



FINANCIAL STATEMENTS

June 30, 2020

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, 2020, 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 represents 2% of total assets in the Statement of Net Position and 25% 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, 2020, 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 January 15, 2021 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.



January 15, 2021

HAINES BOROUGH

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2020

	Governmental Activities	Primary Government Business-type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,369,799	\$ 300	\$ 4,370,099	\$ 1,530,293
Investments	9,821,862	-	9,821,862	346,677
Receivables	510,721	1,816,095	2,326,816	157,925
Internal balances, net	(4,030,134)	4,030,134	-	-
Due from component units	33,968	-	33,968	-
Due from governmental entity	-	-	-	15,789
Inventory and prepaid expenses	81,092	158,004	239,096	212,208
Total Current Assets	10,787,308	6,004,533	16,791,841	2,262,892
RESTRICTED ASSETS				
Cash and cash equivalents	34,495	-	34,495	-
Investments	9,069,250	-	9,069,250	-
Revenue bond debt service reserve investments	-	91,009	91,009	-
Receivables	48,509	-	48,509	-
NONCURRENT ASSETS				
Net OPEB Assets	-	-	-	144,229
Receivables, net of current portion	180,720	-	180,720	-
Capital assets, net	30,041,475	48,743,597	78,785,072	148,075
Total Assets	50,161,757	54,839,139	105,000,896	2,555,196
DEFERRED OUTFLOWS OF RESOURCES	834,631	73,444	908,075	429,894
Total Assets and Deferred Outflows of Resources	50,996,388	54,912,583	105,908,971	2,985,090
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	247,921	1,446,174	1,694,095	40,775
Accrued payroll	248,275	-	248,275	37,300
Due to primary government	-	-	-	33,968
Due to component units	15,789	-	15,789	-
Deposits	-	49,004	49,004	-
Unearned revenue	1,855,733	-	1,855,733	29,760
Current portion of long-term obligations	1,115,982	111,353	1,227,335	-
Total Current Liabilities	3,483,700	1,606,531	5,090,231	141,803
NONCURRENT LIABILITIES				
Compensated absences	220,608	21,455	242,063	28,956
Bonds and loans payable	6,807,077	1,618,638	8,425,715	-
Net OPEB Liability	111,979	9,736	121,715	52,817
Net pension liability	4,336,169	377,059	4,713,228	3,030,993
Total Liabilities	14,959,533	3,633,419	18,592,952	3,254,569
DEFERRED INFLOWS OF RESOURCES	393,186	34,189	427,375	353,453
Total Liabilities and Deferred Inflows of Resources	15,352,719	3,667,608	19,020,327	3,608,022
NET POSITION (DEFICIT)				
Net Investment in Capital Assets	22,118,416	47,013,606	69,132,022	108,882
Restricted for:				
Bond reserves	-	91,009	91,009	-
Medical services	133,978	-	133,978	-
Capital projects	1,291,286	-	1,291,286	-
Economic development	777,017	-	777,017	-
Museum projects and other	-	-	-	350,994
Permanent fund - nonexpendable	7,580,686	-	7,580,686	-
Permanent fund - expendable	1,568,211	-	1,568,211	-
Unrestricted	2,174,075	4,140,360	6,314,435	(1,082,808)
Total Net Position (Deficit)	\$ 35,643,669	\$ 51,244,975	\$ 86,888,644	\$ (622,932)

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

HAINES BOROUGH

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Governmental Activities								
General government	\$ 1,359,577	\$ -	\$ -	\$ -	\$ (1,359,577)	\$ -	\$ (1,359,577)	\$ -
Public safety	1,475,076	4,468	255,002	-	(1,215,606)	-	(1,215,606)	-
Public works and streets	2,130,636	2,500	-	-	(2,128,136)	-	(2,128,136)	-
Economic development	370,177	-	-	-	(370,177)	-	(370,177)	-
Education	2,350,742	-	-	436,620	(1,914,122)	-	(1,914,122)	-
Port development	114,507	-	285,790	-	171,283	-	171,283	-
Culture, recreation and library	894,046	100,285	-	-	(793,761)	-	(793,761)	-
Interest on long-term debt	388,215	-	-	-	(388,215)	-	(388,215)	-
Total Governmental Activities	9,082,976	107,253	540,792	436,620	(7,998,311)	-	(7,998,311)	-
Business-Type Activities								
Water	772,972	453,960	-	-	-	(319,012)	(319,012)	-
Sewer	750,588	540,387	-	-	-	(210,201)	(210,201)	-
Small boat harbor	1,173,885	574,128	-	2,450,185	-	1,850,428	1,850,428	-
Lutak dock	250,806	513,387	-	-	-	262,581	262,581	-
Port Chilkoot dock	404,236	69,977	-	-	-	(334,259)	(334,259)	-
Total Business-Type Activities	3,352,487	2,151,839	-	2,450,185	-	1,249,537	1,249,537	-
Total Primary Government	\$ 12,435,463	\$ 2,259,092	\$ 540,792	\$ 2,886,805	(7,998,311)	1,249,537	(6,748,774)	-
Component Units	\$ 4,832,940	\$ 100,670	\$ 740,222	\$ -				(3,992,048)
General Revenue and Transfers								
Property taxes					3,167,491	-	3,167,491	-
Sales taxes					3,412,743	-	3,412,743	-
Provided by general government					-	-	-	1,848,322
Intergovernmental revenue not restricted to specific programs					1,241,477	-	1,241,477	2,920,699
Investment income					761,834	58,656	820,490	76,011
Contributions to Permanent Fund principal - inflation proofing					160,265	-	160,265	-
Licenses and permits					31,444	-	31,444	-
Contributions and other					77,556	-	77,556	191,350
Payments in lieu of taxes					621,791	-	621,791	-
Land sales					10,108	-	10,108	-
Transfers					(417,519)	417,519	-	-
Total General Revenue and Transfers					9,067,190	476,175	9,543,365	5,036,382
Change in Net Position					1,068,879	1,725,712	2,794,591	1,044,334
Net Position (Deficit), Beginning of Year					34,574,790	49,519,263	84,094,053	(1,667,266)
Net Position (Deficit), End of Year					\$ 35,643,669	\$ 51,244,975	\$ 86,888,644	\$ (622,932)

