

HAINES BOROUGH  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

HAINES BOROUGH  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Balance Sheets - Governmental Funds	5
Statements of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Balance Sheets - Proprietary Funds	8
Statements of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	9
Statements of Cash Flows - Proprietary Funds	10
Component Units Combining Statement of Net Position	11
Component Units Combining Statement of Activities	12
Notes to Financial Statements	13 - 33
Required Supplementary Information - Budgetary Comparisons for the General Fund and all Major Special Revenue Funds with Legally Adopted Budgets	
Budgetary Comparison Schedule - General Fund	34
Budgetary Comparison Schedule - Passenger Vessel Tax Special Revenue Fund	35

# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITOR'S REPORT

To the Borough Assembly and Borough Manager  
Haines Borough  
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, 2014, 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 26% 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, 2014, 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.

## ***Other Matters***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 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.



December 15, 2014

HAINES BOROUGH  
STATEMENT OF NET POSITION  
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 885,756	\$ 775	\$ 1,671,832
Investments	8,566,037	-	5,391
Receivables	2,198,526	167,365	178,605
Internal balances, net	(2,057,529)	2,057,529	-
Due from component units	44,892	-	-
Inventory and prepaid expenses	69,009	179,528	188,348
Total current assets	9,706,691	2,405,197	2,044,176
Restricted Assets			
Cash and cash equivalents	384,821	-	-
Investments	7,994,339	-	-
Revenue bond debt service reserve investments	-	87,344	-
Receivables	55,127	-	-
Noncurrent Assets			
Receivables, net of current portion	208,315	-	-
Capital assets, net	32,298,556	33,137,210	178,718
Total assets	50,647,849	35,629,751	2,222,894
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	1,682,792	120,812	17,374
Accrued payroll	222,542	-	25,054
Due to primary government	-	-	31,352
Due to component units	168,812	-	-
Deposits	-	43,725	-
Unearned revenue	308,543	-	-
Current portion of long-term obligations	808,273	94,868	-
Total current liabilities	3,190,962	259,405	73,780
Noncurrent Portion of Long-Term Obligations			
Compensated absences	126,592	17,565	-
Accrued Vacation	-	-	83,006
Bonds and loans payable	11,639,720	2,097,566	-
Total liabilities	14,957,274	2,374,536	156,786
<b>NET POSITION</b>			
Net investment in capital assets	19,850,563	31,135,905	178,718
Restricted for			
Bond reserves	-	87,344	-
Medical services	124,130	-	-
Capital projects	1,271,812	-	-
Economic development	391,004	-	-
Museum projects and other	-	-	196,496
Permanent fund - nonexpendable	7,082,124	-	-
Unrestricted	6,970,942	2,031,966	1,690,894
Total net position	\$ 35,690,575	\$ 33,255,215	\$ 2,066,108

