

HAINES BOROUGH  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

HAINES BOROUGH  
FINANCIAL STATEMENTS  
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# ELGEE REHFELD MERTZ, LLC

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Haines Borough (the Borough), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Haines Borough School District, which represent 2% of total assets in the statement of net position and 32% of total revenues in the statement of activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Haines Borough School District, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Haines Borough as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis-of-Matter***

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2013 the Borough adopted new accounting guidance, GASB Statement No 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

## ***Other Matters***

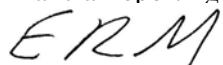
### ***Required Supplementary information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2013 on our consideration of Haines Borough's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Haines Borough's internal control over financial reporting and compliance.



November 22, 2013

HAINES BOROUGH  
STATEMENT OF NET POSITION  
June 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,355,285	\$ 775	\$ 1,356,060	\$ 1,790,870
Investments	9,069,855	-	9,069,855	5,332
Receivables	1,656,158	164,609	1,820,767	139,094
Internal balances, net	(2,109,134)	2,109,134	-	-
Due from component units	65,503	-	65,503	-
Inventory and prepaid expenses	53,127	106,312	159,439	231,692
Performance deposit	-	61,849	61,849	-
Total current assets	10,090,794	2,442,679	12,533,473	2,166,988
<b>Restricted Assets</b>				
Cash and cash equivalents	23,225	-	23,225	-
Investments	7,764,589	-	7,764,589	-
Revenue bond debt service reserve investments	-	87,344	87,344	-
Receivables	52,964	-	52,964	-
<b>Noncurrent Assets</b>				
Receivables, net of current portion	243,519	-	243,519	-
Capital assets, net	31,612,951	26,507,645	58,120,596	208,983
Total assets	49,788,042	29,037,668	78,825,710	2,375,971
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	674,707	80,356	755,063	123,685
Accrued payroll	306,822	-	306,822	30,340
Due to primary government	-	-	-	38,899
Due to component units	178,678	-	178,678	-
Deposits	-	40,627	40,627	-
Unearned revenue	570,539	-	570,539	-
Current portion of long-term obligations	773,002	77,759	850,761	-
Total current liabilities	2,503,748	198,742	2,702,490	192,924
Noncurrent Portion of Long-Term Obligations	12,559,494	2,019,121	14,578,615	-
Total liabilities	15,063,242	2,217,863	17,281,105	192,924
<b>NET POSITION</b>				
Net investment in capital assets	18,280,455	24,514,598	42,795,053	208,983
<b>Restricted for</b>				
Bond reserves	-	87,344	87,344	-
Medical services	200,033	-	200,033	-
Capital projects	1,288,090	-	1,288,090	-
Economic development	397,101	-	397,101	-
Museum projects and other	-	-	-	196,460
Permanent fund - nonexpendable	6,502,899	-	6,502,899	-
Unrestricted	8,056,222	2,217,863	10,274,085	1,777,604
Total net position	\$ 34,724,800	\$ 26,819,805	\$ 61,544,605	\$ 2,183,047

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

HAINES BOROUGH  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Governmental activities								
General government	\$ 1,276,874	\$ -	\$ -	\$ -	\$ (1,276,874)	\$ -	\$ (1,276,874)	\$ -
Public safety	1,225,455	254,820	354,319	-	(616,316)	-	(616,316)	-
Public works and streets	3,057,308	-	-	2,901,837	(155,471)	-	(155,471)	-
Economic development	443,877	-	-	-	(443,877)	-	(443,877)	-
Education	1,808,655	-	266,581	911,248	(630,826)	-	(630,826)	-
Port development	117,238	-	154,080	-	36,842	-	36,842	-
Culture, recreation and library	1,115,293	63,352	94,165	-	(957,776)	-	(957,776)	-
Interest on long-term debt	573,037	-	-	-	(573,037)	-	(573,037)	-
Total governmental activities	9,617,737	318,172	869,145	3,813,085	(4,617,335)	-	(4,617,335)	-
Business-type activities								
Water	524,946	375,225	-	736,521	-	586,800	586,800	-
Sewer	574,171	416,585	-	-	-	(157,586)	(157,586)	-
Small boat harbor	813,264	494,423	-	919,340	-	600,499	600,499	-
Lutak dock	478,507	344,160	-	224,287	-	89,940	89,940	-
Port Chilkoot dock	276,811	73,703	-	233,767	-	30,659	30,659	-
Total business-type activities	2,667,699	1,704,096	-	2,113,915	-	1,150,312	1,150,312	-
Total	\$ 12,285,436	\$ 2,022,268	\$ 869,145	\$ 5,927,000	(4,617,335)	1,150,312	(3,467,023)	-
Component Units	\$ 7,494,314	\$ 70,835	\$ 1,899,795	\$ -				(5,523,684)
General Revenue and Transfers								
Property taxes					2,564,137	-	2,564,137	-
Sales taxes					2,744,162	-	2,744,162	-
Provided by general government					-	-	-	1,775,151
Intergovernmental revenue not restricted to specific programs					1,583,187	21,169	1,604,356	3,510,823
Investment income					332,894	8,454	341,348	2,135
Contributions to Permanent Fund principal - inflation proofing					145,010	-	145,010	-
Licenses and permits					25,335	-	25,335	-
Rentals					61,603	-	61,603	-
Contributions and other					82,974	-	82,974	80,768
Payments in lieu of taxes					366,573	-	366,573	-
Transfers (contributions of capital assets and transfers from general government)					48,546	(48,546)	-	-
Total general revenue and transfers					7,954,421	(18,923)	7,935,498	5,368,877
Change in net position					3,337,086	1,131,389	4,468,475	(154,807)
Net Position, beginning of year					31,387,714	25,688,416	57,076,130	2,337,854
Net Position, end of year					\$ 34,724,800	\$ 26,819,805	\$ 61,544,605	\$ 2,183,047

