848	-
Net difference between projected and actual earnings on pension plan investments	319,898	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	111,039	-
School District contributions subsequent to measurement date	<u>75,510</u>	<u>-</u>
Total	<u>\$ 513,295</u>	<u>\$ 26,991</u>

\$75,510 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement year (fiscal year) as follows:

Year ended June 30:	
2017 (2018)	\$ 19,634
2018 (2019)	41,002
2019 (2020)	103,305
2020 (2021)	68,259

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016:

Inflation	3.12%
Salary increases	Graded for service, from 8.11% to 3.87%
Rate of return	8.00%, per year, compounded annually, net of expenses for pension; and 4.55% for healthcare

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 68% of male and 65% of female post-termination rates. Deaths are assumed to be non-occupational 85% of the time. Post-termination mortality rates were based on 94% of the male rates and 97% of the female rates of the RP-2000 Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Board to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Equities:	
Domestic equity	5.35%
Global equity (non-US)	5.55
Private equity	6.25
Fixed income composite	0.80
Real estate	3.65
Alternative equity	4.70

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0)	Current Discount rate (8.0%)	1% Increase (9.0%)
School District's proportionate share of the net pension liability	\$ 2,852,680	\$ 2,093,520	\$ 1,457,030

**Pension Plan Fiduciary Net Position**

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

**TRS - Defined Benefit Other Postemployment Benefit Plans Funding Status**

The League's annual OPEB costs for the years ending June 30, 2017, 2016 and 2015, and the amounts actually contributed are listed below.

Period Ending	Annual OPEB Cost	Percentage of Required Contribution
June 30, 2017	\$ 42,927	100%
June 30, 2016	37,680	100%
June 30, 2015	52,567	100%

**PERS and TRS - Defined Contribution Pension Plan**

**General**

The Borough and the School District participates in the State of Alaska Defined Contribution Pension Plan (DC Plan) which provides pension benefits and Other Postemployment Benefits Occupational death and disability benefits similar to those of the defined contribution plan for eligible employees hired after July 1, 2006. The State of Alaska Healthcare Reimbursement Arrangement Plan is also provided allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Additionally, certain active members of the DB Plan were eligible to transfer to the DC Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DC Plan is administered by the System.

**Pension Benefits**

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Contributions

Alaska statutes require an 8.0% contribution rate for DC Plan members. Employers are required to contribute 5.0% of the member's compensation. For the Borough's PERS members for the year ended June 30, 2017 and 2016, employee contributions totaled \$137,333 and \$110,952, respectively, and the Borough recognized pension expense of \$85,833 and \$68,802, respectively. For the School District's PERS members for the year ended June 30, 2017 and 2016, employee contributions totaled \$34,387 and \$37,506, respectively, and the School District recognized pension expense of \$21,492 and \$23,442, respectively. For the School District's TRS members for the year ended June 30, 2017 and 2016, employee contributions totaled \$86,918 and \$93,104, respectively, and the School District recognized pension expense of \$76,053 and \$81,466, respectively.

Refunds

A member is eligible to elect distribution of their account 60 days after termination of employment.

Participant Accounts

Participant accounts under the DC Plan are self-directed with respect to investment options.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record-keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

**NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of June 30, 2017, was as follows:

	Interfund Balances	
	Due from other funds	Due to other funds
General Fund	\$ 115,842	\$ 5,164,305
Permanent Fund	-	63,584
New School Debt Service	9,145	-
Capital Project Funds	1,505,335	-
Passenger Vessel Tax	49,590	-
Other Governmental Funds	1,514,114	-
Water Fund	290,612	-
Sewer Fund	911,883	-
Small Boat Harbor Fund	-	592,940
Lutak Dock Fund	1,359,726	-
Port Chilkoot Dock Fund	64,582	-
	<u>\$ 5,820,829</u>	<u>\$ 5,820,829</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

Interfund transfers result from the Borough budget and are as follows:

Transfers In							
	General Fund	Capital Project Funds	Water	Sewer	Small Boat Harbor	Port Chilkoot Dock	Total
Transfers out:							
General fund	\$ 25,494	\$ 361,395	\$ -	\$ -	\$ 31,000	\$ -	\$ 417,889
Permanent fund	293,000	-	-	-	-	-	293,000
Capital Project Funds	137,500	-	128,739	52,366	43,772	-	362,377
Passenger vessel tax	-	43,561	6,000	-	-	19,538	69,099
Other governmental funds	27,496	-	-	-	-	14,000	41,496
Total	<u>\$ 483,490</u>	<u>\$ 404,956</u>	<u>\$ 134,739</u>	<u>\$ 52,366</u>	<u>\$ 74,772</u>	<u>\$ 33,538</u>	<u>\$ 1,183,861</u>

Transfers between funds are in accordance with the Borough Code and budgetary authorizations, and are generally for capital outlay and operations.