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

HAINES BOROUGH  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014

	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	\$ 1,306,027	\$ -	\$ -	\$ -	\$ (1,306,027)	\$ -	\$ (1,306,027)	\$ -
Public safety	1,356,657	221,599	387,220	-	(747,838)	-	(747,838)	-
Public works and streets	2,493,738	-	-	113,958	(2,379,780)	-	(2,379,780)	-
Economic development	458,045	-	-	-	(458,045)	-	(458,045)	-
Education	2,445,717	-	162,090	908,306	(1,375,321)	-	(1,375,321)	-
Port development	92,685	-	140,635	-	47,950	-	47,950	-
Culture, recreation and library	1,262,758	69,465	-	-	(1,193,293)	-	(1,193,293)	-
Interest on long-term debt	539,172	-	-	-	(539,172)	-	(539,172)	-
Total governmental activities	9,954,799	291,064	689,945	1,022,264	(7,951,526)	-	(7,951,526)	-
Business-type activities								
Water	550,500	356,281	-	840,161	-	645,942	645,942	-
Sewer	613,638	404,716	-	31,064	-	(177,858)	(177,858)	-
Small boat harbor	836,308	487,826	-	1,161,745	-	813,263	813,263	-
Lutak dock	365,685	497,100	-	-	-	131,415	131,415	-
Port Chilkoot dock	313,183	79,695	-	5,457,234	-	5,223,746	5,223,746	-
Total business-type activities	2,679,314	1,825,618	-	7,490,204	-	6,636,508	6,636,508	-
Total	<u>\$ 12,634,113</u>	<u>\$ 2,116,682</u>	<u>\$ 689,945</u>	<u>\$ 8,512,468</u>	<u>(7,951,526)</u>	<u>6,636,508</u>	<u>(1,315,018)</u>	<u>-</u>
Component Units	<u>\$ 7,087,602</u>	<u>\$ 92,466</u>	<u>\$ 1,948,628</u>	<u>\$ -</u>				<u>(5,046,508)</u>
General Revenue and Transfers								
Property taxes					2,694,251	-	2,694,251	-
Sales taxes					2,792,477	-	2,792,477	-
Provided by general government					-	-	-	1,779,749
Intergovernmental revenue not restricted to specific programs					1,487,625	-	1,487,625	3,045,320
Investment income					561,813	6,365	568,178	2,308
Contributions to Permanent Fund principal - inflation proofing					146,195	-	146,195	-
Licenses and permits					34,339	-	34,339	-
Rentals					61,903	-	61,903	-
Contributions and other					155,063	-	155,063	102,192
Payments in lieu of taxes					344,744	-	344,744	-
Land sales					431,428	-	431,428	-
Transfers					207,463	(207,463)	-	-
Total general revenue and transfers					8,917,301	(201,098)	8,716,203	4,929,569
Change in net position					965,775	6,435,410	7,401,185	(116,939)
Net Position, beginning of year					34,724,800	26,819,805	61,544,605	2,183,047
Net Position, end of year					<u>\$ 35,690,575</u>	<u>\$ 33,255,215</u>	<u>\$ 68,945,790</u>	<u>\$ 2,066,108</u>

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

HAINES BOROUGH  
BALANCE SHEETS - GOVERNMENTAL FUNDS  
June 30, 2014

	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	\$ 885,656	\$ 384,821	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 1,270,577
Investments	8,566,037	7,994,339	-	-	-	-	-	16,560,376
Receivables	433,214	55,127	9,087	1,406,921	93,457	-	464,162	2,461,968
Due from other funds	115,843	245,992	-	-	1,278,513	8,358	1,159,368	2,808,074
Due from component units	44,892	-	-	-	-	-	-	44,892
Prepaid expenses	20,000	-	-	-	-	-	-	20,000
Inventory	49,009	-	-	-	-	-	-	49,009
Total assets	<u>\$ 10,114,651</u>	<u>\$ 8,680,279</u>	<u>\$ 9,087</u>	<u>\$ 1,406,921</u>	<u>\$ 1,371,970</u>	<u>\$ 8,358</u>	<u>\$ 1,623,630</u>	<u>\$ 23,214,896</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 220,767	\$ 1,757	\$ -	\$ 1,238,464	\$ 98,374	\$ 8,358	\$ 115,072	\$ 1,682,792
Accrued payroll	222,542	-	-	-	-	-	-	222,542
Due to other funds	4,565,624	-	7,937	168,457	-	-	123,585	4,865,603
Due to component units	168,812	-	-	-	-	-	-	168,812
Unearned revenue	345,405	-	-	-	1,784	-	306,759	653,948
Total liabilities	<u>5,523,150</u>	<u>1,757</u>	<u>7,937</u>	<u>1,406,921</u>	<u>100,158</u>	<u>8,358</u>	<u>545,416</u>	<u>7,593,697</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue - property taxes	131,585	-	-	-	-	-	-	131,585
Unavailable revenue - land sales	-	-	-	-	-	-	151,940	151,940
Total deferred inflow of resources	<u>131,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,940</u>	<u>283,525</u>
<b>Fund Balances</b>								
Nonspendable	69,009	7,013,115	-	-	-	-	-	7,082,124
Restricted	1,996,458	-	1,150	-	1,271,812	-	926,274	4,195,694
Assigned	19,694	1,665,407	-	-	-	-	-	1,685,101
Unassigned	2,374,755	-	-	-	-	-	-	2,374,755
Total fund balances	<u>4,459,916</u>	<u>8,678,522</u>	<u>1,150</u>	<u>-</u>	<u>1,271,812</u>	<u>-</u>	<u>926,274</u>	<u>15,337,674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,114,651</u>	<u>\$ 8,680,279</u>	<u>\$ 9,087</u>	<u>\$ 1,406,921</u>	<u>\$ 1,371,970</u>	<u>\$ 8,358</u>	<u>\$ 1,623,630</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								32,298,556
Unearned revenues and deferred inflows not available to pay for current-period expenditures are reported as earned in the statement of net position								628,930
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds								(12,574,585)
Net position of governmental activities								<u>\$ 35,690,575</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, 2014