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

HAINES BOROUGH  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Permanent Fund	New School Debt Service	Special Capital Projects	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,355,185	\$ 23,225	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 1,378,510
Investments	9,069,855	7,764,589	-	-	-	-	-	16,834,444
Receivables	454,678	52,964	9,112	1,018,777	95,147	-	321,963	1,952,641
Due from other funds	115,843	2,001	-	-	1,218,802	475,621	1,248,919	3,061,186
Due from component units	65,503	-	-	-	-	-	-	65,503
Prepaid expenses	576	-	-	-	-	-	-	576
Inventory	52,551	-	-	-	-	-	-	52,551
Total assets	<u>\$ 11,114,191</u>	<u>\$ 7,842,779</u>	<u>\$ 9,112</u>	<u>\$ 1,018,777</u>	<u>\$ 1,313,949</u>	<u>\$ 475,621</u>	<u>\$ 1,570,982</u>	<u>\$ 23,345,411</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 137,988	\$ 3,288	\$ -	\$ 466,998	\$ 24,075	\$ 8,060	\$ 34,298	\$ 674,707
Accrued payroll	306,822	-	-	-	-	-	-	306,822
Due to other funds	4,608,443	-	6,902	525,858	-	-	29,117	5,170,320
Due to component units	178,678	-	-	-	-	-	-	178,678
Unearned revenue	589,639	-	-	25,921	1,784	467,561	320,429	1,405,334
Total liabilities	<u>5,821,570</u>	<u>3,288</u>	<u>6,902</u>	<u>1,018,777</u>	<u>25,859</u>	<u>475,621</u>	<u>383,844</u>	<u>7,735,861</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue - property taxes	143,530	-	-	-	-	-	-	143,530
Unavailable revenue - land sales	-	-	-	-	-	-	187,144	187,144
Total deferred inflow of resources	<u>143,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,144</u>	<u>330,674</u>
<b>Fund Balances</b>								
Nonspendable	53,127	6,449,772	-	-	-	-	-	6,502,899
Restricted	2,493,788	-	2,210	-	1,288,090	-	999,994	4,784,082
Assigned	298,076	1,389,719	-	-	-	-	-	1,687,795
Unassigned	2,304,100	-	-	-	-	-	-	2,304,100
Total fund balances	<u>5,149,091</u>	<u>7,839,491</u>	<u>2,210</u>	<u>-</u>	<u>1,288,090</u>	<u>-</u>	<u>999,994</u>	<u>15,278,876</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,114,191</u>	<u>\$ 7,842,779</u>	<u>\$ 9,112</u>	<u>\$ 1,018,777</u>	<u>\$ 1,313,949</u>	<u>\$ 475,621</u>	<u>\$ 1,570,982</u>	
Net position reported for governmental activities is different from fund balance due to:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds								31,612,951
Unearned revenues and deferred inflows not available to pay for current-period expenditures are reported as earned in the statement of net position								1,165,469
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds								(13,332,496)
Net position of governmental activities								<u>\$ 34,724,800</u>

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

HAINES BOROUGH  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2013

	General Fund	Permanent Fund	New School Debt Service	Special Capital Projects	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes								
Property	\$ 2,168,627	\$ -	\$ 389,026	\$ -	\$ -	\$ -	\$ 14,109	\$ 2,571,762
Sales	1,259,490	-	-	-	742,336	-	742,336	2,744,162
Intergovernmental								
Federal grants and contracts	263,557	-	-	333,248	-	-	87,557	684,362
Federal payments in lieu of taxes	375,243	-	-	-	-	-	-	375,243
State grants and contracts	1,913,171	-	911,248	2,535,486	-	151,636	13,774	5,525,315
Service and admission fees	318,172	-	-	-	-	-	-	318,172
Licenses and permits	25,335	-	-	-	-	-	-	25,335
Rentals	61,603	-	-	-	-	-	-	61,603
Investment earnings	95,540	382,364	-	-	-	-	-	477,904
Contributions and other	100,448	-	-	33,103	-	-	2,719	136,270
Total revenues	6,581,186	382,364	1,300,274	2,901,837	742,336	151,636	860,495	12,920,128
Expenditures								
Current								
General government	1,455,546	21,521	-	-	-	-	29,201	1,506,268
Public safety	1,090,213	-	-	-	-	-	215,580	1,305,793
Public works and streets	840,436	-	-	-	-	-	-	840,436
Economic development	-	-	-	-	-	-	431,724	431,724
Education	1,797,155	-	-	-	-	-	60,986	1,858,141
Port development	-	-	-	-	-	107,758	-	107,758
Culture, recreation, and library	1,082,536	-	-	-	-	-	-	1,082,536
Debt service								
Principal	-	-	730,000	-	-	-	5,477	735,477
Interest	-	-	571,784	-	-	-	8,671	580,455
Capital outlay	-	-	-	3,112,485	1,023,555	-	93,840	4,229,880
Total expenditures	6,265,886	21,521	1,301,784	3,112,485	1,023,555	107,758	845,479	12,678,468
Excess (deficiency) of revenues over (under) expenditures	315,300	360,843	(1,510)	(210,648)	(281,219)	43,878	15,016	241,660
Other financing sources (uses)								
Transfers in	250,000	-	-	210,648	283,500	-	3,154	747,302
Transfers out	(286,395)	(140,000)	-	-	(172,259)	(43,878)	(56,224)	(698,756)
Sale of capital assets	-	-	-	-	-	-	23,764	23,764
Total other financing sources (uses)	(36,395)	(140,000)	-	210,648	111,241	(43,878)	(29,306)	72,310
Net change in fund balances	278,905	220,843	(1,510)	-	(169,978)	-	(14,290)	313,970
Fund Balances, beginning of year	4,870,186	7,618,648	3,720	-	1,458,068	-	1,014,284	14,964,906
Fund Balances, end of year	\$ 5,149,091	\$ 7,839,491	\$ 2,210	\$ -	\$ 1,288,090	\$ -	\$ 999,994	\$ 15,278,876

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

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

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$	313,970
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, costs of those assets are capitalized and are allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays	3,545,148		
Depreciation expense	<u>(1,217,311)</u>		2,327,837

Other transactions involving capital assets consist of sales of assets net of cash collected. Cash collected is presented as current year income in the fund financial statements.	(23,764)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the change in the net amount recognized from year to year.	(12,768)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	742,895
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Change in compensated absences	<u>(11,084)</u>
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Change in net position of governmental activities	<u><u>\$ 3,337,086</u></u>
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The accompanying notes to financial statements are an integral part of these statements.