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

HAINES BOROUGH

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Permanent Fund	CARES Act Special Revenue Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 4,369,799	\$ 34,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,404,294
Investments	9,821,862	9,069,250	-	-	-	-	-	18,891,112
Receivables	462,051	48,509	-	1,089	80,498	-	147,803	739,950
Due from other funds	115,843	-	1,856,762	3,394	1,225,589	342,280	1,271,370	4,815,238
Due from component units	33,968	-	-	-	-	-	-	33,968
Prepaid expenses	1,950	-	-	-	-	-	-	1,950
Inventory	79,142	-	-	-	-	-	-	79,142
Total Assets	\$ 14,884,615	\$ 9,152,254	\$ 1,856,762	\$ 4,483	\$ 1,306,087	\$ 342,280	\$ 1,419,173	\$ 28,965,654
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 199,477	\$ 1,907	\$ 6,029	\$ -	\$ 14,801	\$ 810	\$ 24,897	\$ 247,921
Accrued payroll	248,275	-	-	-	-	-	-	248,275
Due to other funds	8,843,922	1,450	-	-	-	-	-	8,845,372
Unearned revenue	621,791	-	1,850,733	-	-	337,070	5,000	2,814,594
Total Liabilities	9,929,254	3,357	1,856,762	-	14,801	337,880	29,897	12,171,951
Deferred Inflows of Resources								
Unavailable revenue - property taxes	123,939	-	-	-	-	-	-	123,939
Unavailable revenue - land sales	-	-	-	-	-	-	79,345	79,345
Total Deferred Inflow of Resources	123,939	-	-	-	-	-	79,345	203,284
Fund Balances								
Nonspendable	81,092	7,580,686	-	-	-	-	-	7,661,778
Restricted	1,696,706	-	-	4,483	1,291,286	-	1,309,931	4,302,406
Assigned	302,388	1,568,211	-	-	-	-	-	1,870,599
Unassigned	2,751,236	-	-	-	-	4,400	-	2,755,636
Total Fund Balances	4,831,422	9,148,897	-	4,483	1,291,286	4,400	1,309,931	16,590,419
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,884,615	\$ 9,152,254	\$ 1,856,762	\$ 4,483	\$ 1,306,087	\$ 342,280	\$ 1,419,173	
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								30,041,475
Unearned revenues and deferred inflows not available to pay for current-period expenditures are reported as earned in the Statement of Net Position								1,162,145
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								834,631
Pension and OPEB related deferred inflows for changes differences in projections and actual earnings are not reported in the funds								(393,186)
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								(12,591,815)
Net Position of Governmental Activities								\$ 35,643,669

HAINES BOROUGH

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

For the Year Ended June 30, 2020

	General Fund	Permanent Fund	CARES Act Special Revenue Fund	New School Debt Service	Capital Project Funds	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes								
Property	\$ 2,304,988	\$ -	\$ -	\$ 821,000	\$ -	\$ -	\$ 14,000	\$ 3,139,988
Sales	1,640,347	-	-	-	886,510	-	885,886	3,412,743
Intergovernmental								
Federal grants and contracts	10,000	-	295,889	-	-	-	-	305,889
Federal payments in lieu of taxes	372,862	-	-	-	-	-	-	372,862
State grants and contracts	1,087,969	-	-	436,620	34,506	142,915	68,115	1,770,125
Rentals, Service and admission fees	104,753	-	-	-	-	-	2,500	107,253
Licenses and permits	31,444	-	-	-	-	-	-	31,444
Investment earnings	382,104	539,995	-	-	-	-	-	922,099
Contributions and other	53,829	-	-	-	22,149	-	1,578	77,556
Total Revenues	5,988,296	539,995	295,889	1,257,620	943,165	142,915	972,079	10,139,959
EXPENDITURES								
Current								
General government	830,160	24,740	295,889	-	-	-	15,633	1,166,422
Public safety	1,622,189	-	-	-	-	-	253,141	1,875,330
Public works and streets	996,693	-	-	-	-	-	77,587	1,074,280
Economic development	-	-	-	-	-	-	390,057	390,057
Education	1,815,581	-	-	-	-	-	-	1,815,581
Port development	-	-	-	-	-	113,380	-	113,380
Culture, recreation, and library	1,067,042	-	-	-	-	-	-	1,067,042
Debt service								
Principal	-	-	-	905,000	-	-	7,608	912,608
Interest	-	-	-	381,675	-	-	6,540	388,215
Capital outlay	-	-	-	-	936,914	-	-	936,914
Total Expenditures	6,331,665	24,740	295,889	1,286,675	936,914	113,380	750,566	9,739,829
Excess (Deficiency) of Revenues Over (Under) Expenditures	(343,369)	515,255	-	(29,055)	6,251	29,535	221,513	400,130
Other Financing Sources (Uses)								
Transfers in	479,715	-	-	-	298,498	-	-	778,213
Transfers out	(308,973)	(304,000)	-	-	(437,881)	(29,535)	(115,343)	(1,195,732)
Sale of capital assets	-	-	-	-	-	-	5,054	5,054
Total Other Financing Sources (Uses)	170,742	(304,000)	-	-	(139,383)	(29,535)	(110,289)	(412,465)
Net Change in Fund Balances	(172,627)	211,255	-	(29,055)	(133,132)	-	111,224	(12,335)
Fund Balances, Beginning of Year	5,004,049	8,937,642	-	33,538	1,424,418	4,400	1,198,707	16,602,754
Fund Balances, End of Year	\$ 4,831,422	\$ 9,148,897	\$ -	\$ 4,483	\$ 1,291,286	\$ 4,400	\$ 1,309,931	\$ 16,590,419

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, 2020

Net change in fund balances - total governmental funds		\$ (12,335)
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	710,862	
Depreciation expense	<u>(1,608,527)</u>	(897,665)
Other transactions involving sales of land net of cash collected. Cash collected is presented as current year income in the fund financial statements.		
		(5,054)
Changes in deferred revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the change in the net amount recognized from year to year.		
		400,847
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.		
		877,259
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		720,417
Change in compensated absences		(14,590)
Change in Net Position of Governmental Activities		\$ 1,068,879