	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	\$ 2,303,751	\$ -	\$ 388,395	\$ -	\$ -	\$ -	\$ 14,050	\$ 2,706,196
Sales	1,265,023	-	-	-	787,148	-	740,306	2,792,477
Intergovernmental								
Federal grants and contracts	164,272	-	-	15,287	-	-	142,095	321,654
Federal payments in lieu of taxes	366,573	-	-	-	-	-	-	366,573
State grants and contracts	1,525,653	-	908,728	98,671	-	608,196	204,493	3,345,741
Service and admission fees	291,064	-	-	-	-	-	-	291,064
Licenses and permits	34,339	-	-	-	-	-	-	34,339
Rentals	61,903	-	-	-	-	-	-	61,903
Investment earnings	114,021	593,987	-	-	-	-	-	708,008
Contributions and other	153,834	-	-	-	-	-	1,229	155,063
Total revenues	6,280,433	593,987	1,297,123	113,958	787,148	608,196	1,102,173	10,783,018
Expenditures								
Current								
General government	1,616,177	22,104	-	-	-	-	45,240	1,683,521
Public safety	1,062,372	-	-	-	-	-	240,347	1,302,719
Public works and streets	858,153	-	-	-	-	-	-	858,153
Economic development	-	-	-	-	-	-	444,983	444,983
Education	1,777,220	-	-	-	-	-	30,509	1,807,729
Port development	-	-	-	-	-	82,496	-	82,496
Culture, recreation, and library	1,062,477	-	-	-	-	-	-	1,062,477
Debt service								
Principal	-	-	760,000	-	-	-	5,740	765,740
Interest	-	-	538,183	-	-	-	8,408	546,591
Capital outlay	-	-	-	931,054	1,451,400	-	461,452	2,843,906
Total expenditures	6,376,399	22,104	1,298,183	931,054	1,451,400	82,496	1,236,679	11,398,315
Excess (deficiency) of revenues over (under) expenditures	(95,966)	571,883	(1,060)	(817,096)	(664,252)	525,700	(134,506)	(615,297)
Other financing sources (uses)								
Transfers in	190,000	417,148	-	817,096	697,510	-	133,378	2,255,132
Transfers out	(783,209)	(150,000)	-	-	(49,536)	(525,700)	(539,224)	(2,047,669)
Sale of capital assets	-	-	-	-	-	-	466,632	466,632
Total other financing sources (uses)	(593,209)	267,148	-	817,096	647,974	(525,700)	60,786	674,095
Net change in fund balances	(689,175)	839,031	(1,060)	-	(16,278)	-	(73,720)	58,798
Fund Balances, beginning of year	5,149,091	7,839,491	2,210	-	1,288,090	-	999,994	15,278,876
Fund Balances, end of year	\$ 4,459,916	\$ 8,678,522	\$ 1,150	\$ -	\$ 1,271,812	\$ -	\$ 926,274	\$ 15,337,674

