



FINANCIAL STATEMENTS

June 30, 2018

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 Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Haines Borough (the Borough), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Haines Borough School District, which represent 2% of total assets in the Statement of Net Position and 24% 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. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 November 28, 2018 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.



November 28, 2018

HAINES BOROUGH

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

	Primary Government			
	Governmental	Business-type	Total	Component
	Activities	Activities		Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,372,280	\$ 300	\$ 1,372,580	\$ 1,183,012
Investments	9,437,821	-	9,437,821	2,990
Receivables	581,662	727,658	1,309,320	104,076
Internal balances, net	(3,476,339)	3,476,339	-	-
Due from component units	6,850	-	6,850	-
Due from governmental entity	-	-	-	117,573
Inventory and prepaid expenses	60,991	150,276	211,267	197,293
Total Current Assets	7,983,265	4,354,573	12,337,838	1,604,944
RESTRICTED ASSETS				
Cash and cash equivalents	22,649	-	22,649	-
Investments	8,636,568	-	8,636,568	-
Revenue bond debt service reserve investments	-	88,227	88,227	-
Receivables	43,143	-	43,143	-
NONCURRENT ASSETS				
Receivables, net of current portion	186,134	-	186,134	-
Capital assets, net	31,529,858	47,772,194	79,302,052	170,836
Total Assets	48,401,617	52,214,994	100,616,611	1,775,780
DEFERRED OUTFLOWS OF RESOURCES				
	517,829	61,690	579,519	349,647
Total Assets and Deferred Outflows of Resources	48,919,446	52,276,684	101,196,130	2,125,427
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	286,908	655,643	942,551	46,250
Accrued payroll	243,539	-	243,539	63,377
Due to primary government	-	-	-	6,850
Due to component units	117,573	-	117,573	-
Deposits	-	49,704	49,704	-
Unearned revenue	7,264	-	7,264	22,382
Current portion of long-term obligations	1,082,904	105,112	1,188,016	-
Total Current Liabilities	1,738,188	810,459	2,548,647	138,859
NONCURRENT LIABILITIES				
Compensated absences	190,582	36,254	226,836	89,368
Bonds and loans payable	9,022,690	1,842,240	10,864,930	-
Net OPEB Liability	581,926	50,602	632,528	364,487
Net pension liability	3,641,139	316,621	3,957,760	3,128,213
Total Liabilities	15,174,525	3,056,176	18,230,701	3,720,927
DEFERRED INFLOWS OF RESOURCES				
	721,867	62,770	784,637	574,515
Total Liabilities and Deferred Inflows of Resources	15,896,392	3,118,946	19,015,338	4,295,442
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	21,424,264	45,824,842	67,249,106	170,836
Restricted for:				
Bond reserves	-	88,227	88,227	-
Medical services	108,773	-	108,773	-
Capital projects	1,183,804	-	1,183,804	-
Economic development	541,218	-	541,218	-
Museum projects and other	-	-	-	196,004
Permanent fund - nonexpendable	7,628,091	-	7,628,091	-
Permanent fund - expendable	1,031,658	-	1,031,658	-
Unrestricted	1,105,246	3,244,669	4,349,915	(2,536,855)
Total Net Position (Deficit)	\$ 33,023,054	\$ 49,157,738	\$ 82,180,792	\$ (2,170,015)

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

HAINES BOROUGH

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Governmental Activities								
General government	\$ 655,449	\$ -	\$ -	\$ -	\$ (655,449)	\$ -	\$ (655,449)	\$ -
Public safety	1,794,963	3,478	236,621	-	(1,554,864)	-	(1,554,864)	-
Public works and streets	2,103,314	2,850	-	600,520	(1,499,944)	-	(1,499,944)	-
Economic development	482,616	-	-	-	(482,616)	-	(482,616)	-
Education	2,366,072	-	-	903,280	(1,462,792)	-	(1,462,792)	-
Port development	136,349	-	224,270	-	87,921	-	87,921	-
Culture, recreation and library	1,145,984	163,014	-	-	(982,970)	-	(982,970)	-
Interest on long-term debt	462,622	-	-	-	(462,622)	-	(462,622)	-
Total Governmental Activities	9,147,369	169,342	460,891	1,503,800	(7,013,336)	-	(7,013,336)	-
Business-Type Activities								
Water	520,795	450,947	-	-	-	(69,848)	(69,848)	-
Sewer	500,001	523,532	-	-	-	23,531	23,531	-
Small boat harbor	878,938	513,806	-	-	-	(365,132)	(365,132)	-
Lutak dock	232,224	550,596	-	-	-	318,372	318,372	-
Port Chilkoot dock	400,325	142,676	-	-	-	(257,649)	(257,649)	-
Total Business-Type Activities	2,532,283	2,181,557	-	-	-	(350,726)	(350,726)	-
Total Primary Government	\$ 11,679,652	\$ 2,350,899	\$ 460,891	\$ 1,503,800	(7,013,336)	(350,726)	(7,364,062)	-
Component Units	\$ 5,648,525	\$ 119,663	\$ 1,297,205	\$ -				(4,231,657)
General Revenue and Transfers								
Property taxes					2,961,369	-	2,961,369	-
Sales taxes					3,272,793	-	3,272,793	-
Provided by general government					-	-	-	1,787,865
Intergovernmental revenue not restricted to specific programs					1,518,449	7,022,497	8,540,946	2,566,507
Investment income					227,064	19,730	246,794	13
Contributions to Permanent Fund principal - inflation proofing					86,296	-	86,296	-
Licenses and permits					34,613	-	34,613	-
Contributions and other					71,094	-	71,094	240,800
Payments in lieu of taxes					426,976	-	426,976	-
Land sales					3,477	-	3,477	-
Transfers					(455,882)	455,882	-	-
Total General Revenue and Transfers					8,146,249	7,498,109	15,644,358	4,595,185
Change in Net Position					1,132,913	7,147,383	8,280,296	363,528
Net Position (Deficit), Beginning of Year					32,705,578	42,081,262	74,786,840	(1,965,060)
Restatement					(815,437)	(70,907)	(886,344)	(568,483)
Net Position (Deficit), End of Year					\$ 33,023,054	\$ 49,157,738	\$ 82,180,792	\$ (2,170,015)