HAINES BOROUGH

BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2020

	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	44,849	47,774	1,601,154	122,219	99	1,816,095
Due from other funds	353,416	446,132	621,162	2,425,943	299,324	4,145,977
Inventory	73,746	10,314	6,897	-	-	90,957
Prepaid expenses	-	67,047	-	-	-	67,047
Total Current Assets	472,011	571,267	2,229,513	2,548,162	299,423	6,120,376
RESTRICTED ASSETS						
Revenue bond debt service reserve instruments	-	91,009	-	-	-	91,009
CAPITAL ASSETS						
Land	85,584	9,000	-	-	-	94,584
Buildings, net of accumulated depreciation	23,543	1,924,950	-	-	326,579	2,275,072
Improvements other than buildings, net of accumulated depreciation	6,814,863	4,041,942	22,817,428	1,658,862	7,605,859	42,938,954
Equipment, net of accumulated depreciation	-	82,882	14,833	-	-	97,715
Construction in progress	707,979	0	2,495,734	133,559	-	3,337,272
Total Capital Assets	7,631,969	6,058,774	25,327,995	1,792,421	7,932,438	48,743,597
DEFERRED OUTFLOW OF RESOURCES	27,541	9,180	36,723	-	-	73,444
Total Assets and Deferred Outflows of Resources	8,131,521	6,730,230	27,594,231	4,340,583	8,231,861	55,028,426
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
CURRENT LIABILITIES						
Accounts payable	141,103	23,381	1,272,838	7,876	976	1,446,174
Loan payable - current	51,585	-	-	-	-	51,585
Bond payable - current	-	59,768	-	-	-	59,768
Deposits	10,421	11,409	27,174	-	-	49,004
Due to other funds	-	-	115,843	-	-	115,843
Total Current Liabilities	203,109	94,558	1,415,855	7,876	976	1,722,374
NONCURRENT LIABILITIES						
Accrued vacation	9,390	9,390	2,675	-	-	21,455
Revenue bonds payable	-	913,409	-	-	-	913,409
Loans payable	629,404	75,825	-	-	-	705,229
Net OPEB liability	3,651	1,216	4,869	-	-	9,736
Net pension liability	141,397	47,133	188,529	-	-	377,059
Total Noncurrent Liabilities	783,842	1,046,973	196,073	-	-	2,026,888
DEFERRED INFLOW OF RESOURCES	12,821	4,274	17,094	-	-	34,189
Total Liabilities and Deferred Inflows of Resources	999,772	1,145,805	1,629,022	7,876	976	3,783,451
NET POSITION						
Net investment in capital assets	6,950,980	5,009,772	25,327,995	1,792,421	7,932,438	47,013,606
Restricted for bond reserves	-	91,009	-	-	-	91,009
Unrestricted	180,769	483,644	637,214	2,540,286	298,447	4,140,360
Total Net Position	\$ 7,131,749	\$ 5,584,425	\$ 25,965,209	\$ 4,332,707	\$ 8,230,885	\$ 51,244,975

HAINES BOROUGH

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

For the Year Ended June 30, 2020

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
OPERATING REVENUES						
Charges for services	\$ 453,960	\$ 540,387	\$ 574,128	\$ 513,387	\$ 69,977	\$ 2,151,839
GENERAL REVENUES						
Intergovernmental - Federal Governments	370,703	-	1,408,657	-	-	1,779,360
Intergovernmental - State Governments	111,481	-	559,344	-	-	670,825
Total Operating and General Revenue	936,144	540,387	2,542,129	513,387	69,977	4,602,024
OPERATING EXPENSES						
Depreciation	283,506	329,164	685,160	99,307	327,291	1,724,428
Salaries and benefits	218,497	198,430	133,945	99,612	48,612	699,096
Materials and supplies	150,417	51,120	253,485	8,020	2,818	465,860
Utilities	27,581	84,274	71,141	4,667	8,598	196,261
Banking and insurance	12,685	22,695	18,210	4,527	13,318	71,435
Professional services	30,825	3,033	1,329	20,167	890	56,244
Repairs and maintenance	33,072	18,123	6,408	11,710	141	69,454
Vehicle	3,764	2,797	2,090	1,269	1,041	10,961
Travel and training	842	842	1,388	1,389	1,389	5,850
Advertising, dues and subscriptions	798	8,415	729	138	138	10,218
Total Operating Expenses	761,987	718,893	1,173,885	250,806	404,236	3,309,807
Operating Income (Loss)	174,157	(178,506)	1,368,244	262,581	(334,259)	1,292,217
NONOPERATING REVENUE (EXPENSE)						
Investment income	4,121	5,806	14,697	30,565	3,467	58,656
Interest expense	(10,985)	(31,695)	-	-	-	(42,680)
Total Nonoperating Revenue (Expense)	(6,864)	(25,889)	14,697	30,565	3,467	15,976
Income (Loss) Before Contributions and Transfers	167,293	(204,395)	1,382,941	293,146	(330,792)	1,308,193
Transfers In	65,919	260,000	50,000	-	41,600	417,519
Transfers out	-	-	-	-	-	-
Change in Net Position	233,212	55,605	1,432,941	293,146	(289,192)	1,725,712
Net Position, Beginning of Year	6,898,537	5,528,820	24,532,268	4,039,561	8,520,077	49,519,263
Net Position, End of Year	\$ 7,131,749	\$ 5,584,425	\$ 25,965,209	\$ 4,332,707	\$ 8,230,885	\$ 51,244,975

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2020

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 926,508	\$ 542,962	\$ 975,491	\$ 471,557	\$ 103,177	\$ 3,019,695
Cash paid to suppliers	(139,362)	(180,821)	879,784	(44,701)	(28,474)	486,426
Cash paid to employees	(233,023)	(202,135)	(160,068)	(99,612)	(48,612)	(743,450)
Net cash transferred from (to) general fund	71,116	12,200	224,637	(357,809)	(71,158)	(121,014)
Net Cash Flows Provided by (Used for) Operating Activities	625,239	172,206	1,919,844	(30,565)	(45,067)	2,641,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of fixed assets	(632,494)	(346,742)	(1,984,541)	-	-	(2,963,777)
Net cash transferred from other funds	65,919	260,000	50,000	-	41,600	417,519
Proceeds from loans	24,849	-	-	-	-	24,849
Repayment of loan payable	(76,649)	-	-	-	-	(76,649)
Interest on bonds and loan payable	(10,985)	(31,695)	-	-	-	(42,680)
Repayment of bonds payable	-	(59,694)	-	-	-	(59,694)
Net Cash Flows Provided by (Used for) Capital and Related Financing Activities	(629,360)	(178,131)	(1,934,541)	-	41,600	(2,700,432)
CASH FLOWS FROM INVESTING ACTIVITIES						
Change in performance deposit	-	119	-	-	-	119
Cash receipts from investments	4,121	5,806	14,697	30,565	3,467	58,656
Net Cash Provided by Investing Activities	4,121	5,925	14,697	30,565	3,467	58,775
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)	\$ 174,157	\$ (178,506)	\$ 1,368,244	\$ 262,581	\$ (334,259)	\$ 1,292,217
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	283,506	329,164	685,160	99,307	327,291	1,724,428
Pension and Other Post-Employment Benefit related	(16,232)	(5,411)	(21,644)	-	-	(43,287)
Changes in operating assets and liabilities						
Receivables	(8,500)	3,751	(1,566,638)	(41,830)	33,200	(1,580,017)
Due to/from other funds	71,116	12,200	224,637	(357,809)	(71,158)	(121,014)
Inventory	16	(1,061)	5,579	-	-	4,534
Accounts payable	120,606	11,539	1,228,985	7,186	(141)	1,368,175
Accrued vacation	1,706	1,706	(4,479)	-	-	(1,067)
Deposits	(1,136)	(1,176)	-	-	-	(2,312)
Total adjustments	451,082	350,712	551,600	(293,146)	289,192	1,349,440
Net Cash Flows Provided by (Used for) Operating Activities	\$ 625,239	\$ 172,206	\$ 1,919,844	\$ (30,565)	\$ (45,067)	\$ 2,641,657

HAINES BOROUGH

COMPONENT UNITS COMBINING STATEMENT OF NET POSITION (DEFICIT)