HAINES BOROUGH  
BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 775	\$ -	\$ -	\$ 775
Receivables	35,151	54,532	6,195	54,221	14,510	164,609
Due from other funds	133,906	768,671	992,723	350,598	-	2,245,898
Inventory	79,246	7,614	19,452	-	-	106,312
Performance deposit	-	61,849	-	-	-	61,849
Total current assets	248,303	892,666	1,019,145	404,819	14,510	2,579,443
Restricted Assets						
Revenue bond debt service reserve instruments	-	87,344	-	-	-	87,344
Capital Assets						
Land	45,570	9,000	-	-	-	54,570
Buildings, net of accumulated depreciation	37,669	-	-	-	421,392	459,061
Improvements other than buildings, net of accumulated depreciation	5,770,983	5,280,598	6,151,565	2,572,457	3,703,331	23,478,934
Equipment, net of accumulated depreciation	-	-	20,201	-	-	20,201
Construction in progress	534,431	-	1,299,349	-	661,099	2,494,879
Total capital assets	6,388,653	5,289,598	7,471,115	2,572,457	4,785,822	26,507,645
Total assets	\$ 6,636,956	\$ 6,269,608	\$ 8,490,260	\$ 2,977,276	\$ 4,800,332	\$ 29,174,432
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts payable	\$ 4,345	\$ 9,566	\$ 53,903	\$ 10,805	\$ 1,737	\$ 80,356
Loan payable - current	42,899	-	-	-	-	42,899
Bond payable - current	-	34,860	-	-	-	34,860
Deposits	8,905	10,202	21,520	-	-	40,627
Due to other funds	-	-	115,843	-	20,921	136,764
Total current liabilities	56,149	54,628	191,266	10,805	22,658	335,506
Noncurrent Liabilities						
Accrued vacation	6,283	6,283	3,923	-	-	16,489
Revenue bonds payable	-	1,376,116	-	-	-	1,376,116
Loans payable	626,516	-	-	-	-	626,516
Total noncurrent liabilities	632,799	1,382,399	3,923	-	-	2,019,121
Total liabilities	688,948	1,437,027	195,189	10,805	22,658	2,354,627
Net Position						
Net investment in capital assets	5,719,238	3,965,966	7,471,115	2,572,457	4,785,822	24,514,598
Restricted for bond reserves	-	87,344	-	-	-	87,344
Unrestricted	228,770	779,271	823,956	394,014	(8,148)	2,217,863
Total net position	5,948,008	4,832,581	8,295,071	2,966,471	4,777,674	26,819,805
Total liabilities and net net position	\$ 6,636,956	\$ 6,269,608	\$ 8,490,260	\$ 2,977,276	\$ 4,800,332	\$ 29,174,432

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

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

For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
Operating Revenue						
Charges for services	\$ 375,225	\$ 416,585	\$ 494,423	\$ 344,160	\$ 73,703	\$ 1,704,096
General Revenue						
Intergovernmental - State of Alaska	1,995	19,174	-	-	-	21,169
Operating Expenses						
Depreciation	187,792	234,376	269,863	312,463	216,346	1,220,840
Salaries and benefits	172,355	169,831	112,247	119,551	34,170	608,154
Utilities	29,829	85,578	57,256	4,828	6,519	184,010
Professional services	20,747	20,973	3,367	22,838	809	68,734
Materials and supplies	52,908	10,726	348,575	11,115	6,506	429,830
Banking and insurance	3,281	4,195	13,406	2,690	7,450	31,022
Repairs and maintenance	48,944	20,652	-	-	-	69,596
Vehicle	3,263	3,282	3,873	1,653	1,655	13,726
Advertising, dues and subscriptions	736	2,389	2,086	549	536	6,296
Travel and training	2,961	993	2,591	2,820	2,820	12,185
Total operating expenses	522,816	552,995	813,264	478,507	276,811	2,644,393
Operating loss	(145,596)	(117,236)	(318,841)	(134,347)	(203,108)	(919,128)
Nonoperating Revenue (Expense)						
Investment income	3,667	2,802	1,720	265	-	8,454
Interest expense	(2,130)	(21,176)	-	-	-	(23,306)
Total nonoperating revenue (expense)	1,537	(18,374)	1,720	265	-	(14,852)
Loss before contributions and transfers	(144,059)	(135,610)	(317,121)	(134,082)	(203,108)	(933,980)
Capital contributions	736,521	-	919,340	224,287	233,767	2,113,915
Transfers in	56,000	-	-	-	-	56,000
Transfers out	(100,892)	-	(3,654)	-	-	(104,546)
Change in net position	547,570	(135,610)	598,565	90,205	30,659	1,131,389
Net Position, beginning of year	5,400,438	4,968,191	7,696,506	2,876,266	4,747,015	25,688,416
Net Position, end of year	\$ 5,948,008	\$ 4,832,581	\$ 8,295,071	\$ 2,966,471	\$ 4,777,674	\$ 26,819,805