HAINES BOROUGH

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Permanent Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,372,280	\$ 22,649	\$ -	\$ -	\$ -	\$ -	\$ 1,394,929
Investments	9,437,821	8,636,568	-	-	-	-	18,074,389
Receivables	454,725	43,143	9,032	122,307	-	181,732	810,939
Due from other funds	115,838	-	36,427	1,078,323	128,865	1,041,463	2,400,916
Due from component units	6,850	-	-	-	-	-	6,850
Prepaid expenses	3,836	-	-	-	-	-	3,836
Inventory	57,155	-	-	-	-	-	57,155
Total Assets	\$ 11,448,505	\$ 8,702,360	\$ 45,459	\$ 1,200,630	\$ 128,865	\$ 1,223,195	\$ 22,749,014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 213,853	\$ 1,814	\$ -	\$ 16,826	\$ 11,456	\$ 42,959	\$ 286,908
Accrued payroll	243,539	-	-	-	-	-	243,539
Due to other funds	5,836,458	40,797	-	-	-	-	5,877,255
Due to component units	117,573	-	-	-	-	-	117,573
Unearned revenue	426,976	-	-	-	113,009	7,264	547,249
Total Liabilities	6,838,399	42,611	-	16,826	124,465	50,223	7,072,524
Deferred Inflows of Resources							
Unavailable revenue - property taxes	97,846	-	-	-	-	-	97,846
Unavailable revenue - land sales	-	-	-	-	-	89,758	89,758
Total Deferred Inflow of Resources	97,846	-	-	-	-	89,758	187,604
Fund Balances							
Nonspendable	60,991	7,628,091	-	-	-	-	7,689,082
Restricted	1,587,935	-	45,459	1,183,804	-	1,083,214	3,900,412
Assigned	352,007	1,031,658	-	-	-	-	1,383,665
Unassigned	2,511,327	-	-	-	4,400	-	2,515,727
Total Fund Balances	4,512,260	8,659,749	45,459	1,183,804	4,400	1,083,214	15,488,886
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,448,505	\$ 8,702,360	\$ 45,459	\$ 1,200,630	\$ 128,865	\$ 1,223,195	
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							31,529,858
Unearned revenues and deferred inflows not available to pay for current-period expenditures are reported as earned in the Statement of Net Position							727,589
Contributions to the defined pension and OPEB plan and other related items in the current fiscal year are deferred outflows on the Statement of Net Position							517,829
Pension and OPEB related deferred inflows for changes differences in projections and actual earnings are not reported in the funds							(721,867)
Long-term liabilities, including bonds and defined benefit retirement plan payable, compensated absences and the net pension and OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds							(14,519,241)
Net Position of Governmental Activities							\$ 33,023,054

HAINES BOROUGH

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

For the Year Ended June 30, 2018

	General Fund	Permanent Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$ 2,568,427	\$ -	\$ 379,783	\$ -	\$ -	\$ 14,028	\$ 2,962,238
Sales	1,527,796	-	-	872,498	-	872,499	3,272,793
Intergovernmental							
Federal grants and contracts	436,130	-	-	50,033	-	270,000	756,163
Federal payments in lieu of taxes	353,000	-	-	-	-	-	353,000
State grants and contracts	913,061	-	903,280	56,390	147,805	29,456	2,049,992
Rentals, Service and admission fees	166,492	-	-	-	-	2,850	169,342
Licenses and permits	34,613	-	-	-	-	-	34,613
Investment earnings	59,594	253,766	-	-	-	-	313,360
Contributions and other	65,990	-	-	-	-	5,104	71,094
Total Revenues	6,125,103	253,766	1,283,063	978,921	147,805	1,193,937	9,982,595
EXPENDITURES							
Current							
General government	818,165	24,194	-	-	-	21,660	864,019
Public safety	1,620,139	-	-	-	-	289,025	1,909,164
Public works and streets	867,829	-	-	-	-	309,547	1,177,376
Economic development	-	-	-	-	-	491,654	491,654
Education	1,771,299	-	-	-	-	-	1,771,299
Port development	-	-	-	-	136,350	-	136,350
Culture, recreation, and library	1,110,414	-	-	-	-	-	1,110,414
Debt service							
Principal	-	-	835,000	-	-	6,926	841,926
Interest	-	-	455,400	-	-	7,222	462,622
Capital outlay	-	-	-	1,024,735	-	-	1,024,735
Total Expenditures	6,187,846	24,194	1,290,400	1,024,735	136,350	1,126,034	9,789,559
Excess (Deficiency) of Revenues Over (Under) Expenditures	(62,743)	229,572	(7,337)	(45,814)	11,455	67,903	193,036
Other Financing Sources (Uses)							
Transfers in	390,054	-	-	105,551	-	-	495,605
Transfers out	(121,838)	(303,000)	-	(414,697)	(11,455)	(100,497)	(951,487)
Sale of capital assets	-	-	-	-	-	11,903	11,903
Total Other Financing Sources (Uses)	268,216	(303,000)	-	(309,146)	(11,455)	(88,594)	(443,979)
Net Change in Fund Balances	205,473	(73,428)	(7,337)	(354,960)	-	(20,691)	(250,943)
Fund Balances, Beginning of Year	4,306,787	8,733,177	52,796	1,538,764	4,400	1,103,905	15,739,829
Fund Balances, End of Year	\$ 4,512,260	\$ 8,659,749	\$ 45,459	\$ 1,183,804	\$ 4,400	\$ 1,083,214	\$ 15,488,886

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, 2018

Net change in fund balances - total governmental funds	\$ (250,943)
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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	690,404	
Depreciation expense	<u>(1,559,720)</u>	(869,316)

Other transactions involving sales of land net of cash collected. Cash collected is presented as current year income in the fund financial statements.	(8,426)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the change in the net amount recognized from year to year.	815,130
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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.	1,060,721
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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	396,704
Change in compensated absences	(10,957)

Change in Net Position of Governmental Activities	\$ 1,132,913
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HAINES BOROUGH

BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2018

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
Receivables	41,694	51,877	541,896	72,823	19,368	727,658
Due from other funds	550,436	443,027	742,623	1,704,127	151,964	3,592,177
Inventory	69,083	9,396	7,375	-	-	85,854
Prepaid expenses	-	64,422	-	-	-	64,422
Total Current Assets	661,213	568,722	1,292,194	1,776,950	171,332	4,470,411
RESTRICTED ASSETS						
Revenue bond debt service reserve instruments	-	88,227	-	-	-	88,227
CAPITAL ASSETS						
Land	85,584	9,000	-	-	-	94,584
Buildings, net of accumulated depreciation	27,579	2,064,946	-	-	347,648	2,440,173
Improvements other than buildings, net of accumulated depreciation	7,323,472	4,108,716	23,418,535	1,857,476	8,239,371	44,947,570
Equipment, net of accumulated depreciation	-	71,041	22,573	-	-	93,614
Construction in progress	33,577	29,117	-	133,559	-	196,253
Total Capital Assets	7,470,212	6,282,820	23,441,108	1,991,035	8,587,019	47,772,194
DEFERRED OUTFLOW OF RESOURCES	19,941	13,459	20,626	5,109	2,555	61,690
Total Assets and Deferred Outflows of Resources	8,151,366	6,953,228	24,753,928	3,773,094	8,760,906	52,392,522
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
CURRENT LIABILITIES						
Accounts payable	57,475	39,079	555,596	1,114	2,379	655,643
Loan payable - current	55,252	-	-	-	-	55,252
Bond payable - current	-	49,860	-	-	-	49,860
Deposits	10,523	12,007	27,174	-	-	49,704
Due to other funds	-	-	115,838	-	-	115,838
Total Current Liabilities	123,250	100,946	698,608	1,114	2,379	926,297
NONCURRENT LIABILITIES						
Accrued vacation	13,398	13,398	9,458	-	-	36,254
Revenue bonds payable	-	1,028,035	-	-	-	1,028,035
Loans payable	728,781	85,424	-	-	-	814,205
Net OPEB liability	18,976	6,325	25,301	-	-	50,602
Net pension liability	118,733	39,578	158,310	-	-	316,621
Total Noncurrent Liabilities	879,888	1,172,760	193,069	-	-	2,245,717
DEFERRED INFLOW OF RESOURCES	23,539	7,846	31,385	-	-	62,770
Total Liabilities and Deferred Inflows of Resources	1,026,677	1,281,552	923,062	1,114	2,379	3,234,784
NET POSITION						
Net investment in capital assets	6,686,179	5,119,501	23,441,108	1,991,035	8,587,019	45,824,842
Restricted for bond reserves	-	88,227	-	-	-	88,227
Unrestricted	438,510	463,948	389,758	1,780,945	171,508	3,244,669
Total Net Position	\$ 7,124,689	\$ 5,671,676	\$ 23,830,866	\$ 3,771,980	\$ 8,758,527	\$ 49,157,738

HAINES BOROUGH

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

For the Year Ended June 30, 2018

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
OPERATING REVENUES						
Charges for services	\$ 450,947	\$ 523,532	\$ 513,806	\$ 550,596	\$ 142,676	\$ 2,181,557
GENERAL REVENUES						
Intergovernmental - State of Alaska	197,121	882,067	5,943,309	-	-	7,022,497
Total Operating and General Revenue	648,068	1,405,599	6,457,115	550,596	142,676	9,204,054
OPERATING EXPENSES						
Depreciation	283,097	280,803	353,573	99,307	327,291	1,344,071
Salaries and benefits	93,741	28,657	210,604	98,502	34,578	466,082
Materials and supplies	61,454	18,832	207,171	14,532	11,620	313,609
Utilities	24,684	90,997	67,174	6,021	12,812	201,688
Banking and insurance	8,538	16,353	14,609	3,786	10,683	53,969
Professional services	30,059	1,262	6,560	5,632	150	43,663
Repairs and maintenance	2,698	17,576	15,468	1,071	366	37,179
Vehicle	2,140	2,111	2,270	1,889	1,267	9,677
Travel and training	1,189	1,373	1,186	1,283	1,357	6,388
Advertising, dues and subscriptions	290	5,800	323	201	201	6,815
Total Operating Expenses	507,890	463,764	878,938	232,224	400,325	2,483,141
Operating Income (Loss)	140,178	941,835	5,578,177	318,372	(257,649)	6,720,913
NONOPERATING REVENUE (EXPENSE)						
Investment income	5,006	3,256	3,801	7,667	-	19,730
Interest expense	(12,905)	(36,237)	-	-	-	(49,142)
Total Nonoperating Revenue (Expense)	(7,899)	(32,981)	3,801	7,667	-	(29,412)
Income (Loss) Before Contributions and Transfers	132,279	908,854	5,581,978	326,039	(257,649)	6,691,501
Transfers In (Out)	53,422	306,072	34,933	-	61,455	455,882
Change in Net Position	185,701	1,214,926	5,616,911	326,039	(196,194)	7,147,383
Net Position, Beginning of Year, as previously reported	6,965,578	4,465,613	18,249,409	3,445,941	8,954,721	42,081,262
Restatement	(26,590)	(8,863)	(35,454)	-	-	(70,907)
Net Position, End of Year	\$ 7,124,689	\$ 5,671,676	\$ 23,830,866	\$ 3,771,980	\$ 8,758,527	\$ 49,157,738

HAINES BOROUGH

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 701,999	\$ 1,584,431	\$ 8,233,155	\$ 571,953	\$ 147,855	\$ 11,239,393
Cash paid to suppliers	(64,800)	(197,197)	(920,034)	(36,877)	(37,431)	(1,256,339)
Cash paid to employees	(168,473)	(186,679)	(191,650)	(198,342)	(84,497)	(829,641)
Net cash transferred from (to) general fund	(259,824)	468,856	(1,219,725)	(344,401)	(87,382)	(1,442,476)
Net Cash Flows Provided by (Used for) Operating Activities	208,902	1,669,411	5,901,746	(7,667)	(61,455)	7,710,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of fixed assets	(33,577)	(1,887,967)	(5,940,480)	-	-	(7,862,024)
Net cash transferred from other funds	53,422	306,072	34,933	-	61,455	455,882
Proceeds from loans	24,849	-	-	-	-	24,849
Repayment of loan payable	(245,697)	-	-	-	-	(245,697)
Interest on bonds and loan payable	(12,905)	(36,237)	-	-	-	(49,142)
Repayment of bonds payable	-	(54,552)	-	-	-	(54,552)
Net Cash Flows Provided by (Used for) Capital and Related Financing Activities	(213,908)	(1,672,684)	(5,905,547)	-	61,455	(7,730,684)
CASH FLOWS FROM INVESTING ACTIVITIES						
Change in performance deposit	-	17	-	-	-	17
Cash receipts from investments	5,006	3,256	3,801	7,667	-	19,730
Net Cash Provided by Investing Activities	5,006	3,273	3,801	7,667	-	19,747
Increase in Cash and Cash Equivalents	-	-	-	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	300	-	-	300
Cash and Cash Equivalents, End of Year	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 140,178	\$ 941,835	\$ 5,578,177	\$ 318,372	\$ (257,649)	\$ 6,720,913
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	283,098	312,604	353,574	99,308	327,292	1,375,876
Pension and Other Post-Employment Benefit related	(74,744)	(158,034)	16,822	(99,840)	(49,919)	(365,715)
Changes in operating assets and liabilities						
Receivables	53,486	178,278	1,776,040	21,357	5,179	2,034,340
Due to/from other funds	(259,824)	468,856	(1,219,725)	(344,401)	(87,382)	(1,442,476)
Inventory	12,086	(36)	9,630	-	-	21,680
Accounts payable	54,165	(74,658)	(614,904)	(2,463)	1,024	(636,836)
Accrued vacation	12	12	2,132	-	-	2,156
Deposits	445	554	-	-	-	999
Total adjustments	68,724	727,576	323,569	(326,039)	196,194	990,024
Net Cash Flows Provided by (Used for) Operating Activities	\$ 208,902	\$ 1,669,411	\$ 5,901,746	\$ (7,667)	\$ (61,455)	\$ 7,710,937