June 30, 2020

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,393,036	\$ 68,549	\$ 68,708	\$ 1,530,293
Investments	-	346,677	-	346,677
Receivables	152,281	5,644	-	157,925
Due from governmental entity	-	-	15,789	15,789
Inventory and prepaid expenses	188,337	23,871	-	212,208
Total Current Assets	1,733,654	444,741	84,497	2,262,892
CAPITAL ASSETS, NET	108,882	39,193	-	148,075
CAPITAL OPEB ASSETS	144,229	-	-	144,229
DEFERRED OUTFLOW OF RESOURCES				
Pension and OPEB	429,894	-	-	429,894
Total Assets and Deferred Outflows of Resources	2,416,659	483,934	84,497	2,985,090
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES				
Accounts payable	36,297	4,478	-	40,775
Due to governmental entity	-	33,968	-	33,968
Accrued payroll and related liabilities	35,179	2,121	-	37,300
Deferred revenue	-	29,760	-	29,760
Total Current Liabilities	71,476	70,327	-	141,803
NONCURRENT PORTION OF LONG-TERM OBLIGATIONS				
Compensated absences	28,956	-	-	28,956
Net pension liability	3,030,993	-	-	3,030,993
Net OPEB liability	52,817	-	-	52,817
DEFERRED INFLOW OF RESOURCES				
Pension and OPEB	353,453	-	-	353,453
Total Liabilities and Deferred Inflows of Resources	3,537,695	70,327	-	3,608,022
NET POSITION (DEFICIT)				
Net investment in capital assets	108,882	-	-	108,882
Restricted for Museum projects and other	-	350,994	-	350,994
Unrestricted	(1,229,918)	62,613	84,497	(1,082,808)
Total Net Position (Deficit)	\$ (1,121,036)	\$ 413,607	\$ 84,497	\$ (622,932)

HAINES BOROUGH

COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

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	\$ 4,465,125	\$ 43,907	\$ 694,360	\$ -	\$ (3,726,858)	\$ -	\$ -	\$ (3,726,858)	
Sheldon Museum	324,894	56,763	30,073	-	-	(238,058)	-	(238,058)	
Non-Major Component Unit	42,921	-	15,789	-	-	-	(27,132)	(27,132)	
Total Component Units	\$ 4,832,940	\$ 100,670	\$ 740,222	\$ -	(3,726,858)	(238,058)	(27,132)	(3,992,048)	
General Revenues									
Provided by general government					1,605,000	214,815	28,507	1,848,322	
State of Alaska					2,920,699	-	-	2,920,699	
Investment income					13,328	62,613	70	76,011	
Contributions and other					80,438	110,348	564	191,350	
Total General Revenues					4,619,465	387,776	29,141	5,036,382	
Change in Net Position					892,607	149,718	2,009	1,044,334	
Net Position (Deficit), Beginning of Year					(2,013,643)	263,889	82,488	(1,667,266)	
Net Position (Deficit), End of Year					\$ (1,121,036)	\$ 413,607	\$ 84,497	\$ (622,932)	

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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 from the School District's administrative offices:

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

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

Government-Wide and Fund Financial Statements

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

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

The Borough reports the following major governmental funds:

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

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

CARES Act Special Revenue Fund – Accounts for revenues and expenditures related to the Borough's CARES Act, Coronavirus Relief Fund (CRF) pass-through grant from the State of Alaska.

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

Capital Project Funds – Accounts for amounts spent on capital improvement and replacement projects, primarily funded by government grants and sales taxes that benefit the entire Borough area.

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

The Borough reports the following major proprietary funds:

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

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

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

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

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

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

Property Taxes

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

Land Sales

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

available to meet current period expenditures. These contracts are revenue for the government-wide Statement of Activities when the sale occurs.

Use of Estimates

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

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

Deposits and Investments

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

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

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

Receivables

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

Due to and Due from Other Funds

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

Inventory

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

Prepaid Expenses

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

Restricted Assets

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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, bridges and harbor infrastructure	15 – 50 years

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

Compensated Absences

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

Unearned Revenue

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

Long-Term Obligations

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

Pensions

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

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

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

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

Net Position

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

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

Fund Balance

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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.
- 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, 2020 the following departments incurred expenditures in excess of their appropriations:

	Budget	Expenditures	Expenditures Over Budget
Administration	\$ 530,585	\$ 534,421	\$ (3,836)
Finance	446,631	447,667	(1,036)
Public Facilities	277,454	292,226	(14,772)
Swimming Pool	207,871	236,622	(28,751)
Public Works	592,186	625,467	(33,281)
Port Chilkoot Dock	300,020	320,409	(119,042)
	\$ 830,605	\$ 854,830	\$ (122,878)

NOTE 3 – CASH AND CASH EQUIVALENTS

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Interest income from pooled cash equivalents is allocated ratably over the various funds.

At June 30, 2020, the carrying amount of the Borough's cash and cash equivalents balances was \$4,495,603, while the bank and other institution balances were \$4,560,264. 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	\$ 4,560,264
Uncollateralized/uninsured	-
	<u>\$ 4,560,264</u>

Cash and cash equivalents include amounts placed with the Alaska Municipal League Investment Pool (AMLIP) totaling \$594,808 at June 30, 2020. AMLIP is considered to be an external investment pool. Regulatory oversight of AMLIP is established by Alaska State Statute 37.23, which sets forth the requirements regarding authorized investments and reporting. The Borough's share of its deposit with AMLIP is determined by the amortized cost of AMLIP's underlying portfolio, which approximates fair value.

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

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

	Carrying Amount
Reconciliation to statement of net position-	
Cash and cash equivalents	\$ 4,370,099
Restricted assets:	
Cash and cash equivalents	34,495
Revenue bond debt service reserve instruments	91,009
	<u>\$ 4,495,603</u>

Custodial Credit Risk – Cash and Cash Equivalents

Custodial credit risk for cash and cash equivalents is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of June 30, 2020, the Borough maintains a master repurchase agreement with a depository financial institution, First National Bank of Alaska (FNBA), which is fully collateralized. Balances at other financial institutions are subject to coverage provided by the Federal Deposit Insurance Corporation (FDIC). Money market mutual funds and AMLIP seek to preserve a \$1 net asset value per share, collateralized by underlying securities.

NOTE 4 - INVESTMENTS

Credit risk – Statutes authorize the Borough to invest in obligations insured or guaranteed by the United States government or its agencies, as well as obligations of the State of Alaska or municipalities of the state, certificates of deposit, and corporate obligations of prime or equivalent quality as recognized by a

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

nationally recognized rating organization. In addition, the Permanent Fund may be partially invested in equities.