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

HAINES BOROUGH  
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
Cash Flows from Operating Activities						
Cash received from customers	\$ 381,690	\$ 426,500	\$ 490,521	\$ 354,437	\$ 67,541	\$ 1,720,689
Cash paid to suppliers	(147,009)	(151,917)	(451,292)	(36,857)	(26,500)	(813,575)
Cash paid to employees	(171,220)	(168,696)	(111,194)	(119,551)	(34,170)	(604,831)
Net cash transferred from (to) general fund	23,026	(43,818)	74,099	(198,294)	(6,871)	(151,858)
Net cash flows from operating activities	86,487	62,069	2,134	(265)	-	150,425
Cash Flows from Capital and Related Financing Activities						
Purchases of fixed assets	(862,980)	-	(919,340)	(224,287)	(233,767)	(2,240,374)
Capital contributions	736,521	-	919,340	224,287	233,767	2,113,915
Transfers to other funds	(44,892)	-	(3,654)	-	-	(48,546)
Proceeds from loans	97,531	1,307,191	-	-	-	1,404,722
Repayment of loan payable	(14,204)	-	-	-	-	(14,204)
Interest on bonds and loan payable	(2,130)	(25,566)	-	-	-	(27,696)
Repayment of bonds payable	-	(1,322,993)	-	-	-	(1,322,993)
Net cash flows from capital and related financing activities	(90,154)	(41,368)	(3,654)	-	-	(135,176)
Cash Flows from Investing Activities						
Purchase of investments	-	(23,503)	-	-	-	(23,503)
Cash receipts from investments	3,667	2,802	1,720	265	-	8,454
Net cash flows from investing activities	3,667	(20,701)	1,720	265	-	(15,049)
Net increase in cash	-	-	200	-	-	200
Cash and Cash Equivalents, beginning of year	-	-	575	-	-	575
Cash and Cash Equivalents, end of year	\$ -	\$ -	\$ 775	\$ -	\$ -	\$ 775
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities						
Operating income (loss)	\$ (145,596)	\$ (117,236)	\$ (318,841)	\$ (134,347)	\$ (203,108)	\$ (919,128)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	187,792	234,376	269,863	312,463	216,346	1,220,840
Changes in operating assets and liabilities						
Receivables	2,849	(11,022)	(4,260)	10,277	(6,162)	(8,318)
Due from other funds	23,026	(43,818)	74,099	(198,294)	(6,871)	(151,858)
Inventory	14,670	(577)	7,122	-	-	21,215
Accounts payable	990	(2,552)	(27,260)	9,636	(205)	(19,391)
Accrued vacation	1,135	1,135	1,053	-	-	3,323
Deposits	1,621	1,763	358	-	-	3,742
Total adjustments	232,083	179,305	320,975	134,082	203,108	1,069,553
Net cash flows from operating activities	\$ 86,487	\$ 62,069	\$ 2,134	\$ (265)	\$ -	\$ 150,425

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

HAINES BOROUGH  
COMPONENT UNITS COMBINING STATEMENTS OF NET POSITION  
June 30, 2013

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,516,817	\$ 234,264	\$ 39,789	\$ 1,790,870
Investments	5,332	-	-	5,332
Receivables	109,971	523	28,600	139,094
Inventory and prepaid expenses	184,619	47,073	-	231,692
Total current assets	1,816,739	281,860	68,389	2,166,988
Noncurrent Assets				
Capital assets, net	165,080	43,903	-	208,983
Total assets	<u>\$ 1,981,819</u>	<u>\$ 325,763</u>	<u>\$ 68,389</u>	<u>\$ 2,375,971</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 118,972	\$ 4,713	\$ -	\$ 123,685
Due to governmental entity	-	18,444	20,455	38,899
Accrued payroll and related liabilities	22,820	7,520	-	30,340
Total current liabilities	141,792	30,677	20,455	192,924
<b>NET POSITION</b>				
Net investment in capital assets	165,080	43,903	-	208,983
Restricted for Museum projects and other	-	196,460	-	196,460
Unrestricted	1,674,947	54,723	47,934	1,777,604
Total net position	<u>\$ 1,840,027</u>	<u>\$ 295,086</u>	<u>\$ 47,934</u>	<u>\$ 2,183,047</u>

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

HAINES BOROUGH  
COMPONENT UNITS COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Haines Borough School District	Sheldon Museum	Non-Major Component Unit	Total
Haines Borough School District	\$ 7,148,452	\$ 5,872	\$ 1,858,027	\$ -	\$ (5,284,553)	\$ -	\$ -	\$ (5,284,553)
Sheldon Museum	302,680	64,963	13,168	-	-	(224,549)	-	(224,549)
Non-Major Component Unit	43,182	-	28,600	-	-	-	(14,582)	(14,582)
	<u>\$ 7,494,314</u>	<u>\$ 70,835</u>	<u>\$ 1,899,795</u>	<u>\$ -</u>	<u>(5,284,553)</u>	<u>(224,549)</u>	<u>(14,582)</u>	<u>(5,523,684)</u>
General Revenues								
Provided by general government					1,556,866	190,356	27,929	1,775,151
State of Alaska					3,510,823	-	-	3,510,823
Investment income					1,990	139	6	2,135
Contributions and other					39,278	40,440	1,050	80,768
Total General Revenues					<u>5,108,957</u>	<u>230,935</u>	<u>28,985</u>	<u>5,368,877</u>
Change in Net Position					(175,596)	6,386	14,403	(154,807)
Net Position, beginning of year					<u>2,015,623</u>	<u>288,700</u>	<u>33,531</u>	<u>2,337,854</u>
Net Position, end of year					<u>\$ 1,840,027</u>	<u>\$ 295,086</u>	<u>\$ 47,934</u>	<u>\$ 2,183,047</u>

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013

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

**Reporting Entity**

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

Discretely Presented Component Units

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

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

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

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

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

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

**Government-Wide and Fund Financial Statements**

The statement of net position 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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

The Borough reports the following major governmental funds:

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

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

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

*Special Capital Projects* – Accounts for various capital projects, primarily funded by government grants that benefit the entire Borough area.