HAINES BOROUGH

COMPONENT UNITS COMBINING STATEMENT OF NET POSITION (DEFICIT)

June 30, 2018

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,111,227	\$ 27,298	\$ 44,487	\$ 1,183,012
Investments	-	2,990	-	2,990
Receivables	103,160	916	-	104,076
Due from governmental entity	-	-	117,573	117,573
Inventory and prepaid expenses	167,622	29,671	-	197,293
Total Current Assets	1,382,009	60,875	162,060	1,604,944
CAPITAL ASSETS, NET	130,942	39,894	-	170,836
DEFERRED OUTFLOW OF RESOURCES				
Pension and OPEB	349,647	-	-	349,647
Total Assets and Deferred Outflows of Resources	1,862,598	100,769	162,060	2,125,427
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable	44,344	1,906	-	46,250
Due to governmental entity	-	6,850	-	6,850
Accrued payroll and related liabilities	59,224	4,153	-	63,377
Deferred revenue	-	22,382	-	22,382
Total Current Liabilities	103,568	35,291	-	138,859
NONCURRENT PORTION OF LONG-TERM OBLIGATIONS				
Compensated absences	89,368	-	-	89,368
Net pension liability	3,128,213	-	-	3,128,213
Net OPEB liability	364,487	-	-	364,487
DEFERRED INFLOW OF RESOURCES				
Pension and OPEB	574,515	-	-	574,515
Total Liabilities and Deferred Inflows of Resources	4,260,151	35,291	-	4,295,442
NET POSITION (DEFICIT)				
Net investment in capital assets	130,942	39,894	-	170,836
Restricted for Museum projects and other	-	196,004	-	196,004
Unrestricted	(2,528,495)	(170,420)	162,060	(2,536,855)
Total Net Position (Deficit)	\$ (2,397,553)	\$ 65,478	\$ 162,060	\$ (2,170,015)

HAINES BOROUGH

COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Haines Borough School District	Sheldon Museum	Non-Major Component Unit	Total
Expenses								
Component Units								
Haines Borough School District	\$ 5,282,515	\$ 58,890	\$ 1,201,136	\$ -	\$ (4,022,489)	\$ -	\$ -	\$ (4,022,489)
Sheldon Museum	341,126	60,773	79,696	-	-	(200,657)	-	(200,657)
Non-Major Component Unit	24,884	-	16,373	-	-	-	(8,511)	(8,511)
Total Component Units	\$ 5,648,525	\$ 119,663	\$ 1,297,205	\$ -	(4,022,489)	(200,657)	(8,511)	(4,231,657)
General Revenues								
Provided by general government					1,560,000	195,555	32,310	1,787,865
State of Alaska					2,566,507	-	-	2,566,507
Investment income					-	6	7	13
Contributions and other					216,072	24,728	-	240,800
Total General Revenues					4,342,579	220,289	32,317	4,595,185
Change in Net Position					320,090	19,632	23,806	363,528
Net Position (Deficit), Beginning of Year					(2,149,160)	45,846	138,254	(1,965,060)
Restatement					(568,483)	-	-	(568,483)
Net Position (Deficit), End of Year					\$ (2,397,553)	\$ 65,478	\$ 162,060	\$ (2,170,015)

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Discretely Presented Component Units

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

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

Information about major component units is included in the Component Unit Combining Statement of Net Position (Deficit) (page 11) and the Component Unit Combining Statement of Activities (page 12).

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

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

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

Government-Wide and Fund Financial Statements

The Statement of Net Position (deficit) and the Statement of Activities display information about the primary government (the Borough) and its component units. These statements include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Borough. Governmental activities generally are financed through taxes,

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Borough reports the following major governmental funds:

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

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

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

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

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

The Borough reports the following major proprietary funds:

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

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Property Taxes

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

Land Sales

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

Use of Estimates

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

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

Deposits and Investments

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

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

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

Receivables

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

Due to and Due from Other Funds

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Inventory

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

Prepaid Expenses

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

Restricted Assets

Certain cash, investments, and receivables are classified as restricted assets 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.

Capital Assets

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

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

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

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

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

Compensated Absences

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

Unearned Revenue

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

HAINES BOROUGH

NOTES TO 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 liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Alaska 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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Fund Balance

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

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.

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 submits to the Borough Assembly a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

- 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, 2018 the following departments incurred expenditures in excess of their appropriations:

	Budget	Expenditures	Expenditures Over Budget
Parks	\$ 38,979	\$ 44,330	\$ (5,351)
Community Youth Development	31,631	38,126	(6,495)
Public Works	531,439	535,564	(4,125)
Local Emergency Planning	8,000	11,296	(3,296)
Fire District #1	232,298	242,494	(10,196)
	\$ 271,277	\$ 286,824	\$ (15,547)

NOTE 3 – CASH AND CASH EQUIVALENTS

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

At June 30, 2018, the carrying amount of the Borough's cash balances was \$1,483,456, while the bank and other institution balances were \$1,427,293. 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 in the Borough's name	\$ 1,419,989
Uncollateralized/uninsured	7,304
	\$ 1,427,293

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

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HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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	\$ 1,372,580
Restricted assets:	
Cash and cash equivalents	22,649
Revenue bond debt service reserve instruments	88,227
	\$ 1,483,456

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	Over 10	
Investments held by agent in the Borough's name					
Certificates of Deposit	\$ 2,946,591	\$ 4,873,689	\$ -	\$ -	\$ 7,820,280
U.S. Government Instruments	400,447	4,029,103	860,948	-	5,290,498
Corporate Debt	-	1,570,066	487,473	-	2,057,539
Municipal Securities	272,139	-	-	-	272,139
Total debt securities	\$ 3,619,177	\$ 10,472,858	\$ 1,348,421	\$ -	15,440,456
Equity funds					2,633,933
Total Investments made by the Borough					\$ 18,074,389
Reconciliation to statement of net position:					
Investments					9,437,821
Restricted investments					8,636,568
Total Investments made by the Borough					\$ 18,074,389