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, 2014

Net change in fund balances - total governmental funds	\$	58,798
--	----	--------

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	2,154,808	
Depreciation expense	<u>(1,469,203)</u>	685,605

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.		(35,204)
--	--	----------

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.		(501,335)
---	--	-----------

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.		773,159
--	--	---------

Change in compensated absences		<u>(15,248)</u>
--------------------------------	--	-----------------

Change in net position of governmental activities	\$	<u><u>965,775</u></u>
---	----	-----------------------

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

HAINES BOROUGH  
BALANCE SHEETS - PROPRIETARY FUNDS

June 30, 2014

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 775	\$ -	\$ -	\$ 775
Receivables	33,196	49,106	16,873	58,037	10,153	167,365
Due from other funds	165,138	763,981	560,629	691,410	-	2,181,158
Inventory	83,271	7,591	26,307	-	-	117,169
Prepaid expenses	-	62,359	-	-	-	62,359
Total current assets	281,605	883,037	604,584	749,447	10,153	2,528,826
<b>Restricted Assets</b>						
Revenue bond debt service reserve instruments	-	87,344	-	-	-	87,344
<b>Capital Assets</b>						
Land	45,570	9,000	-	-	-	54,570
Buildings, net of accumulated depreciation	35,651	-	-	-	410,857	446,508
Improvements other than buildings, net of accumulated depreciation	6,913,802	5,075,474	7,129,915	2,400,338	9,590,359	31,109,888
Equipment, net of accumulated depreciation	-	-	53,846	-	-	53,846
Construction in progress	-	-	1,472,398	-	-	1,472,398
Total capital assets	6,995,023	5,084,474	8,656,159	2,400,338	10,001,216	33,137,210
Total assets	<u>\$ 7,276,628</u>	<u>\$ 6,054,855</u>	<u>\$ 9,260,743</u>	<u>\$ 3,149,785</u>	<u>\$ 10,011,369</u>	<u>\$ 35,753,380</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 7,565	\$ 3,824	\$ 55,719	\$ 51,541	\$ 2,163	\$ 120,812
Loan payable - current	44,728	5,280	-	-	-	50,008
Bond payable - current	-	44,860	-	-	-	44,860
Deposits	10,491	11,714	21,520	-	-	43,725
Due to other funds	-	-	115,843	-	7,786	123,629
Total current liabilities	62,784	65,678	193,082	51,541	9,949	383,034
<b>Noncurrent Liabilities</b>						
Accrued vacation	7,770	7,770	2,025	-	-	17,565
Revenue bonds payable	-	1,227,471	-	-	-	1,227,471
Loans payable	771,590	98,505	-	-	-	870,095
Total noncurrent liabilities	779,360	1,333,746	2,025	-	-	2,115,131
Total liabilities	842,144	1,399,424	195,107	51,541	9,949	2,498,165
<b>Net Position</b>						
Net investment in capital assets	6,178,705	3,899,487	8,656,159	2,400,338	10,001,216	31,135,905
Restricted for bond reserves	-	87,344	-	-	-	87,344
Unrestricted	255,779	668,600	409,477	697,906	204	2,031,966
Total net position	6,434,484	4,655,431	9,065,636	3,098,244	10,001,420	33,255,215
Total liabilities and net net position	<u>\$ 7,276,628</u>	<u>\$ 6,054,855</u>	<u>\$ 9,260,743</u>	<u>\$ 3,149,785</u>	<u>\$ 10,011,369</u>	<u>\$ 35,753,380</u>