*Borough Capital Improvements* – Accounts for various capital projects, primarily funded by 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

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

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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Land Sales

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

**Use of Estimates**

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

**Assets, Liabilities, Deferred Inflows 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted Assets

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

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

Unearned Revenue

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

Long-Term Obligations

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report 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. The Borough has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and land sales financed via long-long receivable contracts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

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

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

Fund Balance

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

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

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

Reclassifications

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

Adoption of New Accounting Pronouncements

The Borough implemented GASB Statements No. 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *Items Previously Reported as Assets and Liabilities*, respectively, during fiscal 2013. The components of net position and unavailable revenues were renamed and reclassified to reflect the requirements of these statements. The implementation did not otherwise impact net assets as previously presented.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

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

Excess of Expenditures over Appropriations

For the year ended June 30, 2013 there were no departments with significant excess of expenditures over appropriations.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3 - CASH**

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

At June 30, 2013, the carrying amount of the Borough's cash balances was \$1,528,478, while the bank and other institution balances were \$1,781,864. These balances are categorized as follows:

	<u>Bank Balance</u>
Amount insured by the FDIC (up to \$250,000) or collateralized with securities held by the bank or other institutions in the Borough's name	<u>\$ 1,781,864</u>

The cash and cash equivalents for component units other than the School District are fully insured by the FDIC. The School District had uninsured but collateralized deposits of \$1,393,692 at June 30, 2013.

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

	<u>Carrying Amount</u>
Reconciliation to statement of net position:	
Cash and cash equivalents	\$ 1,356,060
Restricted cash and cash equivalents	110,569
Performance deposit	<u>61,849</u>
	<u>\$ 1,528,478</u>
Cash and cash equivalents consist of:	
Cash	\$ 775,148
Cash equivalents	<u>753,330</u>
	<u>\$ 1,528,478</u>

**NOTE 4 - INVESTMENTS**

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

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - INVESTMENTS (CONTINUED)**

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

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

Investments made by the Borough are summarized below:

	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	Over 10	
Investments held by agent in the Borough's name					
Certificates of Deposit	\$ 3,009,033	\$ 3,964,207	\$ -	\$ -	\$ 6,973,240
U.S. Government Instruments	569,991	1,957,493	879,619	64,096	3,471,199
Corporate Debt	204,528	1,723,999	435,576	-	2,364,103
Municipal Securities	289,114	1,660,769	176,547	-	2,126,430
Total debt securities	<u>\$ 4,072,666</u>	<u>\$ 9,306,468</u>	<u>\$ 1,491,742</u>	<u>\$ 64,096</u>	14,934,972
Common stocks (mutual fund that holds the stocks of the S&P 500)					1,439,128
Equity funds					460,344
					<u>\$ 16,834,444</u>
Reconciliation to statement of net position:					
Investments					\$ 9,069,855
Restricted investments					7,764,589
					<u>\$ 16,834,444</u>

The School District's investment balance of \$5,332 consisted of mutual funds and their cost approximates market value.

The credit quality ratings of the Borough's corporate debt investments as of June 30, 2013, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair Value	Percentage of Total
Corporate debt	AAA	\$ 274,218	11.60%
Corporate debt	AA	448,683	18.98%
Corporate debt	A	1,253,128	53.01%
Corporate debt	BBB	215,309	9.11%
Corporate debt	Unrated	172,765	7.31%
		<u>\$ 2,364,103</u>	<u>100.00%</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

Receivables at June 30, 2013, for the individual major funds and nonmajor funds in the aggregate were as follows:

	<u>Taxes</u>	<u>Land Sale/LID Contracts</u>	<u>Revolving Loan Contracts</u>	<u>Customer Charges</u>	<u>State and Federal Governments</u>	<u>Accrued Interest and Other</u>	<u>Total</u>
<i>Governmental funds:</i>							
General fund	\$ 311,880	\$ -	\$ 106,375	\$ -	\$ 14,870	\$ 21,553	\$ 454,678
Permanent fund	-	-	-	-	-	52,964	52,964
New school debt service	-	-	-	-	9,112	-	9,112
Special capital projects	-	-	-	-	1,018,777	-	1,018,777
Borough capital improvements	95,147	-	-	-	-	-	95,147
Other governmental funds	95,147	181,904	-	-	37,549	7,363	321,963
<i>Enterprise funds:</i>							
Water fund	-	-	-	35,151	-	-	35,151
Sewer fund	-	-	-	54,532	-	-	54,532
Small boat harbor fund	-	-	-	6,195	-	-	6,195
Lutak dock fund	-	-	-	54,221	-	-	54,221
Port Chilkoot dock fund	-	-	-	14,510	-	-	14,510
Total	<u>\$ 502,174</u>	<u>\$ 181,904</u>	<u>\$ 106,375</u>	<u>\$ 164,609</u>	<u>\$ 1,080,308</u>	<u>\$ 81,880</u>	<u>\$ 2,117,250</u>

Reconciliation to statement of net position:

Current receivables	\$ 1,820,767
Restricted receivables	52,964
Noncurrent receivables, net of current portion	<u>243,519</u>
	<u>\$ 2,117,250</u>

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable (general fund)	\$ 143,530	\$ -	\$ 143,530
Payments in lieu of taxes	-	366,573	366,573
Land sale/LID receivables (including accrued interest)	187,144	661	187,805
Grants and contributions	<u>-</u>	<u>1,038,100</u>	<u>1,038,100</u>
Total deferred inflow of resources / unearned revenue for governmental funds	<u>330,674</u>	<u>1,405,334</u>	<u>1,736,008</u>
Amounts recognized in the government-wide financial statements			
Property taxes receivable	(143,530)	-	(143,530)
Payments in lieu of taxes	-	(366,573)	(366,573)
Land sales/LID receivables	(187,144)	(661)	(187,805)
Passenger vessel excise tax	<u>-</u>	<u>(467,561)</u>	<u>(467,561)</u>
Total unearned revenue for government-wide financial statements	<u>\$ -</u>	<u>\$ 570,539</u>	<u>\$ 570,539</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2013 were as follows:

	Balance, June 30, 2012	Increases	Transfers/ Decreases	Balance, June 30, 2013
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 701,573	\$ 449,432	\$ -	\$ 1,151,005
Construction in progress - Roads	260,192	-	(260,192)	-
Total capital assets not being depreciated	961,765	449,432	(260,192)	1,151,005
Other capital assets:				
Buildings	31,940,372	923,768	-	32,864,140
Other improvements	6,908,038	1,746,848	-	8,654,886
Furniture and equipment	4,731,606	685,292	-	5,416,898
Road network	6,440,093	-	-	6,440,093
Total other capital assets	50,020,109	3,355,908	-	53,376,017
Less accumulated depreciation for:				
Buildings	11,873,839	785,412	-	12,659,251
Other improvements	1,414,805	234,486	-	1,649,291
Furniture and equipment	3,841,067	197,413	-	4,038,480
Road network	4,567,049	-	-	4,567,049
Total accumulated depreciation	21,696,760	1,217,311	-	22,914,071
Other capital assets, net	28,323,349	2,138,597	-	30,461,946
Governmental activities capital assets, net	<u>\$ 29,285,114</u>	<u>\$ 2,588,029</u>	<u>\$ (260,192)</u>	<u>\$ 31,612,951</u>
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 54,570	\$ -	\$ -	\$ 54,570
Construction in progress	980,478	1,610,139	(95,738)	2,494,879
Total capital assets not being depreciated	1,035,048	1,610,139	(95,738)	2,549,449
Other capital assets:				
Buildings	484,327	-	-	484,327
Other improvements (including distribution and collection systems)	39,582,652	706,936	(3,000)	40,286,588
Equipment	77,832	22,037	-	99,869
Total other capital assets	40,144,811	728,973	(3,000)	40,870,784
Less accumulated depreciation for:				
Buildings	23,248	2,018	-	25,266
Other improvements (including distribution and collection systems)	15,590,668	1,216,986	-	16,807,654
Equipment	77,832	1,836	-	79,668
Total accumulated depreciation	15,691,748	1,220,840	-	16,912,588
Other capital assets, net	24,453,063	(491,867)	(3,000)	23,958,196
Business-type activities capital assets, net	<u>\$ 25,488,111</u>	<u>\$ 1,118,272</u>	<u>\$ (98,738)</u>	<u>\$ 26,507,645</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

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

<i>Governmental activities</i>	
General government	\$ 147,326
Public safety	83,498
Public works and streets, including depreciation of general infrastructure assets	184,897
Economic development	12,153
Education	593,608
Port development	9,480
Culture, recreation, and library	<u>186,349</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,217,311</u></u>
<i>Business-type activities</i>	
Water	\$ 187,792
Sewer	234,376
Small Boat Harbor	269,863
Lutak Dock	312,463
Port Chilkoot dock fund	<u>216,346</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,220,840</u></u>

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

- Port Chilkoot Dock Renovations with a remaining commitment of approximately \$4.96 million,
- Letnikof Cover Harbor Renovations with a remaining commitment of approximately \$844,000,
- Barnett Water Tank improvements with a remaining commitment of approximately \$219,000,
- Chilkat Lake Road improvements with a remaining commitment of approximately \$276,000.

The Borough owns the land and buildings used by the School District and records the land, buildings, and certain equipment as part of governmental activity capital assets. At June 30, 2013, the cost and accumulated depreciation associated with these assets was \$23,882,101 and \$6,791,244, respectively.

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

As of June 30, 2013, 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 7 - FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)**

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

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

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

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

As of June 30, 2013, fund balances are composed of the following:

	General Fund	Permanent Fund	New School Debt Service	Borough Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Permanent fund	\$ -	\$ 6,449,772	\$ -	\$ -	\$ -	\$ 6,449,772
Inventory	52,551	-	-	-	-	52,551
Prepaid expenses	576	-	-	-	-	576
Total nonspendable	53,127	6,449,772	-	-	-	6,502,899
<b>Restricted</b>						
Road maintenance	36,167	-	-	-	-	36,167
Fire service areas	145,413	-	-	-	-	145,413
Debt service	-	-	2,210	-	17,398	19,608
Capital projects	255,633	-	-	1,288,090	-	1,543,723
Medical services	-	-	-	-	200,033	200,033
Economic development	-	-	-	-	397,101	397,101
Land development	-	-	-	-	385,462	385,462
Library memorial materials	671	-	-	-	-	671
Townsite service area	2,055,904	-	-	-	-	2,055,904
Total restricted	2,493,788	-	2,210	1,288,090	999,994	4,784,082
<b>Assigned</b>						
Subsequent year expenditures	298,076	-	-	-	-	298,076
Permanent fund	-	1,389,719	-	-	-	1,389,719
Total assigned	298,076	1,389,719	-	-	-	1,687,795
<b>Unassigned</b>	2,304,100	-	-	-	-	2,304,100
Total fund balances	\$ 5,149,091	\$ 7,839,491	\$ 2,210	\$ 1,288,090	\$ 999,994	\$ 15,278,876

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**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, 2013, was as follows:

	Balance, June 30, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts Due Within One Year
<i>Governmental Activities</i>					
Bonds and notes payable:					
USDA bonds	\$ 183,897	\$ -	\$ 5,477	\$ 178,420	\$ 5,584
School construction bonds	13,680,000	-	730,000	12,950,000	760,000
Bond premium	100,150	-	7,418	92,732	7,418
Total bonds and notes payable	13,964,047	-	742,895	13,221,152	773,002
Other liabilities:					
Compensated absences	100,260	11,084	-	111,344	-
Governmental activities long-term liabilities	<u>\$ 14,064,307</u>	<u>\$ 11,084</u>	<u>\$ 742,895</u>	<u>\$ 13,332,496</u>	<u>\$ 773,002</u>
<i>Business-type Activities</i>					
Bonds and notes payable:					
USDA sewer revenue bonds	\$ 1,304,678	\$ -	\$ 1,304,678	\$ -	\$ -
AMBBA sewer revenue bonds	-	1,210,000	-	1,210,000	30,000
Bond premium	-	97,191	-	97,191	4,860
State of Alaska DEC loans payable	708,188	97,531	32,519	773,200	42,899
Total bonds and notes payable	2,012,866	1,404,722	1,337,197	2,080,391	77,759
Other Liabilities					
Compensated absences	13,166	3,323	-	16,489	-
Business-type activities long-term liabilities	<u>\$ 2,026,032</u>	<u>\$ 1,408,045</u>	<u>\$ 1,337,197</u>	<u>\$ 2,096,880</u>	<u>\$ 77,759</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

