



## FINANCIAL STATEMENTS

June 30, 2023

Together with Independent Auditor's Report

## HAINES BOROUGH

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Assembly of Haines Borough  
Haines, Alaska

**Report on the Audit of the Financial Statements**

***Opinion***

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Haines Borough (the Borough), as of and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In my opinion, based on my audit and the report of other auditors, the accompanying financial statements 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, 2023, 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.

I did not audit the financial statements of the Haines Borough School District, which represents 3.3% of total assets in the Statement of Net Position and 21% of total revenues in the Statement of Activities. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Haines Borough School District, is based on the report of the other auditors.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and GAS, I:

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

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

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and pension and other post-employment 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my

inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2023 on my consideration of the Borough's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 11, 2023

## HAINES BOROUGH

**STATEMENT OF NET POSITION (DEFICIT)**

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,312,000	\$ 300	\$ 4,312,300	\$ 1,674,011
Investments	11,580,947	-	11,580,947	-
Receivables	1,854,796	172,496	2,027,292	170,553
Internal balances, net	(4,419,557)	4,419,557	-	-
Current portion of leases receivable	20,161	3,483	23,644	-
Inventory and prepaid expenses	90,498	338,686	429,184	19,212
Total Current Assets	13,438,845	4,934,522	18,373,367	1,863,776
RESTRICTED ASSETS				
Cash and cash equivalents	244,997	93,967	338,964	-
Investments	9,060,215	-	9,060,215	-
Receivables	11,465	-	11,465	-
NONCURRENT ASSETS				
Leases receivable, net of current portion	590,319	271,862	862,181	-
Net OPEB asset	1,556,675	135,365	1,692,040	1,504,962
Receivables, net of current portion	120,949	-	120,949	-
Capital assets, net	31,886,335	51,979,056	83,865,391	153,136
Total Assets	56,909,800	57,414,772	114,324,572	3,521,874
DEFERRED OUTFLOWS OF RESOURCES	739,674	67,239	806,913	529,523
Total Assets and Deferred Outflows of Resources	57,649,474	57,482,011	115,131,485	4,051,397
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	446,651	146,464	593,115	729
Accrued payroll	253,191	-	253,191	49,279
Deposits	-	55,221	55,221	-
Unearned revenue	1,617,999	-	1,617,999	40,376
Current portion of long-term obligations	1,192,659	174,411	1,367,070	-
Total Current Liabilities	3,510,500	376,096	3,886,596	90,384
NONCURRENT LIABILITIES				
Compensated absences	221,325	28,855	250,180	108,000
Bonds and loans payable	3,303,199	2,761,076	6,064,275	-
Net pension liability	3,823,155	332,448	4,155,603	3,135,428
Total Liabilities	10,858,179	3,498,475	14,356,654	3,333,812
DEFERRED INFLOWS OF RESOURCES	758,505	288,216	1,046,721	159,189
Total Liabilities and Deferred Inflows of Resources	11,616,684	3,786,691	15,403,375	3,493,001
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	27,390,477	49,043,569	76,434,046	153,136
Restricted for:				
Bond reserves	-	93,967	93,967	-
Medical services	355,131	-	355,131	-
Capital projects	2,105,194	-	2,105,194	-
Economic development	1,419,502	-	1,419,502	-
Permanent fund - nonexpendable	8,659,590	-	8,659,590	-
Permanent fund - expendable	533,573	-	533,573	-
Unrestricted	5,569,323	4,557,784	10,127,107	405,260
Total Net Position (Deficit)	\$ 46,032,790	\$ 53,695,320	\$ 99,728,110	\$ 558,396

## HAINES BOROUGH

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Change in Net Position			
	Expenses	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	\$ 1,556,499	\$ -	\$ -	\$ -	\$ (1,556,499)	\$ -	\$ (1,556,499)	\$ -
Public safety	1,485,660	5,222	445,640	-	(1,034,798)	-	(1,034,798)	-
Public works and streets	2,028,732	-	-	-	(2,028,732)	-	(2,028,732)	-
Economic development	538,550	-	-	-	(538,550)	-	(538,550)	-
Education	2,470,603	-	-	896,474	(1,574,129)	-	(1,574,129)	-
Port development	109,461	-	381,545	-	272,084	-	272,084	-
Culture, recreation and library	1,124,860	143,181	14,003	-	(967,676)	-	(967,676)	-
Interest on long-term debt	241,065	-	-	-	(241,065)	-	(241,065)	-
Total Governmental Activities	9,555,429	148,403	841,188	896,474	(7,669,364)	-	(7,669,364)	-
Business-Type Activities								
Water	833,400	473,916	-	-	-	(359,484)	(359,484)	-
Sewer	862,011	576,813	-	-	-	(285,198)	(285,198)	-
Small boat harbor	1,463,251	636,263	-	145,452	-	(681,536)	(681,536)	-
Lutak dock	232,672	339,581	-	-	-	106,909	106,909	-
Port Chilkoot dock	453,170	264,964	-	-	-	(188,206)	(188,206)	-
Total Business-Type Activities	3,844,504	2,291,537	-	145,452	-	(1,407,515)	(1,407,515)	-
Total Primary Government	\$ 13,399,933	\$ 2,439,940	\$ 841,188	\$ 1,041,926	(7,669,364)	(1,407,515)	(9,076,879)	-
Component Units	\$ 5,436,174	\$ 51,888	\$ 1,035,528	\$ -				(4,348,758)
General Revenue and Transfers								
Property taxes					3,479,657	-	3,479,657	-
Sales taxes					4,722,342	-	4,722,342	-
Provided by general government					-	-	-	1,638,448
Intergovernmental revenue not restricted to specific programs					8,348,346	-	8,348,346	3,174,364
Investment income (loss)					302,300	104,210	406,510	38,694
Contributions to Permanent Fund principal - inflation proofing					363,533	-	363,533	-
Licenses and permits					59,021	-	59,021	-
Contributions and other					86,304	-	86,304	174,569
Payments in lieu of taxes					284,825	-	284,825	-
Land sales					35,978	-	35,978	-
Transfers					(495,919)	495,919	-	-
Total General Revenue and Transfers					17,186,387	600,129	17,786,516	5,026,075
Change in Net Position					9,517,023	(807,386)	8,709,637	677,317
Net Position (Deficit), Beginning of Year					36,515,767	54,502,706	91,018,473	(118,921)
Net Position, End of Year					\$ 46,032,790	\$ 53,695,320	\$ 99,728,110	\$ 558,396

## HAINES BOROUGH

## BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Permanent Fund	Small Grants Special Revenue Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 4,312,000	\$ 244,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,556,997
Investments	11,580,947	9,060,215	-	-	-	-	-	20,641,162
Receivables	1,238,212	11,465	24,207	8,967	1,144,964	-	169,875	2,597,690
Due from other funds	115,843	-	1,622,094	-	1,088,633	211,790	2,166,379	5,204,739
Prepaid expenses	22,694	-	-	-	-	-	-	22,694
Inventory	67,804	-	-	-	-	-	-	67,804
<b>Total Assets</b>	<b>\$ 17,337,500</b>	<b>\$ 9,316,677</b>	<b>\$ 1,646,301</b>	<b>\$ 8,967</b>	<b>\$ 2,233,597</b>	<b>\$ 211,790</b>	<b>\$ 2,336,254</b>	<b>\$ 33,091,086</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 231,438	\$ 1,941	9,592	\$ -	\$ 128,403	\$ 7,610	\$ 67,667	\$ 446,651
Accrued payroll	253,191	-	-	-	-	-	-	253,191
Due to other funds	9,495,033	121,573	-	7,690	-	-	-	9,624,296
Unearned revenue	631,448	-	1,617,999	-	-	202,475	-	2,451,922
<b>Total Liabilities</b>	<b>10,611,110</b>	<b>123,514</b>	<b>1,627,591</b>	<b>7,690</b>	<b>128,403</b>	<b>210,085</b>	<b>67,667</b>	<b>12,776,060</b>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue - property taxes	138,567	-	-	-	-	-	-	138,567
Unavailable revenue - leases receivable	610,480	-	-	-	-	-	-	610,480
Unavailable revenue - land sales	-	-	-	-	-	-	29,575	29,575
<b>Total Deferred Inflows of Resources</b>	<b>749,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,575</b>	<b>778,622</b>
<b>Fund Balances</b>								
Nonspendable	90,498	8,659,590	-	-	-	-	-	8,750,088
Restricted	2,124,788	-	18,710	1,277	2,105,194	-	2,239,012	6,488,981
Assigned	706,272	533,573	-	-	-	1,705	-	1,241,550
Unassigned	3,055,785	-	-	-	-	-	-	3,055,785
<b>Total Fund Balances</b>	<b>5,977,343</b>	<b>9,193,163</b>	<b>18,710</b>	<b>1,277</b>	<b>2,105,194</b>	<b>1,705</b>	<b>2,239,012</b>	<b>19,536,404</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 17,337,500</b>	<b>\$ 9,316,677</b>	<b>\$ 1,646,301</b>	<b>\$ 8,967</b>	<b>\$ 2,233,597</b>	<b>\$ 211,790</b>	<b>\$ 2,336,254</b>	