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

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

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

Investments made by the Borough are summarized below:

	Investment Maturities (in years)			Total
	Less than 1	1-5	6-10	
Investments held by agent in the Borough's name				
Certificates of Deposit	\$ 4,755,220	\$ 3,808,653	\$ -	\$ 8,563,873
U.S. Government Instruments	-	3,690,950	1,157,337	4,848,287
Corporate Debt	101,374	1,623,224	334,315	2,058,913
Municipal Securities	548,820	198,307	-	747,127
Total debt securities	\$ 5,405,414	\$ 9,321,134	\$ 1,491,652	16,218,200
Equity funds				2,672,912
Total Investments made by the Borough				\$ 18,891,112
Reconciliation to statement of net position:				
Investments				9,821,862
Restricted investments				9,069,250
Total Investments made by the Borough				\$ 18,891,112

The credit quality ratings of the Borough's corporate debt, municipal securities, and U.S. Government instrument investments as of June 30, 2020, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair	Percentage of Total
Corporate debt	A	\$ 215,254	2.8%
Corporate debt	A-	1,233,665	16.1%
Corporate debt	BBB+	88,624	1.2%
Corporate debt	BBB	521,370	6.8%
Municipal securities	AA	548,820	7.2%
Municipal securities	AA-	198,307	2.6%
U.S. Government instruments		4,848,287	63.3%
		\$ 7,654,327	100.0%

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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

At June 30, 2020, the Borough had the following recurring fair value measurements:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investments in Exchange					
Traded Funds	\$ 2,672,912	\$ 2,672,912	\$ -	\$ -	
Certificates of Deposit	8,563,873	-	8,563,873	-	
U.S. Government Instruments	4,848,287	-	4,848,287	-	
Corporate Debt	2,058,913	-	2,058,913	-	
Municipal Securities	747,127	-	747,127	-	
Total Investment By Fair Value Level					
	\$ 18,891,112	\$ 2,672,912	\$ 16,218,200	\$ -	

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.

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

Receivables at June 30, 2020, 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	\$ 260,324	\$ -	\$ 106,375	\$ -	\$ -	\$ 95,352	\$ 462,051
Permanent fund	-	-	-	-	-	48,509	48,509
New school debt service	-	-	-	-	1,089	-	1,089
Capital project funds	68,458	-	-	-	12,040	-	80,498
Other governmental funds	73,458	74,345	-	-	-	-	147,803
<i>Enterprise funds:</i>							
Water fund	-	-	-	44,849	-	-	44,849
Sewer fund	-	-	-	47,774	-	-	47,774
Small boat harbor fund	-	-	-	15,287	1,585,867	-	1,601,154
Lutak dock fund	-	-	-	122,219	-	-	122,219
Port Chilkoot dock fund	-	-	-	99	-	-	99
Total	\$ 402,240	\$ 74,345	\$ 106,375	\$ 230,228	\$ 1,598,996	\$ 143,861	\$2,556,045

Reconciliation to statement of net position:

Current receivables	\$2,326,816
Restricted receivables	48,509
Noncurrent receivables, net of current portion	180,720
	\$2,556,045

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 \$5,000. Receivables also include \$106,375 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.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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 2020, 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)	\$ 123,939	\$ -	\$ 123,939
Payments in lieu of taxes, Secure Rural Schools and other	-	621,791	621,791
Land sale/LID receivables (including accrued interest)	79,345	-	79,345
Grants and contributions	-	2,192,803	2,192,803
Total Deferred Inflow of Resources/Unearned Revenue for Governmental Funds	203,284	2,814,594	3,017,878
Amounts recognized in the government-wide financial statements:			
Property taxes receivable	(123,939)	-	(123,939)
Payments in lieu of taxes, Secure Rural Schools and other	-	(621,791)	(621,791)
Land sales/LID receivables	(79,345)	-	(79,345)
Passenger vessel excise tax	-	(337,070)	(337,070)
Total Unearned Revenue for Government-Wide Financial Statements	\$ -	\$ 1,855,733	\$ 1,855,733

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HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

Capital assets for the year ended June 30, 2020 were as follows:

<i>Governmental activities</i>	Balance, June 30, 2019	Increases	Transfers/ Decreases	Balance, June 30, 2020
Capital assets not being depreciated:				
Land and improvements	\$ 1,151,005	\$ -	\$ -	\$ 1,151,005
Construction in progress	414,960	41,602	(156,261)	300,301
Total Capital Assets Not Being Depreciated	1,565,965	41,602	(156,261)	1,451,306
Other capital assets:				
Buildings	35,307,938	453,108	-	35,761,046
Other improvements	11,602,723	-	-	11,602,723
Furniture and equipment	4,728,118	372,415	(44,060)	5,056,473
Road network	2,050,068	-	-	2,050,068
Total Other Capital Assets	53,688,847	825,523	(44,060)	54,470,310
Less accumulated depreciation for:				
Buildings	17,673,940	872,358	-	18,546,298
Other improvements	3,412,272	363,255	-	3,775,527
Furniture and equipment	2,956,267	372,914	(44,060)	3,285,121
Road network	273,195	-	-	273,195
Total Accumulated Depreciation	24,315,674	1,608,527	(44,060)	25,880,141
Other Capital Assets, net	29,373,173	(783,004)	-	28,590,169
Governmental Activities Capital Assets, net	\$30,939,138	\$ (741,402)	\$ (156,261)	\$30,041,475

<i>Business-type activities</i>	Balance, June 30, 2019	Increases	Transfers/ Decreases	Balance, June 30, 2020
Capital assets not being depreciated:				
Land and improvements	\$ 94,584	\$ -	\$ -	\$ 94,584
Construction in progress	775,366	2,617,035	(55,129)	3,337,272
Total Capital Assets Not Being Depreciated	869,950	2,617,035	(55,129)	3,431,856
Other capital assets:				
Buildings	2,584,273	-	-	2,584,273
Other improvements (including distribution and collection systems)	68,791,605	362,594	(35,290)	69,118,909
Equipment	244,325	39,277	-	283,602
Total Other Capital Assets	71,620,203	401,871	(35,290)	71,986,784
Less accumulated depreciation for:				
Buildings	226,650	82,550	-	309,200
Other improvements (including distribution and collection systems)	24,593,248	1,621,998	(35,290)	26,179,956
Equipment	166,007	19,880	-	185,887
Total Accumulated Depreciation	24,985,905	1,724,428	(35,290)	26,675,043
Other Capital Assets, net	46,634,298	(1,322,557)	-	45,311,741
Business-type Activities Capital Assets, net	\$47,504,248	\$ 1,294,478	\$ (55,129)	\$48,743,597

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

<i>Governmental activities</i>	
General government	\$ 173,356
Public safety	98,250
Public works and streets, including depreciation of general infrastructure assets	393,703
Economic development	14,301
Education	698,488
Port development	11,155
Culture, recreation, and library	219,274
Total Depreciation Expense - Governmental Activities	\$ 1,608,527
<i>Business-type activities</i>	
Water	\$ 283,506
Sewer	329,164
Small Boat Harbor	685,160
Lutak Dock	99,307
Port Chilkoot dock fund	327,291
Total Depreciation Expense - Business-type Activities	\$ 1,724,428

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, 2020, the cost and accumulated depreciation associated with these assets was \$23,796,221 and \$10,756,703, respectively.