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, 2018, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair	Percentage of Total
Corporate debt	A	1,632,893	79.36%
Corporate debt	BBB	424,646	20.64%
		\$ 2,057,539	100.00%
Municipal securities	AA	272,139	100.00%
		\$ 272,139	100.00%
U.S. Government instruments	AAA	\$ 5,290,498	75.94%
		\$ 7,620,176	100.00%

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, 2018, the Borough had the following recurring fair value measurements:

June 30, 2018				
Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments in Exchange				
Traded Funds Funds	\$ 2,633,933	\$ 2,633,933	\$ -	\$ -
Certificates of Deposit	7,820,280	-	7,820,280	-
U.S. Government Instruments	5,290,498	-	5,290,498	-
Corporate Debt	2,057,539	-	2,057,539	-
Municipal Securities	272,139	-	272,139	-
Total Investment By Fair Value Level	\$18,074,389	\$ 2,633,933	\$ 15,440,456	\$ -

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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

Receivables at June 30, 2018, for the individual major and aggregate nonmajor funds were as follows:

	Taxes	Land Sale/LID Contracts	Revolving Loan Contracts	Customer Charges	State and Federal Governments	Accrued Interest and Other	Total
<i>Governmental funds:</i>							
General fund	\$ 259,053	\$ -	\$ 106,375	\$ -	\$ 366	\$ 88,931	\$ 454,725
Permanent fund	-	-	-	-	-	43,143	43,143
New school debt service	-	-	-	-	9,032	-	9,032
Capital project funds	91,973	-	-	-	30,334	-	122,307
Other governmental funds	101,973	79,759	-	-	-	-	181,732
<i>Enterprise funds:</i>							
Water fund	-	-	-	41,694	-	-	41,694
Sewer fund	-	-	-	51,877	-	-	51,877
Small boat harbor fund	-	-	-	17,582	524,314	-	541,896
Lutak dock fund	-	-	-	72,823	-	-	72,823
Port Chilkoot dock fund	-	-	-	19,368	-	-	19,368
Total	\$ 452,999	\$ 79,759	\$ 106,375	\$ 203,344	\$ 564,046	\$ 132,074	\$ 1,538,597

Reconciliation to statement of net position:

Current receivables	\$ 1,309,320
Restricted receivables	43,143
Noncurrent receivables, net of current portion	186,134
	\$ 1,538,597

All receivables other than land sale/LID and revolving loan contracts are expected to be collected within one year. Land sale/LID contracts are to be collected over various lives and interest is charged at 10%. The current portion of these contracts is approximately \$10,000. Receivables also include \$120,684 due from the Juneau Economic Development Council (JEDC) pursuant to a 2011 agreement for the 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 2018, 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 (general fund)	\$ 97,846	\$ -	\$ 97,846
Payments in lieu of taxes	-	426,976	426,976
Land sale/LID receivables (including accrued interest)	89,758	-	89,758
Grants and contributions	-	120,273	120,273
Total Deferred Inflow of Resources/Unearned			
Revenue for Governmental Funds	187,604	547,249	734,853
<i>Amounts recognized in the government-wide financial statements</i>			
Property taxes receivable	(97,846)	-	(97,846)
Payments in lieu of taxes	-	(426,976)	(426,976)
Land sales/LID receivables	(89,758)	-	(89,758)
Passenger vessel excise tax	-	(113,009)	(113,009)
Total Unearned Revenue for Government-Wide Financial Statements	\$ -	\$ 7,264	\$ 7,264

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

Capital assets for the year ended June 30, 2018 were as follows:

<i>Governmental activities</i>	Balance, June 30, 2017	Increases	Transfers/ Decreases	Balance, June 30, 2018
Capital assets not being depreciated:				
Land and improvements	\$ 1,151,005	\$ -	\$ -	\$ 1,151,005
Construction in progress	243,761	101,733	(203,472)	142,022
Total Capital Assets Not Being Depreciated	1,394,766	101,733	(203,472)	1,293,027
Other capital assets:				
Buildings	34,852,689	384,236	-	35,236,925
Other improvements	11,002,203	600,520	-	11,602,723
Furniture and equipment	6,951,692	407,909	-	7,359,601
Road network	6,440,093	-	-	6,440,093
Total Other Capital Assets	59,246,677	1,392,665	-	60,639,342
Less accumulated depreciation for:				
Buildings	15,960,205	862,697	-	16,822,902
Other improvements	3,058,764	353,508	-	3,412,272
Furniture and equipment	5,256,773	343,515	-	5,600,288
Road network	4,567,049	-	-	4,567,049
Total Accumulated Depreciation	28,842,791	1,559,720	-	30,402,511
Other Capital Assets, net	30,403,886	(167,055)	-	30,236,831
Governmental Activities Capital Assets, net	\$31,798,652	\$ (65,322)	\$ (203,472)	\$31,529,858

<i>Business-type activities</i>	Balance, June 30, 2017	Increases	Transfers/ Decreases	Balance, June 30, 2018
Capital assets not being depreciated:				
Land and improvements	\$ 94,584	\$ -	\$ -	\$ 94,584
Construction in progress	11,866,108	62,694	(11,732,549)	196,253
Total Capital Assets Not Being Depreciated	11,960,692	62,694	(11,732,549)	290,837
Other capital assets:				
Buildings	484,327	2,099,940	-	2,584,267
Other improvements (including distribution and collection systems)	50,683,184	17,400,134	-	68,083,318
Equipment	252,833	-	-	252,833
Total Other Capital Assets	51,420,344	19,500,074	-	70,920,418
Less accumulated depreciation for:				
Buildings	75,478	68,564	-	144,042
Other improvements (including distribution and collection systems)	21,878,162	1,257,588	-	23,135,750
Equipment	141,350	17,919	-	159,269
Total Accumulated Depreciation	22,094,990	1,344,071	-	23,439,061
Other Capital Assets, net	29,325,354	18,156,003	-	47,481,357
Business-type Activities Capital Assets, net	\$41,286,046	\$18,218,697	\$ (11,732,549)	\$47,772,194

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

<i>Governmental activities</i>	
General government	\$ 168,097
Public safety	95,269
Public works and streets, including depreciation of general infrastructure assets	381,757
Economic development	13,867
Education	677,294
Port development	10,816
Culture, recreation, and library	212,620
Total Depreciation Expense - Governmental Activities	\$ 1,559,720
<i>Business-type activities</i>	
Water	\$ 283,097
Sewer	280,803
Small Boat Harbor	353,573
Lutak Dock	99,307
Port Chilkoot dock fund	327,291
Total Depreciation Expense - Business-type Activities	\$ 1,344,071

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, 2018, the cost and accumulated depreciation associated with these assets was \$23,882,101 and \$9,695,846, respectively.