Net position reported for governmental activities is different from fund balance due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,886,335
Unearned revenues and deferred inflows of resources not available to pay for current-period expenditures are reported as earned in the Statement of Net Position.	1,002,065
Contributions to the defined pension and OPEB plan and other related amounts in the current fiscal year are deferred outflows on the Statement of Net Position.	739,674
Pension and OPEB related deferred inflows are not recognized immediately and, therefore, are not reported in the funds. These items are amortized over time.	(148,025)
Net OPEB assets are not available to pay for current prior expenditures and therefore are not reported in the funds.	1,556,675
Long-term liabilities, including bonds, compensated absences and the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	(8,540,338)
<b>Net Position of Governmental Activities</b>	<b>\$ 46,032,790</b>

HAINES BOROUGH

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2023

	General Fund	Permanent Fund	Small Grants Special Revenue Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes								
Property	\$ 3,102,243	\$ -	\$ -	\$ 385,478	\$ -	\$ -	\$ 14,195	\$ 3,501,916
Sales	2,302,513	-	-	-	1,219,120	-	1,200,709	4,722,342
Intergovernmental								
Federal grants and contracts	429,264	-	455,420	-	3,117,220	-	-	4,001,904
Federal payments in lieu of taxes	401,458	-	-	-	-	-	-	401,458
State grants and contracts	3,086,406	-	77,736	896,474	337,465	179,070	26,459	4,603,610
Rentals, Service and admission fees	148,403	-	-	-	-	-	-	148,403
Licenses and permits	59,021	-	-	-	-	-	-	59,021
Investment earnings (loss)	225,538	440,295	-	-	-	-	-	665,833
Contributions and other	83,924	-	2,380	-	-	-	-	86,304
<b>Total Revenues</b>	<b>9,838,770</b>	<b>440,295</b>	<b>535,536</b>	<b>1,281,952</b>	<b>4,673,805</b>	<b>179,070</b>	<b>1,241,363</b>	<b>18,190,791</b>
<b>EXPENDITURES</b>								
Current								
General government	1,010,146	23,664	-	-	-	-	12,794	1,046,604
Public safety	2,097,240	-	238,346	-	-	-	123,179	2,458,765
Public works and streets	1,212,123	-	-	-	-	-	241,174	1,453,297
Economic development	-	-	-	-	-	-	555,085	555,085
Education	1,827,340	-	-	-	-	-	-	1,827,340
Culture, recreation, and library	1,144,106	-	-	-	-	-	-	1,144,106
Debt service								
Principal	-	-	-	1,045,000	-	-	8,758	1,053,758
Interest	-	-	-	235,675	-	-	5,390	241,065
Capital outlay	-	-	-	-	4,726,570	-	-	4,726,570
<b>Total Expenditures</b>	<b>7,290,955</b>	<b>23,664</b>	<b>238,346</b>	<b>1,280,675</b>	<b>4,726,570</b>	<b>148,454</b>	<b>946,380</b>	<b>14,655,044</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,547,815	416,631	297,190	1,277	(52,765)	30,616	294,983	3,535,747
<b>Other Financing Sources (Uses)</b>								
Transfers in	388,019	450,000	-	-	989,932	-	26,200	1,854,151
Transfers out	(1,626,540)	-	(297,190)	-	(368,137)	(30,616)	(27,587)	(2,350,070)
Sale of capital assets	-	-	-	-	-	-	17,989	17,989
<b>Total Other Financing Sources (Uses)</b>	<b>(1,238,521)</b>	<b>450,000</b>	<b>(297,190)</b>	<b>-</b>	<b>621,795</b>	<b>(30,616)</b>	<b>16,602</b>	<b>(477,930)</b>
<b>Net Change in Fund Balances</b>	<b>1,309,294</b>	<b>866,631</b>	<b>-</b>	<b>1,277</b>	<b>569,030</b>	<b>-</b>	<b>311,585</b>	<b>3,057,817</b>
Fund Balances, Beginning of Year	4,668,049	8,326,532	18,710	-	1,536,164	1,705	1,927,427	16,478,587
<b>Fund Balances, End of Year</b>	<b>\$ 5,977,343</b>	<b>\$ 9,193,163</b>	<b>\$ 18,710</b>	<b>\$ 1,277</b>	<b>\$ 2,105,194</b>	<b>\$ 1,705</b>	<b>\$ 2,239,012</b>	<b>\$ 19,536,404</b>

HAINES BOROUGH

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

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds		\$ 3,057,817
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are capitalized and are allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlays	4,395,059	
Depreciation expense	<u>(1,542,280)</u>	2,852,779
Other transactions involving sales of land net of cash collected. Cash collected is presented as current year income in the fund financial statements.		(17,989)
Changes in unearned revenue 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.		63,583
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.		1,165,050
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 and other post-employment (expense) benefit, net of pension and other post-employment contributions reflected in the governmental funds		2,392,985
Change in compensated absences		2,798
<b>Change in Net Position of Governmental Activities</b>		<b>\$ 9,517,023</b>

## HAINES BOROUGH

## BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2023

	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	31,979	52,953	25,780	32,714	29,070	172,496
Due from other funds	47,303	557,481	939,163	2,646,984	344,469	4,535,400
Inventory	82,477	9,934	23,356	-	-	115,767
Prepaid expenses	75,000	147,919	-	-	-	222,919
Lease receivable, current portion	-	-	-	3,483	-	3,483
<b>Total Current Assets</b>	<b>236,759</b>	<b>768,287</b>	<b>988,599</b>	<b>2,683,181</b>	<b>373,539</b>	<b>5,050,365</b>
<b>RESTRICTED ASSETS</b>						
Revenue bond debt service reserve instruments	-	93,967	-	-	-	93,967
<b>CAPITAL ASSETS</b>						
Land	85,584	9,000	-	-	-	94,584
Buildings, net of accumulated depreciation	17,489	2,215,701	-	-	294,974	2,528,164
Improvements other than buildings, net of accumulated depreciation	8,715,649	3,462,180	27,814,340	1,437,248	6,712,905	48,142,322
Equipment, net of accumulated depreciation	47,022	67,108	46,747	-	-	160,877
Construction in progress	129,586	388,839	11,568	523,116	-	1,053,109
<b>Total Capital Assets</b>	<b>8,995,330</b>	<b>6,142,828</b>	<b>27,872,655</b>	<b>1,960,364</b>	<b>7,007,879</b>	<b>51,979,056</b>
<b>LEASE RECEIVABLE, net of current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>271,862</b>	<b>-</b>	<b>271,862</b>
<b>NET OPEB ASSET</b>	<b>50,762</b>	<b>16,921</b>	<b>67,682</b>	<b>-</b>	<b>-</b>	<b>135,365</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>24,445</b>	<b>8,146</b>	<b>34,648</b>	<b>-</b>	<b>-</b>	<b>67,239</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>9,307,296</b>	<b>7,030,149</b>	<b>28,963,584</b>	<b>4,915,407</b>	<b>7,381,418</b>	<b>57,597,854</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	19,130	53,758	69,047	3,165	1,364	146,464
Loan payable - current	92,520	-	-	-	-	92,520
Bond payable - current	-	81,891	-	-	-	81,891
Deposits	11,284	9,252	34,685	-	-	55,221
Due to other funds	-	-	115,843	-	-	115,843
<b>Total Current Liabilities</b>	<b>122,934</b>	<b>144,901</b>	<b>219,575</b>	<b>3,165</b>	<b>1,364</b>	<b>491,939</b>
<b>NONCURRENT LIABILITIES</b>						
Compensated absences	11,417	11,417	6,021	-	-	28,855
Revenue bonds payable	-	711,708	-	-	-	711,708
Loans payable	1,600,468	448,900	-	-	-	2,049,368
Net pension liability	124,668	41,556	166,224	-	-	332,448
<b>Total Noncurrent Liabilities</b>	<b>1,736,553</b>	<b>1,213,581</b>	<b>172,245</b>	<b>-</b>	<b>-</b>	<b>3,122,379</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,828</b>	<b>1,609</b>	<b>6,434</b>	<b>275,345</b>	<b>-</b>	<b>288,216</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,864,315</b>	<b>1,360,091</b>	<b>398,254</b>	<b>278,510</b>	<b>1,364</b>	<b>3,902,534</b>
<b>NET POSITION</b>						
Net investment in capital assets	7,302,342	4,900,329	27,872,655	1,960,364	7,007,879	49,043,569
Restricted for bond reserves	-	93,967	-	-	-	93,967
Unrestricted	140,639	675,762	692,675	2,676,533	372,175	4,557,784
<b>Total Net Position</b>	<b>\$ 7,442,981</b>	<b>\$ 5,670,058</b>	<b>\$ 28,565,330</b>	<b>\$ 4,636,897</b>	<b>\$ 7,380,054</b>	<b>\$ 53,695,320</b>