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, 2014

Business-type Activities - Enterprise Funds

	Water	Sewer	Small Boat Harbor	Lutak Dock	Port Chilkoot Dock	Total
Operating Revenue						
Charges for services	\$ 356,281	\$ 404,716	\$ 487,826	\$ 497,100	\$ 79,695	\$ 1,825,618
Operating Expenses						
Depreciation	255,319	236,189	278,230	172,119	241,839	1,183,696
Salaries and benefits	166,183	173,228	120,662	113,960	40,180	614,213
Utilities	23,702	83,521	56,083	7,040	7,102	177,448
Professional services	37,553	19,579	10,498	59,335	868	127,833
Materials and supplies	42,256	16,430	350,054	5,181	6,812	420,733
Banking and insurance	6,607	15,028	15,306	3,931	8,129	49,001
Repairs and maintenance	8,749	11,586	-	-	-	20,335
Vehicle	5,630	5,727	2,320	1,792	5,884	21,353
Advertising, dues and subscriptions	298	2,499	1,383	492	535	5,207
Travel and training	653	503	1,772	1,835	1,834	6,597
Total operating expenses	546,950	564,290	836,308	365,685	313,183	2,626,416
Operating income (loss)	(190,669)	(159,574)	(348,482)	131,415	(233,488)	(800,798)
Nonoperating Revenue (Expense)						
Investment income	3,301	708	1,998	358	-	6,365
Interest expense	(3,550)	(49,348)	-	-	-	(52,898)
Total nonoperating revenue (expense)	(249)	(48,640)	1,998	358	-	(46,533)
Income (loss) before contributions and transfers	(190,918)	(208,214)	(346,484)	131,773	(233,488)	(847,331)
Capital contributions	840,161	31,064	1,161,745	-	5,457,234	7,490,204
Transfers in	-	-	30,300	-	-	30,300
Transfers out	(162,767)	-	(74,996)	-	-	(237,763)
Change in net position	486,476	(177,150)	770,565	131,773	5,223,746	6,435,410
Net Position, beginning of year	5,948,008	4,832,581	8,295,071	2,966,471	4,777,674	26,819,805
Net Position, end of year	\$ 6,434,484	\$ 4,655,431	\$ 9,065,636	\$ 3,098,244	\$ 10,001,420	\$ 33,255,215

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, 2014

	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	\$ 359,822	\$ 411,654	\$ 477,148	\$ 493,284	\$ 84,052	\$ 1,825,960
Cash paid to suppliers	(126,253)	(160,593)	(442,455)	(38,870)	(30,738)	(798,909)
Cash paid to employees	(164,696)	(171,741)	(122,560)	(113,960)	(40,180)	(613,137)
Net cash transferred from (to) general fund	(31,232)	4,690	432,094	(340,812)	(13,134)	51,606
Net cash flows from operating activities	37,641	84,010	344,227	(358)	-	465,520
Cash Flows from Capital and Related Financing Activities						
Purchases of fixed assets	(861,689)	(31,064)	(1,463,274)	-	(5,457,234)	(7,813,261)
Capital contributions	840,161	31,064	1,161,745	-	5,457,234	7,490,204
Net cash transferred to (from) other funds	(162,767)	-	(44,696)	-	-	(207,463)
Proceeds from loans	163,260	-	-	-	-	163,260
Repayment of loan payable	(16,357)	-	-	-	-	(16,357)
Interest on bonds and loan payable	(3,550)	(54,208)	-	-	-	(57,758)
Repayment of bonds payable	-	(30,000)	-	-	-	(30,000)
Net cash flows from capital and related financing activities	(40,942)	(84,208)	(346,225)	-	-	(471,375)
Cash Flows from Investing Activities						
Change in performance deposit	-	(510)	-	-	-	(510)
Cash receipts from investments	3,301	708	1,998	358	-	6,365
Net cash flows from investing activities	3,301	198	1,998	358	-	5,855
Net increase in cash	-	-	-	-	-	-
Cash and Cash Equivalents, beginning of year	-	-	775	-	-	775
Cash and Cash Equivalents, end of year	\$ -	\$ -	\$ 775	\$ -	\$ -	\$ 775
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities						
Operating income (loss)	\$ (190,669)	\$ (159,574)	\$ (348,482)	\$ 131,415	\$ (233,488)	\$ (800,798)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	255,319	236,189	278,230	172,119	241,839	1,183,696
Changes in operating assets and liabilities						
Receivables	1,955	5,426	(10,678)	(3,816)	4,357	(2,756)
Due from other funds	(31,232)	4,690	432,094	(340,812)	(13,134)	51,606
Inventory	(4,025)	22	(6,855)	-	-	(10,858)
Accounts payable	3,220	(5,742)	1,816	40,736	426	40,456
Accrued vacation	1,487	1,487	(1,898)	-	-	1,076
Deposits	1,586	1,512	-	-	-	3,098
Total adjustments	228,310	243,584	692,709	(131,773)	233,488	1,266,318
Net cash flows from operating activities	\$ 37,641	\$ 84,010	\$ 344,227	\$ (358)	\$ -	\$ 465,520