NOTE 7 - FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2018, 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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Permanent Fund	New School Debt Service	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Permanent fund	\$ -	\$ 7,628,091	\$ -	\$ -	\$ -	\$ -	\$ 7,628,091
Inventory	57,155	-	-	-	-	-	57,155
Prepaid expenses	3,836	-	-	-	-	-	3,836
Total Nonspendable	60,991	7,628,091	-	-	-	-	7,689,082
Restricted							
Road maintenance	88,803	-	-	-	-	-	88,803
Fire service areas	33,012	-	-	-	-	-	33,012
Debt service	-	-	45,459	-	-	955	46,414
Capital projects	470,709	-	-	1,183,804	-	-	1,654,513
Medical services	-	-	-	-	-	108,773	108,773
Economic development	-	-	-	-	-	565,246	565,246
Land development	-	-	-	-	-	408,240	408,240
Townsite service area	995,411	-	-	-	-	-	995,411
Total Restricted	1,587,935	-	45,459	1,183,804	-	1,083,214	3,900,412
Assigned							
Subsequent year expenditures	352,007	-	-	-	-	-	352,007
Permanent fund	-	1,031,658	-	-	-	-	1,031,658
Total assigned	352,007	1,031,658	-	-	-	-	1,383,665
Unassigned	2,511,327	-	-	-	4,400	-	2,515,727
Total Fund Balances	\$ 4,512,260	\$ 8,659,749	\$ 45,459	\$ 1,183,804	\$ 4,400	\$ 1,083,214	\$ 15,488,886

NOTE 8 - LONG-TERM DEBT

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

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Balance, June 30, 2017	Additions	Reductions	Balance, June 30, 2018	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
USDA bonds	\$ 153,749	\$ -	\$ (6,926)	\$ 146,823	\$ 7,249
School construction bonds	9,785,000	-	(835,000)	8,950,000	870,000
Bond premium	1,227,566	-	(218,795)	1,008,771	205,655
Total bonds and notes payable	11,166,315	-	(1,060,721)	10,105,594	1,082,904
Compensated absences	179,625	10,957	-	190,582	-
Governmental Activities					
Long-term Liabilities	\$ 11,345,940	\$ 10,957	\$ (1,060,721)	\$ 10,296,176	\$ 1,082,904

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

	Balance, June 30, 2017	Additions	Reductions	Balance, June 30, 2018	Amounts Due Within One Year
Business-type Activities					
Bonds and notes payable:					
AMBBA sewer revenue bonds	\$ 1,050,000	\$ -	\$ (45,000)	\$ 1,005,000	\$ 45,000
State of Alaska DEC loans payable	1,094,998	24,849	(250,390)	869,457	55,252
Bond premium	77,754	-	(4,859)	72,895	4,860
Total bonds and notes payable	2,222,752	24,849	(300,249)	1,947,352	105,112
Compensated absences	34,098	2,156	-	36,254	-
Business-type Activities					
Long-term Liabilities	\$ 2,256,850	\$ 27,005	\$ (300,249)	\$ 1,983,606	\$ 105,112

Bonds and notes payable at June 30, 2018, are comprised of the following individual issues:

Governmental Activities:

\$1,155,000 2014 school construction bonds, due in annual installments of \$35,000 to \$90,000, plus interest at 2.0% to 5.25%, through June 2036 (not including unamortized premium of \$121,158 at June 30, 2018)	\$ 1,080,000
\$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 \$887,613 at June 30, 2018)	7,870,000
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%	146,823
Total governmental activities bonds payable	9,096,823
Unamortized premium	1,008,771
Total governmental activities bonds payable	10,105,594
Less current portion	(1,082,904)
Governmental activities long-term bonds payable	\$ 9,022,690

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HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Business-type Activities:

\$1,210,000 2013 sewer revenue bonds, due in semi-annual installments of \$61,849 to \$81,856, including interest at 2%, through 2033	\$ 1,005,000
Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments of \$14,203, plus interest at 1.5%, through 2022	56,817
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$2,904, including interest at 1.5%, through 2033	38,756
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$3,432, including interest at 1.5%, through 2034	51,163
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$14,439 including interest @ 1.5%, through 2034	204,043
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$4,936 including interest @ 1.5%, through 2034	92,198
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$3,422, starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	53,634
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$6,045 including interest @ 1.5%, through 2034	85,424
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$5,499 starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	90,324
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$12,079 starting once loan is in repayment. Interest is to accrue at 1.5% and principal paid over 20 years.	197,098
Total business-type activities bond and loans payable	1,874,457
Unamortized premium	72,895
Total business-type activities bond and note payable debt	1,947,352
Less current portion	(105,112)
Business-type activities long-term bond and note payable debt	\$ 1,842,240

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

The debt service annual requirements to amortize bond and note payable debt outstanding as of June 30, 2018, are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,082,904	\$ 428,599	\$ 1,511,503
2020	1,099,610	388,226	1,487,836
2021	1,115,982	341,610	1,457,592
2022	1,146,146	292,603	1,438,749
2023	1,165,037	241,077	1,406,114
2024-2028	3,811,325	460,908	4,272,233
2029-2033	427,078	117,954	545,032
2034-2038	257,512	20,607	278,119
	\$ 10,105,594	\$ 2,291,584	\$ 12,397,178

Business-type Activities:

Year Ending June 30	Principal	Interest	Total
2019	\$ 105,112	\$ 50,277	\$ 155,389
2020	110,728	47,073	157,801
2021	111,354	43,734	155,088
2022	116,952	40,262	157,215
2023	108,432	39,401	147,833
2024-2028	623,396	141,726	765,122
2029-2033	652,633	67,749	720,382
2034-2038	118,746	4,371	123,117
	\$ 1,947,352	\$ 434,594	\$ 2,381,946

NOTE 9 – BOND REQUIREMENTS

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

The sewer revenue bonds required the establishment of a reserve account. The required reserve account was set up and fully funded in prior years. The reserve account balance at June 30, 2018, was \$88,227.