## HAINES BOROUGH

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

For the Year Ended June 30, 2023

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 473,916	\$ 576,813	\$ 636,263	\$ 339,581	\$ 264,964	\$ 2,291,537
<b>GENERAL REVENUES</b>						
Intergovernmental - Federal Governments	-	-	3,455	-	-	3,455
Intergovernmental - State Governments	-	141,997	-	-	-	141,997
Total Operating and General Revenue	473,916	718,810	639,718	339,581	264,964	2,436,989
<b>OPERATING EXPENSES</b>						
Depreciation	367,874	388,492	897,388	94,209	332,501	2,080,464
Salaries and benefits	184,399	199,296	80,949	113,622	60,765	639,031
Materials and supplies	92,950	41,479	317,233	-	4,859	456,521
Utilities	44,140	95,566	90,786	6,606	8,661	245,759
Banking and insurance	17,884	30,697	40,113	5,908	16,964	111,566
Professional services	55,485	32,656	14,580	1,324	14,512	118,557
Repairs and maintenance	33,936	33,990	10,958	260	8,615	87,759
Vehicle	4,474	3,665	10,514	10,277	4,178	33,108
Travel and training	5,047	3,834	-	250	1,950	11,081
Advertising, dues and subscriptions	464	8,863	730	216	165	10,438
Total Operating Expenses	806,653	838,538	1,463,251	232,672	453,170	3,794,284
Operating Income (Loss)	(332,737)	(119,728)	(823,533)	106,909	(188,206)	(1,357,295)
<b>NONOPERATING REVENUE (EXPENSE)</b>						
Investment income	3,820	12,340	19,810	63,422	4,818	104,210
Interest expense	(26,747)	(23,473)	-	-	-	(50,220)
Total Nonoperating Revenue (Expense)	(22,927)	(11,133)	19,810	63,422	4,818	53,990
Income (Loss) Before Contributions and Transfers	(355,664)	(130,861)	(803,723)	170,331	(183,388)	(1,303,305)
Transfers In	120,516	70,145	274,642	-	30,616	495,919
Change in Net Position	(235,148)	(60,716)	(529,081)	170,331	(152,772)	(807,386)
Net Position, Beginning of Year	7,678,129	5,730,774	29,094,411	4,466,566	7,532,826	54,502,706
Net Position, End of Year	\$ 7,442,981	\$ 5,670,058	\$ 28,565,330	\$ 4,636,897	\$ 7,380,054	\$ 53,695,320

## HAINES BOROUGH

**STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS**

For the Year Ended June 30, 2023

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 477,018	\$ 718,273	\$ 642,961	\$ 358,324	\$ 305,658	\$ 2,502,234
Cash paid to suppliers	(318,341)	(433,157)	(564,157)	(31,366)	(64,810)	(1,411,831)
Cash paid to employees	(225,521)	(212,415)	(137,127)	(117,105)	(60,765)	(752,933)
Net cash transferred from (to) general fund	189,897	110,692	113,679	76,082	(190,518)	299,832
Net Cash Flows Provided by (Used for) Operating Activities	123,053	183,393	55,356	285,935	(10,435)	637,302
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchases of capital assets	(129,586)	(224,735)	(349,808)	(349,357)	(24,999)	(1,078,485)
Net cash transferred from other funds	120,516	70,145	274,642	-	30,616	495,919
Proceeds from loans	-	141,997	-	-	-	141,997
Repayment of loan payable	(91,056)	-	-	-	-	(91,056)
Interest on bonds and loan payable	(26,747)	(23,473)	-	-	-	(50,220)
Repayment of bonds payable	-	(83,282)	-	-	-	(83,282)
Net Cash Flows Provided by (Used for) Capital and Related Financing Activities	(126,873)	(119,348)	(75,166)	(349,357)	5,617	(665,127)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Change in performance deposit	-	(76,385)	-	-	-	(76,385)
Cash receipts from investments	3,820	12,340	19,810	63,422	4,818	104,210
Net Cash Provided by (Used for) Investing Activities	3,820	(64,045)	19,810	63,422	4,818	27,825
Increase in Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	300	-	-	300
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (332,737)	\$ (119,728)	\$ (823,533)	\$ 106,909	\$ (188,206)	\$ (1,357,295)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	367,874	388,492	897,388	94,209	332,501	2,080,464
Pension and Other Post-Employment Benefit related	(42,002)	(13,999)	(56,005)	(3,483)	-	(115,489)
Changes in operating assets and liabilities						
Receivables	2,091	(509)	231	18,743	40,694	61,250
Due to/from other funds	189,897	110,692	113,679	76,082	(190,518)	299,832
Prepaid expenses	(75,000)	-	-	-	-	(75,000)
Inventory	-	-	15,326	-	-	15,326
Accounts payable	11,039	(182,407)	(94,569)	(6,525)	(4,906)	(277,368)
Compensated absences	880	880	(173)	-	-	1,587
Deposits	1,011	(28)	3,012	-	-	3,995
Total adjustments	455,790	303,121	878,889	179,026	177,771	1,994,597
Net Cash Flows Provided by (Used for) Operating Activities	\$ 123,053	\$ 183,393	\$ 55,356	\$ 285,935	\$ (10,435)	\$ 637,302

## HAINES BOROUGH

**COMPONENT UNITS COMBINING STATEMENT OF NET POSITION**

June 30, 2023

	Haines Borough School District	Non-major Component Unit	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,522,028	\$ 151,983	\$ 1,674,011
Receivables	170,553	-	170,553
Inventory and prepaid expenses	19,212	-	19,212
Total Current Assets	1,711,793	151,983	1,863,776
<b>CAPITAL ASSETS, NET</b>	153,136	-	153,136
<b>OPEB ASSETS</b>	1,504,962	-	1,504,962
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension and OPEB, net	529,523	-	529,523
Total Assets and Deferred Outflows of Resources	3,899,414	151,983	4,051,397
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	729	-	729
Accrued payroll and related liabilities	49,279	-	49,279
Deferred revenue	40,376	-	40,376
Total Current Liabilities	90,384	-	90,384
<b>NONCURRENT PORTION OF LONG-TERM OBLIGATIONS</b>			
Compensated absences	108,000	-	108,000
Net pension liability	3,135,428	-	3,135,428
<b>DEFERRED INFLOW OF RESOURCES</b>			
Pension and OPEB	159,189	-	159,189
Total Liabilities and Deferred Inflows of Resources	3,493,001	-	3,493,001
<b>NET POSITION</b>			
Net investment in capital assets	153,136	-	153,136
Unrestricted	253,277	151,983	405,260
Total Net Position	\$ 406,413	\$ 151,983	\$ 558,396

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, 2023

			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	Non-Major Component Unit	Total
	Expenses							
<b>Component Units</b>								
Haines Borough School District	\$ 5,411,792	\$ 51,888	\$ 1,019,739	\$ -	\$ (4,340,165)	\$ -	\$ (4,340,165)	
Non-Major Component Unit	24,382	-	15,789	-	-	(8,593)	(8,593)	
<b>Total Component Units</b>	<b>\$ 5,436,174</b>	<b>\$ 51,888</b>	<b>\$ 1,035,528</b>	<b>\$ -</b>	<b>(4,340,165)</b>	<b>(8,593)</b>	<b>(4,348,758)</b>	
<b>General Revenues</b>								
Provided by general government					1,605,000	33,448	1,638,448	
Grants not restricted to specific programs					3,174,364	-	3,174,364	
Investment income					38,409	285	38,694	
Contributions and other					174,569	-	174,569	
<b>Total General Revenues</b>					<b>4,992,342</b>	<b>33,733</b>	<b>5,026,075</b>	
Change in Net Position					652,177	25,140	677,317	
Net Position (Deficit), Beginning of Year					(245,764)	126,843	(118,921)	
<b>Net Position, End of Year</b>					<b>\$ 406,413</b>	<b>\$ 151,983</b>	<b>\$ 558,396</b>	

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2023

#### 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.
- Klehini Valley Volunteer Fire Department which provides fire protection in the Klehini Valley.

Information about major component units is included in the Component Unit Combining Statement of Net Position (page 12) and the Component Unit Combining Statement of Activities (page 13).