NOTE 7 - FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2020, 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, 2020, 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	\$ -	\$ 7,580,686	\$ -	\$ -	\$ -	\$ -	\$ 7,580,686
Inventory	79,142	-	-	-	-	-	79,142
Prepaid expenses	1,950	-	-	-	-	-	1,950
Total Nonspendable	81,092	7,580,686	-	-	-	-	7,661,778
Restricted							
Road maintenance	54,078	-	-	-	-	-	54,078
Fire service areas	44,610	-	-	-	-	-	44,610
Debt service	-	-	4,483	-	-	887	5,370
Capital projects	625,410	-	-	1,291,286	-	-	1,916,696
Medical services	-	-	-	-	-	133,978	133,978
Economic development	-	-	-	-	-	777,404	777,404
Land development	-	-	-	-	-	397,662	397,662
Townsite service area	972,608	-	-	-	-	-	972,608
Total Restricted	1,696,706	-	4,483	1,291,286	-	1,309,931	4,302,406
Assigned							
Subsequent year expenditures	302,388	-	-	-	-	-	302,388
Permanent fund	-	1,568,211	-	-	-	-	1,568,211
Total assigned	302,388	1,568,211	-	-	-	-	1,870,599
Unassigned	2,751,236	-	-	-	4,400	-	2,755,636
Total Fund Balances	\$ 4,831,422	\$ 9,148,897	\$ 4,483	\$ 1,291,286	\$ 4,400	\$ 1,309,931	\$ 16,590,419

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, 2020, was as follows:

	Balance, June 30, 2019	Additions	Reductions	Balance, June 30, 2020	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
USDA bonds	\$ 139,564	\$ -	\$ (7,607)	\$ 131,957	\$ 7,962
School construction bonds	8,080,000	-	(905,000)	7,175,000	945,000
Bond premium	803,115	-	(187,013)	616,102	163,020
Total bonds and notes payable	9,022,679	-	(1,099,620)	7,923,059	1,115,982
Compensated absences	206,018	14,590	-	220,608	-
Governmental Activities					
Long-term Liabilities	\$ 9,228,697	\$ 14,590	\$ (1,099,620)	\$ 8,143,667	\$ 1,115,982

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

	Balance, June 30, 2019	Additions	Reductions	Balance, June 30, 2020	Amounts Due Within One Year
Business-type Activities					
Bonds and notes payable:					
AMBBA sewer revenue bonds	\$ 960,000	\$ -	\$ (50,000)	\$ 910,000	\$ 50,000
State of Alaska DEC loans payable	813,449	-	(56,635)	756,814	56,493
Bond premium	68,036	-	(4,859)	63,177	4,860
Total bonds and notes payable	1,841,485	-	(111,494)	1,729,991	111,353
Compensated absences	22,522	(1,067)	-	21,455	-
Business-type Activities					
Long-term Liabilities	\$ 1,864,007	\$ (1,067)	\$ (111,494)	\$ 1,751,446	\$ 111,353

Bonds and notes payable at June 30, 2020, are compromised of the following individual issues:

Governmental Activities:

\$1,155,000 2015 school construction bonds, due in annual installments of \$35,000 to \$90,000, plus interest at 2.0% to 5.25%, through June 2036 (not including unamortized premium of \$98,908 at June 30, 2020)	\$ 1,000,000
\$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 \$517,194 at June 30, 2020)	6,175,000
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%	131,957
Total governmental activities bonds payable	7,306,957
Unamortized premium	616,102
Total governmental activities bonds payable	7,923,059
Less current portion	(1,115,982)
Governmental activities long-term bonds payable	\$ 6,807,077

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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	\$ 910,000
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	28,410
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$2,904, including interest at 1.5%, through 2033	34,075
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$3,432, including interest at 1.5%, through 2034	45,793
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$14,439 including interest at 1.5%, through 2034	181,116
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$4,936 including interest at 1.5%, through 2034	59,833
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.	48,359
Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$6,045 including interest at 1.5%, through 2034	75,825
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.	81,974
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.	201,429
Total business-type activities bond and loans payable	1,666,814
Unamortized premium	63,177
Total business-type activities bond and note payable debt	1,729,991
Less current portion	(111,353)
Business-type activities long-term bond and note payable debt	\$ 1,618,638

In conjunction with the issuance of the above school construction bonds, the State of Alaska Department of Education and Early Development (DEED) has approved the project for a 70% reimbursement rate from the State of Alaska. As State of Alaska funding is on a reimbursement basis, the eventual payments to be received have not been recognized in these financial statements. Furthermore, the State of Alaska reduced funding amounts in fiscal years 2020 and 2021 due to budget constraints from the levels originally approved by DEED.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

The debt service annual requirements to amortize bond and note payable debt outstanding as of June 30, 2020, are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
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	1,192,659	187,031	1,379,690
2025	1,218,432	130,216	1,348,648
2026-2030	1,565,374	202,317	1,767,691
2031-2035	429,429	77,544	506,973
2036-2040	90,000	2,363	92,363
	\$ 7,923,059	\$ 1,474,761	\$ 9,397,820

Business-type Activities:

Year Ending June 30	Principal	Interest	Total
2021	\$ 111,353	\$ 43,733	\$ 155,086
2022	116,956	40,263	157,219
2023	108,432	39,401	147,833
2024	114,084	32,911	146,995
2025	114,750	32,063	146,813
2026-2030	623,755	100,773	724,528
2031-2035	483,724	24,333	508,057
2036-2040	56,937	523	57,460
	\$ 1,729,991	\$ 314,000	\$ 2,043,991

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, 2020, was \$91,009.

These bond agreements also require that the Borough maintain sewer rates at a level which will produce an annual amount of Net Operating Revenue, as defined by the agreement, before depreciation equal to at least 1.25 times the maximum amount required each year for debt service. In fiscal year 2020, sewer fund Net Operating Revenues were \$160,931 and the debt service requirement was \$85,344 resulting in a ratio of 1.83.

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, 2020, the Borough reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Borough were as follows:

Borough's proportionate share of the net pension liability	\$	4,713,228
State's proportionate share of the net pension liability associated the Borough		1,872,250
Total Net Pension Liability	\$	6,585,478

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, 2019, 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, 2019, the Borough's proportion was .08610%, which was an decrease of .00770% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Borough recognized a net pension expense of \$416,382 including revenue of \$254,336 for support provided by the State. At June 30, 2020, 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	\$ -	\$ 156,804
Changes in assumptions	144,298	-
Differences between expected and actual experience	-	69,774
Differences between projected and actual investment earnings	67,578	-
Borough contributions subsequent to measurement date	338,671	-
Total	\$ 550,547	\$ 226,578

Of the total amount reported as deferred outflows of resources related to pensions, \$338,671 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, 2021. 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:	
2020 (2021)	\$ (7,298)
2021 (2022)	(49,894)
2022 (2023)	19,174
2023 (2024)	23,316

Actuarial Assumptions

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Inflation	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officers/Firefighters
	Graded service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.5% and a real rate of return of 4.88%.

Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/ firefighters, 40% of the time for all others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study, the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return, excluding the inflation component of 2.5%, for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.16%
Global ex-US equity	7.51
Intermediate treasuries	1.28
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 7.38 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount rate (7.38%)	1% Increase (8.38%)
Borough's proportionate share of the net pension liability	\$ 6,220,634	\$ 4,713,228	\$ 3,450,825

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, 2020 and 2019, employee contributions totaled \$161,058 and \$159,017, respectively, and the Borough recognized pension expense of \$100,662 and \$99,386 respectively.

Refunds

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

Participant Accounts

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

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

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

Defined Benefit Other Postemployment Benefit Plans (OPEB)

OPEB Benefits Provided

Major medical benefits under (ARHCT) are provided to retirees and their surviving spouses at no premium cost for all members hired before July 1, 1986 (Tier 1), and disabled retirees. Members hired after June 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 2020 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 2020, the rates are 0.76% for occupational death and disability for peace officers and firefighters, and 0.26% 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 2020, the employer rate is 1.32% of member's compensation.

HAINES BOROUGH

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, 2020, 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)	\$ 127,759	\$ (44,134)	\$ 38,090	\$ 121,715
State's proportionate share of the net OPEB liability associated the Borough	50,780	-	-	50,780
Total Net OPEB Liability (Asset)	\$ 178,539	\$ (44,134)	\$ 38,090	\$ 172,495

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, 2019, 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, 2019, the Borough's proportion was .068160% for ARHCT, .18203% for ODD and .15922% for RM, which was a decrease of .00770% for ARHCT, a decrease of .02011% for ODD and .00270% for RM from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Borough recognized a net OPEB benefit of \$957,482 including revenue of \$328,189 for support provided by the State. At June 30, 2020, 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	\$ 41,945	\$ 40,863
Changes in assumptions	187,971	843
Differences between projected and actual investment earnings	-	56,657
Differences between expected and actual experience	-	102,434
Borough contributions subsequent to measurement date	127,612	-
Total	\$ 357,528	\$ 200,797

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NOTES TO FINANCIAL STATEMENTS

Of the total amount reported as deferred outflows of resources related to OPEB, \$127,612 resulting from Borough contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense in the measurement year (fiscal year) as follows:

Year ended June 30:	
2020 (2021)	\$ 42,533
2021 (2022)	(44,572)
2022 (2023)	13,786
2023 (2024)	17,879
2024 (2025) and thereafter	(507)

Actuarial Assumptions

The total OPEB liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50% per year
Salary increases	Graded by service, from 7.75% to 2.75% for peace officer/firefighter Graded by service, from 6.75% to 2.75% for all others
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% Employee Group Waiver Plan (EGWP): 8.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table projected with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.
Participation	100% of system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible 20% of non-system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017. As a result of this experience study,

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

the Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return, excluding the inflation component of 2.5%, for each major asset class included in the Plan's target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	8.16%
Global ex-US equity	7.51
Intermediate treasuries	1.28
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

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

The following presents the Borough's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 7.38 percent, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount rate (7.38%)	1% Increase (8.38%)
ARHCT	\$ 1,027,664	\$ 127,759	\$ (612,511)
ODD	\$ (41,864)	\$ (44,134)	\$ (45,969)
RMP	\$ 95,673	\$ 38,091	\$ (5,259)

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, 2020, calculated using the healthcare cost trend rates as summarized in the 2019 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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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	\$ (699,091)	\$ 127,759	\$ 1,136,828
RMP	\$ (11,715)	\$ 38,091	\$ 106,272

OPEB Plan Fiduciary Net Position

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

Total Deferred Outflows of Resources and Inflows of Resources

Total deferred outflows of resources and deferred inflows of resources presented in the Statement of Net Position consists of the following at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Related	\$ 550,547	\$ 226,578
OPEB Related	357,528	200,797
Total	\$ 908,075	\$ 427,375

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, 2020, was as follows:

	Interfund Balances	
	Due from other funds	Due to other funds
General Fund	\$ 115,843	\$ 8,843,922
Permanent Fund	-	1,450
CARES Act Special Revenue Fund	1,856,762	-
New School Debt Service	3,394	-
Capital Project Funds	1,225,589	-
Passenger Vessel Tax	342,280	-
Other Governmental Funds	1,271,370	-
Water Fund	353,416	-
Sewer Fund	446,132	-
Small Boat Harbor Fund	621,162	115,843
Lutak Dock Fund	2,425,943	-
Port Chilkoot Dock Fund	299,324	-
	\$ 8,961,215	\$ 8,961,215

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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

	Transfers In						Total
	General Fund	Capital Project Funds	Water	Sewer	Small Boat Harbor	Port Chilkoot Dock	
Transfers out:							
General fund	\$ 40,715	\$ 218,258	\$ -	\$ -	\$ 50,000	\$ -	\$ 308,973
Permanent fund	304,000	-	-	-	-	-	304,000
Capital Project Funds	125,000	14,881	38,000	260,000	-	-	437,881
Passenger vessel tax	-	1,616	27,919	-	-	-	29,535
Other governmental funds	10,000	63,743	-	-	-	41,600	115,343
Small boat harbor	-	-	-	-	-	-	-
Total	\$ 479,715	\$ 298,498	\$ 65,919	\$ 260,000	\$ 50,000	\$ 41,600	\$ 1,195,732

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

NOTE 12 - RISK MANAGEMENT

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

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

NOTE 13 - PERMANENT FUND

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

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

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

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 - PANDEMIC

On March 11, 2020, Governor Dunleavy declared a public health disaster emergency under State law, as a result of COVID-19. On March 13, 2020, President Trump declared a national emergency due to the COVID-19 outbreak. On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to States and certain governments. On April 9, 2020, President Trump declared that a major disaster exists in the State of Alaska and ordered federal assistance to supplement State, tribal, and local recovery efforts in the areas affected by COVID-19.

The State of Alaska has awarded \$4.0 Million to the Haines Borough from the State's Coronavirus Relief Fund amounts received under CARES. Through June 30, 2020, it had received \$2.2 MM of its award, and had expended \$296,000 for eligible program uses.

The Borough made significant reductions to its budgets for both fiscal year 2020 and fiscal year 2021 as a result of the pandemic. The continued spread of COVID-19 and the continued impact on social interaction, travel, economies, and financial markets will likely adversely impact the Borough's financial condition, results of operations or liquidity and may: (1) continue to adversely affect the ability of the Borough to conduct its operations and adversely affect the cost of operations, (2) adversely affect financial markets and consequently adversely affect the returns on and value of the Borough's investments, and (3) adversely affect its primary revenue sources, property and sales tax. The full impact of COVID-19, the CARES Act, and the scope of any adverse impact on the Borough, results of operations or liquidity cannot be fully determined at this time. Management will continue to evaluate the impact on the Borough and take steps necessary to manage these challenges.