#### NOTE 12 - RISK MANAGEMENT

Haines Borough is exposed to numerous risks of loss associated with the operations of a government. These potential losses include, but are not limited to, employee relations and injuries, contracts, theft, loss or damage of property, natural disasters and general liability. The Borough manages its risks from these potential losses by participating in Alaska Public Entity Insurance (a governmental insurance pool), as well as purchasing commercial insurance coverage. This insurance has provided the Borough with adequate coverage in the past. The Borough's insurance is on a claims occurred basis, except for public officials' coverage which is on a claims made basis. There were no significant changes in insurance coverage obtained and there were no claims or settlements that exceeded insurance coverage in any of the past three fiscal years.

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

#### NOTE 13 - PERMANENT FUND

The Borough Assembly has established the Haines Borough Permanent Fund ("the Permanent Fund"). Any deposits into the Permanent Fund shall not be spent, but shall be held perpetually in trust for the benefit of the present and future generations of Borough residents.

Deposits into the Permanent Fund consist of net proceeds from the sale of municipal lands, less amounts allocated by the Assembly for construction of public improvements within local improvement districts. These land sales and public improvements are originally recorded in a special revenue fund (called the Municipal Land Disposal Special Revenue Fund). At the end of each fiscal year, the excess of revenue over expenditures in this fund is transferred as deposits to the Permanent Fund.

Income from permanent fund investments sufficient to offset the effect of inflation on principal is retained in the fund annually. The amount is calculated by computing a 3-year average of the rates of change of the Consumer Price Index and applying it to the principal balance. After inflation proofing, income derived from Permanent Fund investments may be used as designated by the Borough Assembly after consideration of public input. Income available for Borough expenses may not exceed 3.5% of the average total market value of the fund for 3 of the 4 fiscal years immediately preceding the budget year.

## REQUIRED SUPPLEMENTARY INFORMATION

HAINES BOROUGH  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND

For the Year Ended June 30, 2017

	Budget Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenue				
Taxes				
Property	\$ 2,491,408	\$ 2,266,201	\$ 2,283,255	\$ 17,054
Sales	1,352,000	1,352,000	1,376,850	24,850
Intergovernmental - Federal and State	927,574	982,082	929,078	(53,004)
Federal payments in lieu of taxes	309,900	348,013	348,013	-
Service and admission fees	79,500	79,500	78,885	(615)
Licenses and permits	25,000	25,000	24,033	(967)
Rentals	104,609	104,609	97,584	(7,025)
Investment earnings	111,500	111,500	53,934	(57,566)
Contributions and other	100,206	75,206	56,865	(18,341)
Total revenue	<u>5,501,697</u>	<u>5,344,111</u>	<u>5,248,497</u>	<u>(95,614)</u>
Expenditures				
Current				
General government	825,463	1,005,765	945,805	59,960
Public safety	1,388,643	1,508,715	1,492,669	16,046
Public works and streets	881,833	898,492	826,380	72,112
Education	1,779,500	1,779,500	1,771,642	7,858
Culture, recreation, and library	1,092,671	1,110,421	1,062,711	47,710
Total expenditures	<u>5,968,110</u>	<u>6,302,893</u>	<u>6,099,207</u>	<u>203,686</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(466,413)</u>	<u>(958,782)</u>	<u>(850,710)</u>	<u>108,072</u>
Other financing sources (uses)				
Transfers in	440,500	440,500	483,490	42,990
Transfers out	(116,135)	(138,681)	(417,889)	(279,208)
Total other financing sources	<u>324,365</u>	<u>301,819</u>	<u>65,601</u>	<u>(236,218)</u>
Net change in fund balance	<u>\$ (142,048)</u>	<u>\$ (656,963)</u>	<u>\$ (785,109)</u>	<u>\$ (128,146)</u>