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

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

The other component unit does 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.

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

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

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.

*Small Grants Special Revenue Fund* – Accounts for revenues and expenditures related to the Borough's small grants which included American Rescue Plan Act (ARPA) pass-through grant from the State of Alaska in the fiscal year.

*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* – Accounts for amounts spent on capital improvement and replacement 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 did not adopt a budget for this fund for the fiscal year.

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, respectively. 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 are payable on November 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

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

available to 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 and Leases Receivable

All receivables are reported at gross value and, if appropriate, are reduced by the estimated portion that is expected to be uncollectible. Leases receivable are recorded at their net present value of future lease noncancellable lease payments, including all reasonably certain extensions, discounted at the Borough's estimated lending rate, which approximates its borrowing rate. Leases receivable are offset by a corresponding deferred inflow of resources until the related lease inflows are available.

##### 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. Reported governmental fund inventories are equally offset by a portion of fund balance classified as nonspendable in the fund financial statements, which indicates that they do not constitute "available and spendable resources" even though they are a component of net capital assets.

##### 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 in the accompanying financial statements 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, and capital assets received in a service concession arrangement are recorded at acquisition value as of the date of receipt.

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:

	Estimated Useful Life
Building structures and other improvements	10 – 40 years
Machinery and equipment	5 – 15 years
Roads, bridges and harbor infrastructure	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 personal leave benefits. All personal leave 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.

#### Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB assets, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Alaska

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Public Employees' Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as PERS, and assuming the State's OPEB support under AS 39.35.280 is a "Special Funding Situation" as defined by GASB 75. 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.

#### 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 and outflows 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 8 for further information on 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.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The appropriated budget is prepared by fund, function, and department using the modified accrual basis of accounting. 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 during the year. The significant supplemental budgetary appropriations made were related to intergovernmental revenue, wage and related expenses, and other operating expenses.

#### NOTE 3 – CASH AND CASH EQUIVALENTS

The Borough follows the practice of pooling cash equivalents of its various funds. The financial activity of the pooled cash and cash equivalents is accounted for in the General Fund. In some instances, funds may overdraft their available cash balance in the general fund. Specific fund overdrafts are treated as short-term loans and are included on the balance sheets as liabilities in “due to other funds.” Funds’ interest in pooled cash and cash equivalents is included on the balance sheets as assets in “due from other funds”. Interest income from pooled cash equivalents is allocated ratably over the various funds.

At June 30, 2023, the carrying amounts of the Borough's cash and cash equivalents balances were \$2,937,680 while the bank and other institution balances were \$3,112,323. These balances are categorized as follows:

	Bank Balance
Amount insured by the FDIC (up to \$250,000) or collateralized with securities held by the bank or other institutions	\$ 3,480,666
Uncollateralized/uninsured	-
	<b>\$ 3,480,666</b>

Cash and cash equivalents include amounts placed with the Alaska Municipal League Investment Pool (AMLIP) totaling \$304,788 at June 30, 2023. AMLIP is considered to be an external investment pool. Regulatory oversight of AMLIP is established by Alaska State Statute 37.23, which sets forth the requirements regarding authorized investments and reporting. The Borough's share of its deposit with AMLIP is recorded at net asset value which is determined by the amortized cost of AMLIP's underlying portfolio, which approximates fair value.

Cash and cash equivalents for component units other than the School District are fully insured by the FDIC.

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

	Carrying Amount
Reconciliation to statement of net position-	
Cash and cash equivalents	\$ 4,312,300
Restricted assets:	
Cash and cash equivalents	244,997
Revenue bond debt service reserve instruments	93,967
	<b>\$ 4,651,264</b>

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

#### Custodial Credit Risk – Cash and Cash Equivalents

Custodial credit risk for cash and cash equivalents is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2023, the Borough maintains a mater repurchase agreement with a depository financial institution, First National Bank of Alaska (FNBA), which is fully collateralized. Balances at other financial institutions are subject to coverage provided by the Federal Deposit Insurance Corporation (FDIC). Money market mutual funds and AMLIP seek to preserve a \$1 net asset value per share, collateralized by underlying securities.

#### 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 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.

Investments made by the Borough are summarized below:

	Investment Maturities (in years)			Total
	Less than 1	1-5	6-10	
Investments held by agent in the Borough's name				
Certificates of deposit	\$ -	\$ 1,473,454	\$ -	\$ 1,473,454
U.S. Government instruments	244,318	5,805,902	-	6,050,220
Corporate debt	732,258	3,156,061	-	3,888,319
Municipal securities	-	170,874	-	170,874
<b>Total debt securities</b>	<b>\$ 976,576</b>	<b>\$ 10,606,291</b>	<b>\$ -</b>	<b>11,582,867</b>
Equity funds				9,058,295
<b>Total Investments made by the Borough</b>				<b>\$ 20,641,162</b>
Reconciliation to statement of net position:				
Investments				11,580,947
Restricted investments				9,060,215
<b>Total Investments made by the Borough</b>				<b>\$ 20,641,162</b>

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## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

The credit quality ratings of the Borough's corporate debt, municipal securities, and U.S. Government instrument investments as of June 30, 2023, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair Value	Percentage of Total
Corporate debt	A	\$ 1,448,521	12.5%
Corporate debt	A-	1,953,510	16.9%
Corporate debt	BBB	486,288	4.2%
Municipal securities	AA3	170,874	1.5%
U.S. Government instruments	AAA	5,561,235	48.0%
U.S. government agencies	AA+	488,985	4.2%
Certificates of Deposit	Not Rated	1,473,454	12.7%
		<b>\$ 11,582,867</b>	<b>100.0%</b>

#### Fair Value Measurements

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input is quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 is used when there are no observable inputs.

At June 30, 2023, the Borough had the following recurring fair value measurements:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments in Exchange				
Traded Funds	\$ 9,058,295	\$ 9,058,295	\$ -	\$ -
Certificates of Deposit	1,473,454	-	1,473,454	-
U.S. Government Instruments	6,050,220	-	6,050,220	-
Corporate Debt	3,888,319	-	3,888,319	-
Municipal Securities	170,874	-	170,874	-
<b>Total Investment By Fair Value Level</b>	<b>\$ 20,641,162</b>	<b>\$ 9,058,295</b>	<b>\$ 11,582,867</b>	<b>\$ -</b>

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using a market-based model which considers yield, price of comparable securities, coupon rate, maturity, credit-quality, and dealer-provided prices. The Borough does not have any securities classified in Level 3.

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# HAINES BOROUGH

## NOTES TO FINANCIAL STATEMENTS

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

Receivables at June 30, 2023, for the individual major and aggregate nonmajor funds were as follows:

	Taxes	Land Sale/LID Contracts	Leases receivable	Revolving Loan Contracts	Customer Charges	State and Federal Governments	Accrued Interest and Other	Total
<i>Governmental funds:</i>								
General fund	\$ 305,051	\$ -	\$ 610,480	\$ 106,375	\$ -	\$ 110,703	\$ 716,083	\$ 1,238,212
Permanent fund	-	-	-	-	-	-	11,465	11,465
Small grant special revenue	-	-	-	-	-	24,207	-	24,207
New school debt service	-	-	-	-	-	8,967	-	8,967
Capital project funds	143,083	-	-	-	-	1,001,881	-	1,144,964
Other governmental funds	155,301	14,574	-	-	-	-	-	169,875
<i>Enterprise funds:</i>								
Water fund	-	-	-	-	31,979	-	-	31,979
Sewer fund	-	-	-	-	52,953	-	-	52,953
Small boat harbor fund	-	-	-	-	25,780	-	-	25,780
Lutak dock fund	-	-	275,345	-	32,714	-	-	308,059
Port Chilkoot dock fund	-	-	-	-	29,070	-	-	29,070
<b>Total</b>	<b>\$ 603,435</b>	<b>\$ 14,574</b>	<b>\$ 885,825</b>	<b>\$ 106,375</b>	<b>\$ 172,496</b>	<b>\$ 1,145,758</b>	<b>\$ 727,548</b>	<b>\$ 3,045,531</b>
Reconciliation to statement of net position:								
Current receivables								\$ 2,027,292
Current portion of leases receivable								23,644
Leases receivable, net of current portion								862,181
Restricted receivables								11,465
Noncurrent receivables, net of current portion								120,949
								<b>\$ 3,045,531</b>

All receivables other than land sales, leases receivable (See Note 6) and revolving loans are expected to be collected within one year. Land sales are to be collected over various terms with interest charged at 10%. The current portion of these contracts is approximately \$15,000. Receivables also include \$152,474 due from Juneau Economic Development Council (JEDC) pursuant to an agreement for JEDC to establish a revolving loan fund. All loans made by the JEDC under the agreement have been repaid to JEDC.