NOTE 15 – CONSTRUCTION COMMITMENTS

At June 30, 2020, the Borough had the capital projects commitments in two funds which are funded by federal and State of Alaska grant revenue:

	Authorization	Expended to date	Remaining Commitment
Water Fund	\$ 2,109,984	\$ (99,235)	\$ 2,010,749
Boat Harbor Fund	5,647,006	(1,651,767)	3,995,239
Total	\$ 7,756,990	\$ (1,751,002)	\$ 6,005,988

NOTE 16– 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. In May 2020, the GASB issued GASB 95 - *Postponement of The Effective Dates of Certain Authoritative Guidance* in order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The implementation dates below are updated to reflect the impact of GASB 95.

HAINES BOROUGH

NOTES TO FINANCIAL STATEMENTS

GASB 84 - *Fiduciary Activities* - Effective for the fiscal year ended June 30, 2021, 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, 2022, 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 fiscal year 2022, 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 fiscal year 2021, this statement enhances financial reporting related to a government’s majority equity interest in a legally separate organization.

GASB 91 – *Conduit Debt Obligations* – Effective for fiscal year 2023, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB 92 – *Omnibus 2020* – Effective for fiscal year 2022, the objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB 93 – *Replacement of Interbank Offered Rates* – Effective for fiscal year 2022, the objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

GASB 94 – *Public-private and Public-public Partnerships and Availability Payment Arrangements* – Effective for fiscal year 2023, the objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB 96 – *Subscription-based Information Technology Arrangements* – Effective for fiscal 2023, this statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB 97 – *Certain Component Units, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – This standard has varying implementation dates. It is an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No.32. The provisions of this statement in paragraph 4 as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and paragraph 5 of this statement are effective immediately. All other requirements are effective for the 2022 reporting period.

REQUIRED SUPPLEMENTARY INFORMATION

HAINES BOROUGH

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

For the Year Ended June 30, 2020

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Taxes				
Property	\$ 2,787,340	\$ 2,361,340	\$ 2,304,988	\$ (56,352)
Sales	1,719,000	1,571,500	1,640,347	68,847
Intergovernmental				
Federal grants and contracts	7,000	12,330	10,000	(2,330)
Federal payments in lieu of taxes	425,000	372,862	372,862	-
State grants and contracts	821,046	1,090,879	1,087,969	(2,910)
Rentals, service and admission fees	162,500	102,540	104,753	2,213
Licenses and permits	51,100	31,500	31,444	(56)
Investment earnings	189,000	265,000	382,104	117,104
Contributions and other	39,500	49,500	53,829	4,329
Total Revenues	6,201,486	5,857,451	5,988,296	130,845
EXPENDITURES				
Current				
General government	877,496	821,308	830,160	(8,852)
Public safety	1,767,557	1,676,721	1,622,189	54,532
Public works and streets	943,420	921,240	996,693	(75,453)
Education	1,817,000	1,817,000	1,815,581	1,419
Culture, recreation, and library	1,179,322	1,091,265	1,067,042	24,223
Total Expenditures	6,584,795	6,327,534	6,331,665	(4,131)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(383,309)	(470,083)	(343,369)	126,714
Other financing sources (uses)				
Transfers in	478,500	478,500	479,715	1,215
Transfers out	(339,500)	(539,500)	(308,973)	230,527
Total Other Financing Sources	139,000	(61,000)	170,742	231,742
Net Change in Fund Balance	\$ (244,309)	\$ (531,083)	\$ (172,627)	\$ 358,456

HAINES BOROUGH

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

For the Year Ended June 30, 2020

	Budget Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental - State of Alaska	\$ 250,000	\$ 250,000	\$ 142,915	\$ (107,085)
EXPENDITURES				
Port development	174,900	174,900	113,380	61,520
Excess of Revenues Over Expenditures	75,100	75,100	29,535	(45,565)
Other financing uses - transfers out	(75,000)	(215,000)	(29,535)	185,465
Net Change in Fund Balance	\$ 100	\$ (139,900)	\$ -	\$ 139,900

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 2020 for Pension and Fiscal Years 2017 through 2020 for OPEB

	2020	2019	2018	2017	2016	2015	2014
PENSION							
Borough's proportion of the net pension liability	0.08610%	0.09380%	0.07656%	0.08974%	0.10934%	0.04988%	0.04807%
Borough's proportionate share of the net pension liability	\$ 4,713,228	\$ 4,660,832	\$ 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	1,872,250	1,349,933	1,475,078	633,379	1,419,808	2,289,751	2,758,681
Total	\$ 6,585,478	\$ 6,010,765	\$ 5,432,838	\$ 5,649,409	\$ 6,722,606	\$ 4,616,440	\$ 5,283,000
Borough's covered payroll	\$ 2,577,021	\$ 2,650,102	\$ 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	182.89%	175.87%	154.56%	205.81%	247.49%	101.02%	110.65%
Plan fiduciary net position as a percentage of the total pension liability	63.42%	65.19%	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%	0.09380%	0.07663%	0.08983%
Borough's proportionate share of the net OPEB liability	\$ 121,715	\$ 951,775	\$ 632,528	\$ 1,024,526
State's proportionate share of the net OPEB liability associated with the Borough	50,780	280,368	240,555	389,635
Total	\$ 172,495	\$ 1,232,143	\$ 873,083	\$ 1,414,161
Borough's covered payroll	\$ 2,577,021	\$ 2,650,102	\$ 2,560,610	\$ 2,437,198
Borough's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	4.72%	35.91%	24.70%	42.04%
Plan fiduciary net position as a percentage of the total OPEB liability	98.13%	88.12%	89.68%	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.

HAINES BOROUGH

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BOROUGH CONTRIBUTIONS

Fiscal Years 2014 through 2020 for Pension and Fiscal Years 2017 through 2020 for OPEB

	2020	2019	2018	2017	2016	2015	2014
PENSION							
Contractually required contribution	\$ 338,671	\$ 361,536	\$ 356,457	\$255,460	\$201,400	\$210,862	\$191,334
Contributions in relation to the contractually required contribution	(338,671)	(361,536)	(356,457)	(255,460)	(201,400)	(210,862)	(191,334)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's covered payroll	\$ 2,577,021	\$ 2,650,102	\$ 2,560,610	\$2,437,198	\$2,142,611	\$2,303,150	\$2,281,338
Contributions as a percentage of covered employee payroll	13.14%	13.64%	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	\$ 127,612	\$ 112,101	\$ 115,245	\$ 138,181
Contributions in relation to the contractually required contribution	(127,612)	(112,101)	(115,245)	(138,181)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's covered payroll	\$ 2,577,021	\$ 2,650,102	\$ 2,560,610	\$2,437,198
Contributions as a percentage of covered employee payroll	4.95%	4.23%	4.50%	5.67%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in the fiscal year ended June 30, 2018, and, until a full 10-year trend is compiled, the Borough has only presented information for the years in which information is available.