HAINES BOROUGH  
BUDGETARY COMPARISON SCHEDULE -  
PASSENGER VESSEL TAX SPECIAL REVENUE FUND

For the Year Ended June 30, 2017

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Intergovernmental - State of Alaska	\$ 185,000	\$ 185,000	\$ 170,433	\$ (14,567)
Expenditures				
Port development	106,500	106,500	101,334	5,166
Excess of revenues over expenditures	78,500	78,500	69,099	(9,401)
Other financing uses - transfers out	(86,000)	(86,000)	(69,099)	(155,099)
Net change in fund balance	\$ (7,500)	\$ (7,500)	\$ -	\$ 7,500



HAINES BOROUGH  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOROUGH'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

Years Ended June 30, 2016 through 2013

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Haines Borough's proportion of the net pension liability	0.08974000%	0.10934000%	0.04988465%	0.04806946%
Haines Borough's proportionate share of the net pension liability	\$ 5,016,030	\$ 5,302,798	\$ 2,326,689	\$ 2,524,319
State's proportionate share of the net pension liability associated with the Borough	<u>633,379</u>	<u>1,419,808</u>	<u>2,289,751</u>	<u>2,758,681</u>
Total	<u>\$ 5,649,409</u>	<u>\$ 6,722,606</u>	<u>\$ 4,616,440</u>	<u>\$ 5,283,000</u>
Haines Borough's covered payroll	\$ 2,142,611	\$ 2,303,150	\$ 2,281,338	\$ 2,450,903
Haines Borough's proportionate share of the net pension liability as a percentage of its covered employee payroll	234.11%	230.24%	101.99%	103.00%
Plan fiduciary net position as a percentage of the total pension liability	59.55%	63.96%	62.37%	56.04%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.

HAINES BOROUGH  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF BOROUGH CONTRIBUTIONS  
Years Ended June 30, 2017 through 2014

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 255,460	\$ 201,400	\$ 210,862	\$ 191,334
Contributions in relation to the contractually required contribution	<u>(255,460)</u>	<u>(201,400)</u>	<u>(210,862)</u>	<u>(191,334)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Haines Borough's covered payroll	\$ 2,437,198	\$ 2,142,611	\$ 2,303,150	\$ 2,281,338
Contributions as a percentage of covered employee payroll	10.48%	9.40%	9.16%	8.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.

HAINES BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
Years Ended June 30, 2016 through 2013

	PERS			
	2016	2015	2014	2013
School District's proportion of the net pension liability	0.03408000%	0.00462000%	0.01746932%	0.01911557%
School District's proportionate share of the net pension liability	\$ 1,904,881	\$ 1,969,984	\$ 814,793	\$ 1,003,835
State's proportionate share of the net pension liability associated with the School District	239,593	529,626	831,844	1,087,306
Total	<u>\$ 2,144,474</u>	<u>\$ 2,499,610</u>	<u>\$ 1,646,637</u>	<u>\$ 2,091,141</u>
School District's covered payroll	\$ 795,833	\$ 776,394	\$ 835,768	N/A
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	239.36%	253.74%	97.49%	N/A
Plan fiduciary net position as a percentage of the total pension liability	59.55%	63.96%	62.37%	N/A
	TRS			
	2016	2015	2014	2013
School District's proportion of the net pension liability	0.09169000%	0.07743000%	0.03195102%	0.03616772%
School District's proportionate share of the net pension liability	\$ 2,093,520	\$ 1,440,523	\$ 958,231	\$ 1,197,304
State's proportionate share of the net pension liability associated with the School District	2,488,836	2,301,323	5,976,589	6,567,873
Total	<u>\$ 4,582,356</u>	<u>\$ 3,741,846</u>	<u>\$ 6,934,820</u>	<u>\$ 7,765,177</u>
School District's covered payroll	\$ 1,755,706	\$ 1,740,617	\$ 1,774,204	N/A
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	119.24%	82.76%	54.01%	N/A
Plan fiduciary net position as a percentage of the total pension liability	68.40%	55.70%	55.70%	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.

HAINES BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
Years Ended June 30, 2017 through 2015

PERS			
	2017	2016	2015
Contractually required contribution	\$ 78,762	\$ 71,531	\$ 68,101
Contributions in relation to the contractually required contribution	(78,762)	(71,531)	(68,101)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$ 803,540	\$ 795,833	\$ 776,394
Contributions as a percentage of covered employee payroll	9.80%	8.99%	8.77%
TRS			
	2017	2016	2015
Contractually required contribution	\$ 65,342	\$ 43,281	\$ 71,073
Contributions in relation to the contractually required contribution	(65,342)	(43,281)	(71,073)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,778,641	\$ 1,755,706	\$ 1,740,617
Contributions as a percentage of covered employee payroll	3.67%	2.47%	4.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.