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 June 30 2023, 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:

	Unavailable	Unearned	Total
Property taxes receivable	\$ 138,567	\$ -	\$ 138,567
Payments in lieu of taxes, Secure Rural Schools and other	-	631,448	631,448
Leases receivable	610,480	-	610,480
Land sale/LID receivables (including accrued interest)	29,575	-	29,575
Grants and contributions	-	1,820,474	1,820,474
<b>Total Deferred Inflow of Resources/Unearned Revenue for Governmental Funds</b>	<b>778,622</b>	<b>2,451,922</b>	<b>3,230,544</b>
Amounts recognized in the government-wide financial statements:			
Property taxes receivable	(138,567)	-	(138,567)
Payments in lieu of taxes, Secure Rural Schools and other	-	(631,448)	(631,448)
Land sales/LID receivables	(29,575)	-	(29,575)
<b>Total Unearned Revenue and Deferred Inflows for Government-Wide Financial Statements</b>	<b>\$ 610,480</b>	<b>\$ 1,617,999</b>	<b>\$ 2,228,479</b>

# HAINES BOROUGH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – LEASES RECEIVABLE

Leases to third parties, including lease inflows for the fiscal year ending June 30, 2023 are as follows:

	Annual Lease Inflows
<i>Governmental funds:</i>	
General fund:	
Building Lease to the State of Alaska initiated in 2005, terminating in 2025 with no remaining options for extension. No variable lease payment provisions.	\$ 6,183
Tidelands lease to a corporation initiated in fiscal year 2020, terminating in 2050 with one optional five year extension. No variable lease payment provisions.	8,712
Property lease to a corporation initiated in fiscal year 2011, terminating in 2030 with three successive optional five-year extensions. No variable lease payment provisions.	28,480
Property lease to a corporation initiated in fiscal year 2014, terminating in 2039 with two successive optional five-year extensions. No variable lease payment provisions.	1,309
Property lease to a corporation initiated in fiscal year 2007, terminating in 2027 with three successive optional five-year extensions. No variable lease payment provisions.	6,000
<i>Enterprise funds:</i>	
Lutak Dock fund:	
Property lease to a corporation initiated in fiscal year 2020, terminating in 2030 with five successive optional five-year extensions	17,424
<b>Total annual lease inflows</b>	<b>\$ 68,108</b>

### NOTE 7 - CAPITAL ASSETS

Capital assets for the year ended June 30, 2023 were as follows:

	Balance, June 30, 2022	Increases	Transfers/ Decreases	Balance, June 30, 2023
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 1,151,005	\$ -	\$ -	\$ 1,151,005
Construction in progress	909,915	3,981,483	(3,036,118)	1,855,280
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,060,920</b>	<b>3,981,483</b>	<b>(3,036,118)</b>	<b>3,006,285</b>
Other capital assets:				
Buildings	35,945,384	160,064	-	36,105,448
Other improvements	12,238,495	2,886,933	-	15,125,428
Furniture and equipment	5,666,126	402,698	(447,160)	5,621,664
Road network	2,050,070	-	-	2,050,070
<b>Total Other Capital Assets</b>	<b>55,900,075</b>	<b>3,449,695</b>	<b>(447,160)</b>	<b>58,902,610</b>
Less accumulated depreciation for:				
Buildings	20,221,497	743,637	-	20,965,134
Other improvements	4,509,334	398,534	-	4,907,868
Furniture and equipment	3,923,413	400,110	(447,160)	3,876,363
Road network	273,195	-	-	273,195
<b>Total Accumulated Depreciation</b>	<b>28,927,439</b>	<b>1,542,281</b>	<b>(447,160)</b>	<b>30,022,560</b>
<b>Other Capital Assets, net</b>	<b>26,972,636</b>	<b>1,907,414</b>	<b>-</b>	<b>28,880,050</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$29,033,556</b>	<b>\$ 5,888,897</b>	<b>\$ (3,036,118)</b>	<b>\$31,886,335</b>

# HAINES BOROUGH

## NOTES TO FINANCIAL STATEMENTS

<i>Business-type activities</i>	Balance, June 30, 2022	Increases	Transfers/ Decreases	Balance, June 30, 2023
Capital assets not being depreciated:				
Land and improvements	\$ 94,584	\$ -	\$ -	\$ 94,584
Construction in progress	386,956	1,031,005	(364,852)	1,053,109
<b>Total Capital Assets Not Being Depreciated</b>	<b>481,540</b>	<b>1,031,005</b>	<b>(364,852)</b>	<b>1,147,693</b>
Other capital assets:				
Buildings	3,113,695	-	-	3,113,695
Other improvements (including distribution and collection systems)	79,392,852	364,852	(42,646)	79,715,058
Equipment	396,952	47,480	-	444,432
<b>Total Other Capital Assets</b>	<b>82,903,499</b>	<b>412,332</b>	<b>(42,646)</b>	<b>83,273,185</b>
Less accumulated depreciation for:				
Buildings	476,509	109,022	-	585,531
Other improvements (including distribution and collection systems)	29,682,384	1,932,998	(42,646)	31,572,736
Equipment	245,111	38,444	-	283,555
<b>Total Accumulated Depreciation</b>	<b>30,404,004</b>	<b>2,080,464</b>	<b>(42,646)</b>	<b>32,441,822</b>
<b>Other Capital Assets, net</b>	<b>52,499,495</b>	<b>(1,668,132)</b>	<b>-</b>	<b>50,831,363</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$52,981,035</b>	<b>\$ (637,127)</b>	<b>\$ (364,852)</b>	<b>\$51,979,056</b>

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

### *Governmental activities*

General government	\$ 166,217
Public safety	94,204
Public works and streets, including depreciation of general infrastructure assets	377,488
Economic development	13,712
Education	669,721
Port development	10,695
Culture, recreation, and library	210,244
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,542,281</b>

### *Business-type activities*

Water	\$ 367,874
Sewer	388,492
Small Boat Harbor	897,388
Lutak Dock	94,209
Port Chilkoot dock fund	332,501
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$ 2,080,464</b>

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, 2023, the cost and accumulated depreciation associated with these assets was \$23,655,766 and \$11,909,602, respectively.

# HAINES BOROUGH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8 - FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2023, 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.

As of June 30, 2023, fund balances are composed of the following:

	General Fund	Permanent Fund	Small Grants Special Revenue	New School Debt Service	Capital Projects Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>								
Permanent fund	\$ -	\$ 8,659,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,659,590
Inventory	67,804	-	-	-	-	-	-	67,804
Prepaid expenses	22,694	-	-	-	-	-	-	22,694
<b>Total Nonspendable</b>	<b>90,498</b>	<b>8,659,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,750,088</b>
<b>Restricted</b>								
Road maintenance	72,574	-	-	-	-	-	-	72,574
Fire service areas	64,137	-	-	-	-	-	-	64,137
Debt service	-	-	-	1,277	-	-	307	1,584
Capital projects	527,535	-	-	-	2,105,194	-	-	2,632,729
Medical services	-	-	-	-	-	-	355,131	355,131
Economic development	-	-	-	-	-	-	1,499,427	1,499,427
Land development	-	-	18,710	-	-	-	384,147	402,857
Townsite service area	1,460,542	-	-	-	-	-	-	1,460,542
<b>Total Restricted</b>	<b>2,124,788</b>	<b>-</b>	<b>18,710</b>	<b>1,277</b>	<b>2,105,194</b>	<b>-</b>	<b>2,239,012</b>	<b>6,488,981</b>
<b>Assigned</b>								
Passenger vessel tax	-	-	-	-	-	1,705	-	1,705
Subsequent year expenditures	706,272	-	-	-	-	-	-	706,272
Permanent fund	-	533,573	-	-	-	-	-	533,573
<b>Total assigned</b>	<b>706,272</b>	<b>533,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,705</b>	<b>-</b>	<b>1,241,550</b>
<b>Unassigned</b>	<b>3,055,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,055,785</b>
<b>Total Fund Balances</b>	<b>\$ 5,977,343</b>	<b>\$ 9,193,163</b>	<b>\$ 18,710</b>	<b>\$ 1,277</b>	<b>\$ 2,105,194</b>	<b>\$ 1,705</b>	<b>\$ 2,239,012</b>	<b>\$ 19,536,404</b>

# HAINES BOROUGH

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9 - LONG-TERM OBLIGATIONS

The Borough's long-term obligations include general obligation debt and revenue bonds, pension and OPEB liabilities and compensated absences. 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 obligation activity for the year ended June 30, 2023, was as follows:

	Balance, June 30, 2022	Additions	Reductions	Balance, June 30, 2023	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
Private placement USDA bonds	\$ 115,626	\$ -	\$ (8,758)	\$ 106,868	\$ 9,167
Direct placement school construction bonds	5,230,000	-	(1,045,000)	4,185,000	1,100,000
Bond premium	315,282	-	(111,292)	203,990	83,492
Total bonds and notes payable	5,660,908	-	(1,165,050)	4,495,858	1,192,659
Net pension liability	3,464,865	-	280,525	3,745,390	-
Compensated absences	224,123	-	(2,798)	221,325	-
<b>Governmental Activities</b>					
Long-term Liabilities	\$ 9,349,896	\$ -	\$ (887,323)	\$ 8,462,573	\$ 1,192,659

	Balance, June 30, 2022	Additions	Reductions	Balance, June 30, 2023	Amounts Due Within One Year
<b>Business-type Activities</b>					
Bonds and notes payable:					
Private placement AMBBA sewer revenue bonds	\$ 805,000	\$ -	\$ (60,000)	\$ 745,000	\$ 60,000
State of Alaska DEC loans payable	2,109,399	141,997	(109,508)	2,141,888	109,551
Bond premium	53,459	-	(4,860)	48,599	4,860
Total bonds and notes payable	2,967,858	141,997	(174,368)	2,935,487	174,411
Net pension liability	301,293	-	24,394	325,687	-
Compensated absences	24,938	3,917	-	28,855	-
<b>Business-type Activities</b>					
Long-term Liabilities	\$ 3,294,089	\$ 145,914	\$ (149,974)	\$ 3,290,029	\$ 174,411

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## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Bonds and notes payable at June 30, 2023, are comprised of the following individual issues:

#### **Governmental Activities:**

\$1,155,000 2015 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 \$78,166 at June 30, 2022)	\$ 870,000
\$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 237,116 at June 30, 2022)	3,315,000
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%	106,868
Total governmental activities bonds payable	4,291,868
Unamortized premium	203,990
Total governmental activities bonds payable	4,495,858
Less current portion	(1,192,659)
<b>Governmental activities long-term bonds payable</b>	<b>\$ 3,303,199</b>

#### **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 (not including unamortized premium of \$53,459 at June 3, 2022)	\$ 745,000
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$14,439 including interest at 1.5%, through 2034	145,418
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$3,422, including interest at 1.5%, through 2036	40,148
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$6,045 including interest at 1.5%, through 2034	60,881
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$5,499, including interest at 1.5%, through 2037	68,973
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$12,079, including interest at 1.5%, through 2038	169,483
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$60,413, including interest at 1.5%, through 2041	1,268,966
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$4,163, including interest at 1.5%, through 2041	92,317
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$11,628, including interest at 1.5%, through 2041	295,702
Total business-type activities bond and loans payable	2,886,888
Unamortized premium	48,599
Total business-type activities bond and note payable debt	2,935,487
Less current portion	(174,411)
<b>Business-type activities long-term bond and note payable debt</b>	<b>\$ 2,761,076</b>

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

In conjunction with the issuance of the above school construction bonds, the State of Alaska Department of Education and Early Development (DEED) has 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. Furthermore, the State of Alaska reduced funding amounts in fiscal year 2020 and eliminated funding in fiscal year 2021 due to budget constraints from the levels originally approved by DEED.

In the event of default, the Alaska Municipal Bond Bank Authority (AMBBA) could intercept any amounts due to the Borough from the State of Alaska to satisfy the Borough's outstanding principal and interest payments due on the its private placement bonds sold to AMBBA.

The debt service annual requirements to amortize bond and note payable debt outstanding as of June 30, 2023, are as follows:

#### Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,192,659	\$ 241,478	\$ 1,434,137
2025	1,218,872	187,452	1,406,324
2026	1,248,740	130,656	1,379,396
2027	73,075	70,966	144,041
2028	77,978	38,753	116,731
2029-2033	427,022	140,115	567,137
2034-2038	257,512	36,929	294,441
	\$ 4,495,858	\$ 846,349	\$ 5,342,207

#### Business-type Activities:

Year Ending June 30	Principal	Interest	Total
2024	\$ 174,411	\$ 58,388	\$ 232,799
2025	181,028	53,777	234,805
2026	182,667	49,159	231,826
2027	189,331	44,901	234,232
2028	191,992	41,052	233,044
2029-2033	1,047,210	145,635	1,192,845
2034-2038	549,928	53,984	603,912
2039-2043	418,920	14,170	433,090
	\$ 2,935,487	\$ 461,066	\$ 3,396,553

#### NOTE 10 – 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, 2023, was \$93,967. These bond agreements also require that the Borough maintain sewer rates at a level which will produce an annual amount of Net Operating Revenue, as defined by the agreement, before depreciation equal to at least 1.25 times the maximum amount required each year for debt service. In fiscal year 2023, sewer fund Net Operating Revenues were \$139,107 and the debt service requirement was \$87,344 resulting in a ratio of 1.31.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 11 – RETIREMENT PLANS

The Borough participates the State of Alaska Public Employees' Retirement System (PERS). PERS is governed by the Alaska Retirement Management Board (the "Board" or the "System"), which consists of nine trustees, as follows: the Commissioner of the Department of Administration, the Commissioner of the Department 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 issues a publicly available financial report that can be obtained at <http://doa.alaska.gov/drb/pers/employee/resources/index.html>.

##### Description of Plans Available to Employees

The Borough provides three types of plans to its employees through its participation in PERS. A cost-sharing multiple-employer defined benefit (DB) pension plan administered by the State of Alaska is provided, which includes a defined benefit health plan under the State of Alaska Retiree Healthcare Trust (ARHCT), a healthcare trust fund of the State of Alaska. The DB, including ARHCT, was closed to all new members effective July 1, 2006.

A Defined Contribution Pension Plan (DC Plan) provides retirement benefits for eligible employees hired after July 1, 2006, as described in the Defined Contribution Pension Plan section below. PERS also includes a Retiree Medical Plan (RMP) which provides major medical coverage to all employees of the DC Plan.

An Occupational Death and Disability (ODD) plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Together the ARHCT, RMP and ODD plans are referred to as Other Postemployment Benefits ("OPEB"), which are further described in the Defined Benefit Other Postemployment Benefit Plans (OPEB) section below.

##### State of Alaska PERS Defined Benefit Plan

##### Benefits Provided

PERS provides retirement, disability, death, and postemployment health benefits. Benefits vest with five years of credited service. Employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2.00% for the first ten years of service and 2.50% for all service over 10 years. The percentage multipliers for all other participants are 2.00% for the first 10 years, 2.25% for the next 10 years, and 2.50% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2.00%.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Postemployment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986 and who have not reached age 60 may elect to pay for major medical benefits; thereafter they are provided without cost.

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost-of-living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan's Administrator if the funding ratio of the Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

#### 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 Plans 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's effective contribution rate is 22.00% of annual payroll. Alaska Statute 39.35.280 states that the State of Alaska, as a non-employer 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 Defined Contribution Retirement (DC) Plan payroll. The DBUL amount is computed as the difference between:

- (A) The amount calculated for the 22.00% statutory employer contribution rate 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.

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

At June 30, 2023, the Borough reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough 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 were as follows:

Borough's proportionate share of the net pension liability	\$	4,155,603
State's proportionate share of the net pension liability associated the Borough		1,150,747
<b>Total Net Pension Liability</b>	<b>\$</b>	<b>5,306,350</b>

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

The Borough 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 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2022, the Borough's proportion was .08153%, which was a decrease of .02344% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Borough recognized a net pension benefit of \$1,128,662 including revenue of \$75,173 for support provided by the State. At June 30, 2023, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 118,810	\$ -
Borough contributions subsequent to measurement date	367,153	-
<b>Total</b>	<b>\$ 485,963</b>	<b>\$ -</b>

Of the total amount reported as deferred outflows of resources related to pensions, \$367,153 resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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:	
2023 (2024)	\$ (14,125)
2024 (2025)	(36,205)
2025 (2026)	(86,914)
2025 (2026)	256,054

#### Actuarial Assumptions

The total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	For peace officer/firefighter, increases range from 8.50% to 3.85% based on service. For all others, increases range from 6.75% to 2.75% based on service. Graded service, from 6.75% to 2.85% for all others
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.75%.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

**Mortality** Pre-commencement and post-commencement mortality rates were based upon the appropriate Pub-2010 Employee Table for each defined employee group with appropriate generational improvement.