These bond agreement also requires 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 2018, sewer fund Net Operating Revenues were \$343,827 and the debt service requirement was \$84,744 resulting in a ratio of 4.06.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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, 2018, 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	\$	3,957,760
State's proportionate share of the net pension liability associated the Borough		1,475,078
Total Net Pension Liability	\$	5,432,838

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, 2017, 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, 2017, the Borough's proportion was .07656%, which was a decrease of .001318% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Borough recognized a net pension benefit of \$755,237 including revenue of \$117,079 for support provided by the State. At June 30, 2018, 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
Changes in Proportion and differences between employer contributions	\$ -	\$ 382,090
Differences between expected and actual experience	-	71,157
Differences between projected and actual investment earnings	106,167	-
Borough contributions subsequent to measurement date	356,457	-
Total	\$ 462,624	\$ 453,247

Of the total amount reported as deferred outflows of resources related to pensions, \$356,457 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, 2019. 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:	
2018 (2019)	\$ (445,841)
2019 (2020)	110,546
2020 (2021)	49,626
2021 (2022)	(61,411)

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

	Peace Officers/Firefighters
	Graded by age and service, from 7.91% to 4.34%
	for All Others
Investment rate of return	8.00%, net of pension plan investment expenses
	This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of the female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 96% of all rates of the RP-2000 table, 2000 Base Year projection to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed as of June 30, 2013.

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

Asset Class	Long-term Expected Real Rate of Return
Broad domestic equity	8.83%
Global ex-US equity	7.79
Intermediate treasuries	1.29
Opportunistic	4.76
Real assets	4.94
Absolute return	4.76
Private equity	12.02
Cash equivalents	0.63

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Borough'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 8 percent, as well as what the Borough's proportionate share of the net pension liability

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Borough's proportionate share of the net pension liability	\$ 5,198,883	\$ 3,957,760	\$ 2,909,860

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, 2018 and 2017, employee contributions totaled \$146,613 and \$137,333, respectively, and the Borough recognized pension expense of \$91,633 and \$85,833 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.

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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 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 2018 employer effective contribution rate is 22.00% of member's compensation.

Employer contribution for the ODD plan are to each member's account based on the member's compensation. For fiscal year 2018, the rates are 0.43% for occupational death and disability for peace officers and firefighters, and 0.16% for occupational death and disability all other members.

Employer contribution rates for the RMP plan are actuarially determined and adopted by the Alaska Retirement Management Board (Board). For fiscal year 2018, the employer rate is 1.03% of member's compensation.

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NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2018, 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 (liability), 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)	\$ 647,331	\$	(23,405)	\$	8,602	\$	632,528
State's proportionate share of the net OPEB liability associated the Borough	240,555		-		-		240,555
Total Net OPEB Liability (Asset)	\$ 887,886	\$	(23,405)	\$	8,602		873,083

The Borough will record the entire net ARHCT 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 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, 2017, 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, 2017, the Borough's proportion was .07663% for ARHCT and .16495% for ODD and RM, which was a decrease of .01320% for ARHCT, and an increase of .02014% for ODD and RM from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Borough recognized a net OPEB benefit of \$1,405 including revenue of \$37,798 for support provided by the State. At June 30, 2018, 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	\$ 1,650	\$ 87,364
Differences between projected and actual investment earnings	-	208,359
Differences between expected and actual experience	-	35,667
Borough contributions subsequent to measurement date	115,245	-
Total	\$ 116,895	\$ 331,390

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NOTES TO FINANCIAL STATEMENTS

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,245 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, 2019. 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:	
2018 (2019)	\$ (119,084)
2019 (2020)	(105,710)
2020 (2021)	(52,214)
2021 (2022)	(52,214)
2022 (2023)	(125)
2023 (2024) and thereafter	(393)

Actuarial Assumptions

The total OPEB liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officers/Firefighters Graded by age and service, from 7.91% to 4.34% for All Others
Investment rate of return	8.00%, net of OPEB plan investment expenses This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates (ARHCT and RMP)	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%.

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of the female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 96% of all rates of the RP-2000 table, 2000 Base Year projection to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's current and expected

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NOTES TO FINANCIAL STATEMENTS

asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-term Expected Real Rate of Return
Broad domestic equity	8.83%
Global ex-US equity	7.79
Intermediate treasuries	1.29
Opportunistic	4.76
Real assets	4.94
Absolute return	4.76
Private equity	12.02
Cash equivalents	0.63

Discount Rate

The discount rate used to measure the total OPEB liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
ARHCT	\$ 1,385,357	\$ 647,331	\$ 26,551
ODD	\$ (21,129)	\$ (23,405)	\$ (25,266)
RMP	\$ 40,300	\$ 8,602	\$ (16,149)

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, 2018, calculated using the healthcare cost trend rates as summarized in the 2017 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	\$ (71,807)	\$ 647,331	\$ 1,511,908
RMP	\$ (21,294)	\$ 8,602	\$ 48,658

OPEB Plan Fiduciary Net Position

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

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NOTES TO FINANCIAL STATEMENTS

Total Deferred Outflows of Resources and Inflows of Resources

Total deferred outflows of resources and deferred inflows of resources presented in the Statement of Net Position consists of the following at June 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Related	\$ 462,624	\$ 453,247
OPEB Related	116,895	331,390
Total	\$ 579,519	\$ 784,637

NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of June 30, 2018, was as follows:

	Interfund Balances	
	Due from other funds	Due to other funds
General Fund	\$ 115,838	\$ 5,836,458
Permanent Fund	-	40,797
New School Debt Service	36,427	-
Capital Project Funds	1,078,323	-
Passenger Vessel Tax	128,865	-
Other Governmental Funds	1,041,463	-
Water Fund	550,436	-
Sewer Fund	443,027	-
Small Boat Harbor Fund	742,623	115,838
Lutak Dock Fund	1,704,127	-
Port Chilkoot Dock Fund	151,964	-
	\$ 5,993,093	\$ 5,993,093

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

	Transfers In						
	General Fund	Capital Project Funds	Water	Sewer	Small Boat Harbor	Port Chilkoot Dock	Total
Transfers out:							
General fund	\$ 24,554	\$ 66,284	\$ -	\$ -	\$ 31,000	\$ -	\$ 121,838
Permanent fund	303,000	-	-	-	-	-	303,000
Capital Project Funds	52,500	-	53,422	306,072	2,703	-	414,697
Passenger vessel tax	-	-	-	-	-	11,455	11,455
Other governmental funds	10,000	39,267	-	-	1,230	50,000	100,497
Total	\$ 390,054	\$ 105,551	\$ 53,422	\$ 306,072	\$ 34,933	\$ 61,455	\$ 951,487

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - RISK MANAGEMENT

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

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

NOTE 13 - PERMANENT FUND

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

Deposits into the Permanent Fund consist of net proceeds from the sale of municipal lands, less amounts allocated by the Assembly for construction of public improvements within local improvement districts. These land sales and public improvements are originally recorded in a special revenue fund (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 14 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 10 to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. Effective July 1, 2017, the Borough adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Postemployment Benefit Liability (and related deferred inflow/outflow accounts). For defined benefit other postemployment benefit plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

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NOTES TO FINANCIAL STATEMENTS

As a result of the implementation of this statement, the Borough reports the following impact of adoption GASB No. 75 on Net Position as of June 30, 2017:

	As Previously Reported	As Adjusted
Government-wide Financial Statements:		
Statement of Activities:		
Net Position at beginning of the year		
Governmental Activities	\$ 32,705,578	\$ 31,890,141
Business-type Activities	42,081,262	42,010,355
Proprietary fund statements:		
Statement of revenues, expenses, and changes in		
Net Position:		
Water Fund	6,965,578	6,938,988
Sewer Fund	4,465,613	4,456,750
Small Boat Harbor Fund	18,249,409	18,213,955

NOTE 15 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements.