Bonds and notes payable at June 30, 2013, are compromised of the following individual issues:

*Governmental Activities:*

General obligation bonds:

\$17,500,000 2005 school construction bonds, due in annual installments of \$575,000 to \$1,260,000, plus interest at 4.0% to 5.0%, through October 2025 (not including unamortized premium of \$92,732 at June 30, 2013)	\$ 12,950,000
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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%	178,420
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Total bond and note payable	13,128,420
Unamortized premiums	92,732

Total general bond and note payable debt	13,221,152
Less current portion	(773,002)

Total general long-term bond and note payable debt	\$ 12,448,150
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*Business-type Activities:*

\$1,210,000 2013 sewer revenue bonds, due in semi-annual installments of \$61,849, including interest at 2%, through 2033	\$ 1,210,000
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Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments of \$14,203, plus interest at 1.5%, through 2021	127,830
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Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$2,847, including interest at 1.5%, through 2032	48,844
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Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$8,580, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	147,310
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Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$14,439, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	247,900
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Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$5,545, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	95,104
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Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$142, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	2,427
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HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

*Business-type Activities:*

Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$7,111 starting one year after the first disbursement.

Interest is to accrue at 1.5% and principal paid over 20 years.	103,785
Total bond and note payable	1,983,200
Unamortized premiums	97,191
Total enterprise funds bond and note payable debt	2,080,391
Less current portion	(77,759)
Total enterprise funds long-term bond and note payable debt	<u>\$ 2,002,632</u>

In conjunction with the issuance of the above school construction bonds, the State of Alaska Department of Education and Early Development 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.

The debt service annual requirements to amortize bond and note payable debt outstanding as of June 30, 2013, are as follows:

*Governmental Activities:*

Year Ending June 30	Principal	Interest	Total
2014	\$ 773,002	\$ 546,748	\$ 1,319,750
2015	808,273	507,602	1,315,875
2016	848,557	466,568	1,315,125
2017	888,855	427,895	1,316,750
2018	924,168	391,882	1,316,050
2019 - 2023	5,221,085	1,357,458	6,578,543
2024 - 2028	3,697,977	256,977	3,954,954
2029 - 2033	59,235	7,974	67,209
	<u>\$ 13,221,152</u>	<u>\$ 3,963,104</u>	<u>\$ 17,184,256</u>

*Business-type Activities:*

Year Ending June 30	Principal	Interest	Total
2014	\$ 77,759	\$ 76,484	\$ 154,243
2015	88,189	73,937	162,126
2016	93,627	71,286	164,913
2017	94,072	68,527	162,599
2018	94,521	65,650	160,171
2019 - 2023	500,407	337,007	837,414
2024 - 2028	525,927	234,313	760,240
2029 - 2033	585,889	113,389	699,278
2034 - 2038	20,000	6,293	26,293
	<u>\$ 2,080,391</u>	<u>\$ 1,046,886</u>	<u>\$ 3,127,277</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**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, 2013, was \$87,344.

A further requirement of these bonds is that the sewer rates will be maintained at a level which will produce an annual amount of net operating revenue before depreciation equal to at least 1.25 times the maximum amount required each year for debt service. Net operating revenues were \$119,940 and the debt service requirement was \$84,208 resulting in a ratio of 1.42 for the Sewer Enterprise Fund, so the Borough was in compliance with this requirement.

**NOTE 10 - BOND DEFEASANCE**

On May 4, 2005, the Borough issued its General Obligation Refunding Bond, 2005, in the original principal amount of \$1,040,000 with interest rates ranging from 4-5%. On October 13, 2009, the Borough received a grant from the State of Alaska to pay the debt service on the bond in the amount of \$698,130. This grant was used to purchase a series of U.S. Securities scheduled to mature on the date of future debt service payments. These securities were deposited in an irrevocable trust to provide for future debt service. As a result that portion of the bond is considered defeased, and as such, the Borough removed the liability from the face of its financial statements. The outstanding principal of the defeased bond is \$235,000 at June 30, 2013.

On October 1, 2012, the Borough issued \$1,210,000 in sewer revenue bonds with interest rates ranging from 1.5-5% . The Borough issued the bonds to refund \$1,306,037 of the outstanding 1993 USDA bonds with a 5.125% interest rate. As a result, the originally issued sewer bonds are considered defeased, and the Borough has removed the liability from its accounts.

The refunding reduced total debt service payments over the next 21 years by nearly \$436,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$366,000.

**NOTE 11 - RETIREMENT PLAN**

**Defined Benefit Pension Plan**

Plan Description

The Alaska Public Employees' Retirement System (PERS) was originally established as an agent multiple-employer defined benefit plan which covers eligible state and local government employees. On July 1, 2008, State Legislation (Senate Bill 125) converted the plan to a cost-sharing multiple-employer plan. Under the cost-sharing plan arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 11 - RETIREMENT PLAN (CONTINUED)**

The plan was established and is administered by the State of Alaska to provide pension, post-employment healthcare, death and disability benefits. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The plan issues a stand-alone financial report, which includes financial statements and required supplementary information. That report may be obtained by writing the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203.

Funding Policy

Police and fire department employees are required by statutes to contribute 7.50% of their annual salary to the plan. All other covered employees are required to contribute 6.75% of their annual salary.

AS 39.35.255 established a statutory PERS employer contribution rate of 22% of annual covered payroll. Out of the 22%, 9.67% funded pension and 12.33% funded other post-employment benefits (OPEB).