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2021. The new assumptions were adopted to better reflect expected future experience and are effective June 30, 2022.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.50%):

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Broad domestic equity	27.00%	6.51%
Global equity (non-US)	18.00	5.70
Aggregate bonds	21.00	0.31
Opportunistic	6.00	-
Real assets	14.00	3.71
Private equity	14.00	9.61
Cash equivalents	-	(0.50)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
Borough's proportionate share of the net pension liability	\$ 5,594,354	\$ 4,155,603	\$ 2,942,455

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

#### Pension Plan Fiduciary Net Position

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

#### Defined Contribution Pension Plan

##### Plan Description

The Borough participates in the State of Alaska Defined Contribution Pension Plan (DC Plan), Tier 4, which provides pension benefits and certain Other Postemployment Benefits (OPEB) benefits similar to those of the defined benefit plan for eligible employees hired after July 1, 2006. The State of Alaska Healthcare Reimbursement Arrangement Plan is also provided to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. The OPEB benefits are described further below. 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.

##### 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 year ended June 30, 2023 and 2022, employee contributions totaled \$155,260 and \$151,065, respectively, and the Borough recognized pension expense of \$97,037 and \$94,415 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.

#### Defined Benefit Other Postemployment Benefit Plans (OPEB)

##### OPEB Benefits Provided

Major medical benefits under (ARHCT) are provided to retirees and their surviving spouses at no premium cost for all members hired before July 1, 1986 (Tier 1), and disabled retirees. Members hired after June

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

30, 1986 (Tier 2), and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age 60 and will receive benefits at no premium cost if they are over age 60. Tier 3 members with between five and ten years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, peace officers and their surviving spouses with 25 years of peace officer membership service and all other members and their surviving spouses with 30 years of membership service receive benefits at no premium cost, regardless of their age or date of hire. Peace officers/firefighters who are disabled and retire between 20 and 25 years must pay the full monthly premium.

The Occupational Death and Disability Plan (ODD) provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

The Retiree Medical Plan (RMP) provides major medical coverage to retirees of the DC Plan. The RMP is self-insured. Members are not eligible to use this plan until they have at least 10 years of service, and are Medicare age eligible.

#### Contributions

Employer contribution rates for major medical OPEB benefits to the ARHCT are actuarially determined and adopted by the Board as described in the PERS defined pension plan above. The 2023 employer effective contribution rate is 22.00% of member's compensation.

Employer contributions for the ODD plan are to each member's account based on the member's compensation. For fiscal year 2023, the rates are .68% for occupational death and disability for peace officers and firefighters, and 0.30% for occupational death and disability all other members.

Employer contribution rates for the RMP plan are actuarially determined and adopted by the Board. For fiscal year 2023, the employer rate is 1.10% of member's compensation.

#### OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2023, the Borough reported a liability (asset) for its proportionate share of the net OPEB liability (asset) for each OPEB plan which reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough as its proportionate share of the net OPEB liability (asset), the related State support, and the total portion of the net OPEB liability (asset) that was associated with the Borough were as follows:

	ARHCT	ODD	RMP	Total
Borough's proportionate share of the net OPEB liability (asset)	\$ (1,592,178)	\$ (58,390)	\$ (41,472)	\$ (1,692,040)
State's proportionate share of the net OPEB liability associated the Borough	(455,195)	-	-	(455,195)
<b>Total Net OPEB Liability (Asset)</b>	<b>\$ (2,047,373)</b>	<b>\$ (58,390)</b>	<b>\$ (41,472)</b>	<b>\$ (2,147,235)</b>

The Borough will record the entire net RMP OPEB 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

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

rate above and up to the actuarially determined rate, the Borough may be required to record some or all of the State's proportion and its contribution amounts will increase accordingly.

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The Borough's proportion of the net OPEB liability (asset) was based on a projection of the Borough's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2022, the Borough's proportion averaged .0809% for ARHCT, ODD and RM, which was a decrease of .0382% from the average of its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Borough recognized a net OPEB benefit of \$426,011 including revenue of \$154,626 for support provided by the State. At June 30, 2023, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions	\$ 74,850	\$ 5,676
Changes in assumptions	8,030	123,166
Differences between projected and actual investment earnings	98,222	-
Differences between expected and actual experience	2,055	32,054
Borough contributions subsequent to measurement date	137,793	-
<b>Total</b>	<b>\$ 320,950</b>	<b>\$ 160,896</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$137,793 resulting from Borough contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense in the measurement year (fiscal year) as follows:

Year ended June 30:	
2023 (2024)	\$ (41,741)
2024 (2025)	(41,381)
2025 (2026)	(82,294)
2026 (2027)	208,348
2027 (2028)	(9,354)
Thereafter	(11,316)

#### Actuarial Assumptions

The total OPEB liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Inflation rate	2.50% per year
Salary increases	Graded by service, from 8.50% to 3.85% for peace officer/firefighter Graded by service, from 6.75% to 2.85% for all others
Investment rate of return	7.25%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.75%.
Healthcare cost trend rates	Pre-65 medical: 7.0% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 7.5% grading down to 4.5% Employee Group Waiver Plan (EGWP): 7.5% grading down to 4.5%
Mortality	Pre-commencement and post-commencement mortality rates were based upon the appropriate Pub-2010 Employee Table for each defined employee group with appropriate generational improvement.

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2020 actuarial valuation to better reflect expected future experience.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.50%):

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Broad domestic equity	27.00%	6.51%
Global equity (non-US)	18.00	5.70
Aggregate bonds	21.00	0.31
Opportunistic	6.00	-
Real assets	14.00	3.71
Private equity	14.00	9.61
Cash equivalents	-	(0.50)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate  
The following presents the Borough's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
ARHCT	\$ (945,984)	\$ (1,592,178)	\$ (2,134,070)
ODD	\$ (55,003)	\$ (58,390)	\$ (61,039)
RMP	\$ 7,628	\$ (41,472)	\$ (78,916)

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) for the ARHCT and ODD plans as of June 30, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation report, as well as what the respective amount for each plan's net OPEB liability would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates (trend not provided for ODD as healthcare is not a component of the measurement of the liability or asset):

	1% Decrease	Current Trend Rate	1% Increase
ARHCT	\$ (2,197,818)	\$ (1,592,178)	\$ (868,928)
RMP	\$ (84,058)	\$ (41,472)	\$ 15,887

#### OPEB Plan Fiduciary Net Position

The separately issued PERS financial report has more information about the OPEB plan's net position.

#### Total Deferred Outflows of Resources and Inflows of Resources

Total deferred outflows of resources and deferred inflows of resources included in the Statement of Net Position consists of the following at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Related	\$ 485,963	\$ -
OPEB Related	320,950	160,896
<b>Total</b>	<b>\$ 806,913</b>	<b>\$ 160,896</b>

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## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 12 - 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, 2023, was as follows:

	Interfund Balances	
	Due from other funds	Due to other funds
General Fund	\$ 115,843	\$ 9,495,033
Permanent Fund	-	121,573
Small Grant Special Revenue Fund	1,622,094	-
New School Debt Service	-	7,690
Capital Project Funds	1,088,633	-
Passenger Vessel Tax	211,790	-
Other Governmental Funds	2,166,379	-
Water Fund	47,303	-
Sewer Fund	557,481	-
Small Boat Harbor Fund	939,163	115,843
Lutak Dock Fund	2,646,984	-
Port Chilkoot Dock Fund	344,469	-
	<b>\$ 9,740,139</b>	<b>\$ 9,740,139</b>

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

	Transfers In								Total
	General Fund	Capital Project Funds	Permanent Fund	Other Governmental Funds	Water	Sewer	Small Board Harbor	Port Chilkoot Dock	
Transfers out:									
General fund	\$ 38,943	\$ 989,932	\$ 450,000	\$ -	\$ 9,390	\$ 70,145	\$ 68,130	\$ -	\$ 1,626,540
Capital Project Funds	230,811	-	-	26,200	111,126	-	-	-	368,137
Passenger vessel tax	-	-	-	-	-	-	-	30,616	30,616
Other governmental funds	118,265	-	-	-	-	-	206,512	-	324,777
Total	\$ 388,019	\$ 989,932	\$ 450,000	\$ 26,200	\$ 120,516	\$ 70,145	\$ 274,642	\$ 30,616	\$ 2,350,070

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

#### NOTE 13 - 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.

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

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 14 - 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 (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.

#### NOTE 15 – CONSTRUCTION COMMITMENTS

At June 30, 2023, the Borough had the capital projects commitments in two funds which are funded by federal and State of Alaska grant revenue:

	Authorization	Expended to date	Remaining Commitment
Porcupine Trail Road – Phase I	\$ 1,398,660	\$ -	\$ 1,398,660
Totem Street Repairs	541,385	345,346	196,039
Beach Road Lift Station Repairs	360,250	-	360,250
Lutak dock Replacement	25,594,147	294,500	25,299,647
Total	\$ 27,894,442	\$ 639,846	\$ 27,254,596

#### NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates. The following standards are required to be implemented in coming financial reporting periods. Management has not fully evaluated the potential effects of these statements.