GASB 83 - Certain Asset Retirement Obligations - Effective for the fiscal year ended year-end June 30, 2019, with earlier application encouraged, this statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - Fiduciary Activities - Effective for the fiscal year ended June 30, 2020, with earlier application encouraged, this statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 - Leases - Effective for the fiscal year ended June 30, 2021, with earlier application encouraged, this statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 - Accounting for Interest Cost Incurred Before the End of a Construction Period – Effective for the fiscal year ended June 30, 2021, this statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 90 – Majority Equity Interests – Effective for the fiscal year ended June 30, 2020, this statement enhances financial reporting related to a government’s majority equity interest in a legally separate organization.

REQUIRED SUPPLEMENTARY INFORMATION

HAINES BOROUGH

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

For the Year Ended June 30, 2018

	Budget Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$ 2,548,408	\$ 2,566,908	\$ 2,568,427	\$ 1,519
Sales	1,439,000	1,439,000	1,527,796	88,796
Intergovernmental				
Federal grants and contracts	181,673	181,673	436,130	254,457
Federal payments in lieu of taxes	344,000	344,000	353,000	9,000
State grants and contracts	909,388	960,055	913,061	(46,994)
Rentals, service and admission fees	155,065	155,065	166,492	11,427
Licenses and permits	34,300	34,300	34,613	313
Investment earnings	119,500	119,500	59,594	(59,906)
Contributions and other	49,473	49,473	65,990	16,517
Total Revenues	5,780,807	5,849,974	6,125,103	275,129
EXPENDITURES				
Current				
General government	883,448	904,652	818,165	86,487
Public safety	1,607,539	1,642,123	1,620,139	21,984
Public works and streets	888,413	888,903	867,829	21,074
Education	1,773,000	1,773,000	1,771,299	1,701
Port operations	-	-	-	-
Culture, recreation, and library	1,103,322	1,108,842	1,110,414	(1,572)
Total Expenditures	6,255,722	6,317,520	6,187,846	129,674
Deficiency of Revenues				
Under Expenditures	(474,915)	(467,546)	(62,743)	404,803
Other financing sources (uses)				
Transfers in	386,500	386,500	390,054	3,554
Transfers out	(116,500)	(116,500)	(121,838)	(5,338)
Total Other Financing Sources	270,000	270,000	268,216	(1,784)
Net Change in Fund Balance	\$ (204,915)	\$ (197,546)	\$ 205,473	\$ 403,019

HAINES BOROUGH

**BUDGETARY COMPARISON SCHEDULE -
PASSENGER VESSEL TAX SPECIAL REVENUE FUND**

For the Year Ended June 30, 2018

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental - State of Alaska	\$ 214,000	\$ 214,000	\$ 147,805	\$ (66,195)
EXPENDITURES				
Port development	133,255	133,255	136,350	(3,095)
Excess of Revenues Over Expenditures	80,745	80,745	11,455	(69,290)
Other financing uses - transfers out	(100,000)	(100,000)	(11,455)	88,545
Net Change in Fund Balance	\$ (19,255)	\$ (19,255)	\$ -	\$ 19,255

HAINES BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Years 2014 through 2018 for Pension and Fiscal Years 2017 and 2018 for OPEB

	2018	2017	2016	2014	2014
PENSION					
Borough's proportion of the net pension liability	0.07656%	0.08974%	0.10934%	0.04988%	0.04807%
Borough's proportionate share of the net pension liability	\$ 3,957,760	\$ 5,016,030	\$ 5,302,798	\$ 2,326,689	\$ 2,524,319
State's proportionate share of the net pension liability associated with the Borough	1,475,078	633,379	1,419,808	2,289,751	2,758,681
Total	\$ 5,432,838	\$ 5,649,409	\$ 6,722,606	\$ 4,616,440	\$ 5,283,000
Borough's covered payroll	\$ 2,560,610	\$ 2,437,198	\$ 2,142,611	\$ 2,303,150	\$ 2,281,338
Borough's proportionate share of the net pension liability as a percentage of its covered employee payroll	154.56%	205.81%	247.49%	101.02%	110.65%
Plan fiduciary net position as a percentage of the total pension liability	63.37%	59.55%	63.96%	62.37%	56.04%

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

OTHER POSTEMPLOYMENT BENEFIT

Borough's proportion of the net OPEB liability	0.07663%	0.08983%
Borough's proportionate share of the net OPEB liability	\$ 632,528	\$ 1,024,526
State's proportionate share of the net OPEB liability associated with the Borough	240,555	389,635
Total	\$ 873,083	\$ 1,414,161
Borough's covered payroll	\$ 1,832,660	\$ 1,716,658
Borough's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	34.51%	59.68%
Plan fiduciary net position as a percentage of the total OPEB liability	85.78%	90.18%

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, 2018, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF BOROUGH CONTRIBUTIONS

Fiscal Years 2014 through 2018 for Pension and Fiscal Years 2017 and 2018 for OPEB

	2018	2017	2016	2015	2014
PENSION					
Contractually required contribution	\$ 356,457	\$255,460	\$201,400	\$210,862	\$191,334
Contributions in relation to the contractually required contribution	(356,457)	(255,460)	(201,400)	(210,862)	(191,334)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's covered payroll	\$ 2,560,610	\$2,437,198	\$2,142,611	\$2,303,150	\$2,281,338
Contributions as a percentage of covered employee payroll	13.92%	10.48%	9.40%	9.16%	8.39%

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

OTHER POSTEMPLOYMENT BENEFIT

Contractually required contribution	\$ 115,245	\$ 138,181
Contributions in relation to the contractually required contribution	(115,245)	(138,181)
Contribution deficiency (excess)	\$ -	\$ -
Borough's covered payroll	\$ 1,832,660	\$ 1,716,658
Contributions as a percentage of covered employee payroll	6.29%	8.05%

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, 2018, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.