AS 39.35.280 requires additional state contribution to make up the difference between the statutory PERS employer contribution rate of 22% and the actuarially determined fiscal year 2013 contribution rate of 35.84%. In accordance with the provisions of GASB Statement No. 24, the Borough has recorded the state contribution in the amount of \$339,205 as a PERS on-behalf payment. However, because the Borough is legally responsible only for the payments of up to 22% of covered payroll, this amount has been excluded from pension and OPEB costs as shown below.

<u>Period Ending</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost</u>	<u>Percentage of Required Contribution Contributed</u>
June 30, 2013	\$ 95,414	\$ 121,660	\$ 217,074	100%
June 30, 2012	105,971	129,046	235,017	100
June 30, 2011	77,286	145,266	222,552	100

**Defined Contribution Pension Plan**

Plan Description

Employees first enrolled into PERS after July 1, 2006, participate in PERS Tier IV. PERS Tier IV is a defined contribution retirement plan that includes a component of defined benefit post-employment health care. The plan requires both employer and employee contributions. Employees may make additional contributions into the plan, subject to limitations. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. Contribution rates are as follows:

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 11 - RETIREMENT PLAN (CONTINUED)**

	<u>Police/Fire</u>	<u>Others</u>
Employee Contribution	8.00%	8.00%
Employer Contribution		
Retirement	5.00%	5.00%
Health Reimbursement Arrangement	3.00%	3.00%
Retiree Medical Plan	0.48%	0.48%
Death and Disability Benefit	0.99%	0.14%
Unfunded benefit liability	<u>12.53%</u>	<u>13.38%</u>
Total employer contribution	<u>22.00%</u>	<u>22.00%</u>

The Borough made PERS Tier IV pension and other post-employment benefit contributions of \$66,786 and \$227,072, respectively, for the year ended June 30, 2013. The Borough employees contributed \$106,858 toward pension during fiscal year 2013.

**NOTE 12 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of June 30, 2013, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	New school debt service	\$ 6,902
General	Special capital projects	525,858
General	Nonmajor governmental funds	29,117
General	Small boat harbor	115,843
General	Port Chilkoot Dock	20,921
Borough capital improvements	General	1,218,802
Nonmajor governmental funds	General	1,248,919
Passenger vessel tax	General	475,621
Permanent fund	General	2,001
Water	General	133,906
Sewer	General	768,671
Small boat harbor	General	992,723
Lutak Dock	General	350,598

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 12 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

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

	Transfers In					
	General Fund	Borough Capital Improvements	Special Capital Projects	Other Governmental Funds	Water	Total
Transfers out:						
General fund	\$ -	\$ 283,500	\$ -	\$ 2,895	\$ -	\$ 286,395
Permanent fund	140,000	-	-	-	-	140,000
Borough capital improvements	105,000	-	11,259	-	56,000	172,259
Passenger Vessel Tax		-	43,878			43,878
Other governmental funds	5,000	-	50,965	259	-	56,224
Harbor fund	-	-	3,654	-	-	3,654
Water fund	-	-	100,892	-	-	100,892
Total	<u>\$ 250,000</u>	<u>\$ 283,500</u>	<u>\$ 210,648</u>	<u>\$ 3,154</u>	<u>\$ 56,000</u>	<u>\$ 803,302</u>

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

**NOTE 13 - RISK MANAGEMENT**

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

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

**NOTE 14 - PERMANENT FUND**

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

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 14 - PERMANENT FUND**

Municipal Land Disposal Special Revenue Fund). At the end of each fiscal year, the excess of revenue over expenditures in this fund is transferred as deposits to the Permanent Fund.

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

REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISONS  
FOR THE GENERAL FUND AND ALL MAJOR SPECIAL REVENUE FUNDS WITH LEGALLY  
ADOPTED BUDGETS

HAINES BOROUGH  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Taxes				
Property	\$ 2,174,343	\$ 2,168,343	\$ 2,168,627	\$ 284
Sales	1,249,000	1,249,000	1,259,490	10,490
Intergovernmental - Federal and State	1,482,497	2,156,979	2,176,728	19,749
Federal payments in lieu of taxes	365,000	375,243	375,243	-
Service and admission fees	319,990	319,990	318,172	(1,818)
Licenses and permits	24,000	24,000	25,335	1,335
Rentals	69,000	69,000	61,603	(7,397)
Investment income	82,034	82,034	95,540	13,506
Contributions and other	63,193	63,193	100,448	37,255
Total revenue	<u>5,829,057</u>	<u>6,507,782</u>	<u>6,581,186</u>	<u>73,404</u>
Expenditures				
Current				
General government	1,128,825	1,477,885	1,455,546	22,339
Public safety	1,033,878	1,104,301	1,090,213	14,088
Public works and streets	855,503	950,753	840,436	110,317
Education	1,800,666	1,800,666	1,797,155	3,511
Culture, recreation, and library	1,131,393	1,156,166	1,082,536	73,630
Total expenditures	<u>5,950,265</u>	<u>6,489,771</u>	<u>6,265,886</u>	<u>223,885</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(121,208)</u>	<u>18,011</u>	<u>315,300</u>	<u>297,289</u>
Other financing sources (uses)				
Transfers in	250,000	175,000	250,000	75,000
Transfers out	-	(349,686)	(286,395)	63,291
Total other financing sources (uses)	<u>250,000</u>	<u>(174,686)</u>	<u>(36,395)</u>	<u>138,291</u>
Net change in fund balance	<u>\$ 128,792</u>	<u>\$ (156,675)</u>	<u>\$ 278,905</u>	<u>\$ 435,580</u>

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

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Intergovernmental - State of Alaska	\$ 137,000	\$ 137,000	\$ 151,636	\$ 14,636
Expenditures				
Port development	74,425	84,425	107,758	(23,333)
Excess (deficiency) of revenue over (under) expenditures	62,575	52,575	43,878	(8,697)
Net change in fund balance	\$ 62,575	\$ 52,575	\$ 43,878	\$ (8,697)