GASB 100 – *Accounting Changes and Error Corrections* – Effective for fiscal year 2024, the objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by

## HAINES BOROUGH

### NOTES TO FINANCIAL STATEMENTS

restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

GASB 101 – *Compensated Absences* – Effective for fiscal year 2025 (“fiscal years beginning after December 15, 2023”), the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB 101 also establishes guidance for measuring a liability for leave that has not been used.

#### NOTE 17 – SUBSEQUENT EVENT

Subsequent to year-end, Haines Borough expended funds for the repair of Porcupine Trail Road, which was damaged in the community’s flood event in 2020. The repair of the road was to be partially paid with Federal Emergency Management Agency (FEMA) disaster funding totaling approximately \$1.3 million. Also subsequent to year-end, FEMA notified the Borough via email that it planned to deny the funding for the repair because additional work was performed beyond the FEMA approved scope utilizing a separate funding source without FEMA environmental compliance review. The Borough plans to appeal any denial by FEMA.

## REQUIRED SUPPLEMENTARY INFORMATION

HAINES BOROUGH

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

For the Year Ended June 30, 2023

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Property	\$ 3,074,300	\$ 3,074,300	\$ 3,102,243	\$ 27,943
Sales	1,887,000	2,108,000	2,302,513	194,513
Intergovernmental				
Federal grants and contracts	347,072	347,073	429,264	82,191
Federal payments in lieu of taxes	391,000	401,458	401,458	-
State grants and contracts	879,315	3,181,364	3,086,406	(94,958)
Rentals, service and admission fees	150,000	138,750	148,403	9,653
Licenses and permits	58,500	58,500	59,021	521
Investment earnings (loss)	133,000	206,000	225,538	19,538
Contributions and other	61,268	83,318	83,924	606
<b>Total Revenues</b>	<b>6,981,455</b>	<b>9,598,763</b>	<b>9,838,770</b>	<b>240,007</b>
<b>EXPENDITURES</b>				
Current				
General government	1,053,172	1,139,770	1,010,146	129,624
Public safety	1,958,404	2,052,263	2,097,240	(44,977)
Public works and streets	1,231,301	1,320,374	1,212,123	108,251
Education	1,827,000	1,827,000	1,827,340	(340)
Culture, recreation, and library	1,109,586	1,207,063	1,144,106	62,957
<b>Total Expenditures</b>	<b>7,179,463</b>	<b>7,546,470</b>	<b>7,290,955</b>	<b>255,515</b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(198,008)	2,052,293	2,547,815	495,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	435,023	363,023	388,019	24,996
Transfers out	(207,223)	(1,110,298)	(1,626,540)	(516,242)
<b>Total Other Financing Sources</b>	<b>227,800</b>	<b>(747,275)</b>	<b>(1,238,521)</b>	<b>(491,246)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 29,792</b>	<b>\$ 1,305,018</b>	<b>\$ 1,309,294</b>	<b>\$ 4,276</b>

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULES OF THE BOROUGH'S PROPORTIONATE SHARE  
OF THE NET PENSION AND OTHER POSTEMPLOYMENT BENEFIT LIABILITIES**

Fiscal Years 2014 through 2023 for Pension and Fiscal Years 2017 through 2023 for OPEB

**Pension**

	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the Borough	Total	Borough's Covered Payroll	Borough's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.08153%	\$ 4,155,603	\$ 1,150,747	\$ 5,306,350	\$ 2,736,284	151.87%	67.97%
2022	0.10266%	\$ 3,766,158	\$ 608,487	\$ 4,374,645	\$ 2,513,296	149.85%	76.46%
2021	0.08473%	4,999,856	2,066,544	7,066,400	2,392,136	209.01%	61.61%
2020	0.08610%	4,713,228	1,872,250	6,585,478	2,577,021	182.89%	63.42%
2019	0.09380%	4,660,832	1,349,933	6,010,765	2,650,102	175.87%	65.19%
2018	0.07656%	3,957,760	1,475,078	5,432,838	2,560,610	154.56%	63.37%
2017	0.08974%	5,016,030	633,379	5,649,409	2,437,198	205.81%	59.55%
2016	0.10934%	5,302,798	1,419,808	6,722,606	2,152,611	246.34%	63.96%
2015	0.04988%	2,326,689	2,289,751	4,616,440	2,303,150	101.02%	62.37%
2014	0.04807%	2,524,319	2,758,681	5,283,000	2,281,338	110.65%	56.04%

This schedule is presented to illustrate the requirements to show information for 10 years since implementation of GASB 68.

**Other Postemployment Benefit**

	Borough's Proportion of the Net OPEB Liability (Asset)	Borough's Proportionate Share of the Net OPEB Liability (Asset)	State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the Borough	Total	Borough's Covered Payroll	Borough's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2023	0.08090%	\$ (1,692,040)	\$ (455,195)	\$ (2,147,235)	\$ 2,736,284	-61.84%	128.51%
2022	0.11910%	\$ (3,154,021)	\$ (353,938)	\$ (3,507,959)	\$ 2,513,296	-125.49%	135.54%
2021	0.08715%	(416,930)	(159,229)	(576,159)	2,392,136	-17.43%	106.15%
2020	0.07663%	121,715	50,780	172,495	2,577,021	4.72%	63.42%
2019	0.09380%	951,775	280,368	1,232,143	2,650,102	35.91%	65.19%
2018	0.07663%	632,528	240,555	873,083	2,560,610	24.70%	63.37%
2017	0.08983%	1,024,526	389,635	1,414,161	2,437,198	42.04%	59.55%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in the fiscal year ended June 30, 2017, 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

### SCHEDULES OF BOROUGH CONTRIBUTIONS

Fiscal Years 2014 through 2023 for Pension and Fiscal Years 2017 through 2023 for OPEB

#### Pension

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2023	\$ 367,153	\$ (367,153)	\$ -	\$ 2,736,284	
2022	335,428	(335,428)	-	2,513,296	13.35%
2021	307,643	(307,643)	-	2,392,136	12.86%
2020	338,671	(338,671)	-	2,577,021	13.14%
2019	361,536	(361,536)	-	2,650,102	13.64%
2018	356,457	(356,457)	-	2,560,610	13.92%
2017	255,460	(255,460)	-	2,437,198	10.48%
2016	201,400	(201,400)	-	2,152,611	9.36%
2015	210,862	(210,862)	-	2,303,150	9.16%
2014	191,334	(191,334)	-	2,281,338	8.39%

This schedule is presented to illustrate the requirements to show information for 10 years since implementation of GASB 68.

#### Other Postemployment Benefit

	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2023	\$ 137,793	\$ (137,793)	\$ -	\$ 2,736,284	5.04%
2022	123,082	(123,082)	-	2,513,296	4.90%
2021	123,577	(123,577)	-	2,392,136	5.17%
2020	127,612	(127,612)	-	2,577,021	4.95%
2019	112,101	(112,101)	-	2,650,102	4.23%
2018	115,245	(115,245)	-	2,560,610	4.50%
2017	138,181	(138,181)	-	2,437,198	5.67%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in the fiscal year ended June 30, 2017, 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

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

#### NOTE 1 – BUDGETARY INFORMATION

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

- a. No later than April 1 the Borough Manager shall submit to the Borough Assembly the proposed budget for the following fiscal year, along with a budget message which shall explain the proposed budget. It will also identify the six-year Capital Improvements Program (CIP) list.
- b. No later than June 1, a minimum of two public hearings are conducted to obtain taxpayer comments.
- c. On or before June 15, 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 Manager may transfer part or all of any unencumbered balance to another classification within a department.
- f. The Manager may transfer balances from one department to another only with the approval of the assembly through re-appropriation.
- g. 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.
- h. 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.

#### Excess of Expenditures over Appropriations

For the year ended June 30, 2023 the following departments incurred expenditures in excess of their appropriations:

	Budget	Expenditures	Expenditures Over Budget
General Fund:			
Chilkat Center	\$ 102,350	\$ 115,769	\$ (13,419)
Municipal Swimming Pool	334,723	337,015	(2,292)
Police Department	869,141	877,449	(8,308)
Water Fund	475,921	521,049	(45,128)
PC Dock	2,700	18,956	(16,256)
	\$ 1,784,835	\$ 1,870,238	\$ (85,403)

#### NOTE2 – PUBLIC EMPLOYEES' RETIREMENT SYSTEM

GASB requires a ten-year presentation for the Schedules of The Borough's Proportionate Share of the Net Pension and Other Postemployment Benefit Liabilities, and Schedules of Borough Contributions; however, until a full ten years of information is available, the Borough will present only those years for which information is available.