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

HAINES BOROUGH  
COMPONENT UNITS COMBINING STATEMENTS OF NET POSITION  
June 30, 2014

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,420,609	\$ 211,439	\$ 39,784	\$ 1,671,832
Investments	5,391	-	-	5,391
Receivables	129,805	-	48,800	178,605
Inventory and prepaid expenses	144,186	44,162	-	188,348
Total current assets	1,699,991	255,601	88,584	2,044,176
Noncurrent Assets				
Capital assets, net	136,641	42,077	-	178,718
Total assets	<u>\$ 1,836,632</u>	<u>\$ 297,678</u>	<u>\$ 88,584</u>	<u>\$ 2,222,894</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 14,600	\$ 2,774	\$ -	\$ 17,374
Due to governmental entity	-	6,049	25,303	31,352
Accrued payroll and related liabilities	14,556	10,498	-	25,054
Total current liabilities	29,156	19,321	25,303	73,780
Noncurrent Portion of Long-Term obligations				
Accrued vacation	83,006	-	-	83,006
Total Liabilities	<u>112,162</u>	<u>19,321</u>	<u>25,303</u>	<u>156,786</u>
<b>NET POSITION</b>				
Net investment in capital assets	136,641	42,077	-	178,718
Restricted for Museum projects and other	-	196,496	-	196,496
Unrestricted	1,587,829	39,784	63,281	1,690,894
Total net position	<u>\$ 1,724,470</u>	<u>\$ 278,357</u>	<u>\$ 63,281</u>	<u>\$ 2,066,108</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, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fee, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Haines Borough School District	Sheldon Museum	Non-Major Component Unit	Total
Haines Borough School District	\$ 6,713,469	\$ 34,941	\$ 1,914,847	\$ -	\$ (4,763,681)	\$ -	\$ -	\$ (4,763,681)
Sheldon Museum	340,618	57,525	13,581	-	-	(269,512)	-	(269,512)
Non-Major Component Unit	33,515	-	20,200	-	-	-	(13,315)	(13,315)
	<u>\$ 7,087,602</u>	<u>\$ 92,466</u>	<u>\$ 1,948,628</u>	<u>\$ -</u>	<u>(4,763,681)</u>	<u>(269,512)</u>	<u>(13,315)</u>	<u>(5,046,508)</u>
General Revenues								
Provided by general government					1,559,379	192,011	28,359	1,779,749
State of Alaska					3,045,320	-	-	3,045,320
Investment income					2,218	87	3	2,308
Contributions and other					41,207	60,685	300	102,192
Total General Revenues					<u>4,648,124</u>	<u>252,783</u>	<u>28,662</u>	<u>4,929,569</u>
Change in Net Position					(115,557)	(16,729)	15,347	(116,939)
Net Position, beginning of year					<u>1,840,027</u>	<u>295,086</u>	<u>47,934</u>	<u>2,183,047</u>
Net Position, end of year					<u>\$ 1,724,470</u>	<u>\$ 278,357</u>	<u>\$ 63,281</u>	<u>\$ 2,066,108</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, 2014

**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.

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, 2014 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, 2014, the carrying amount of the Borough's cash balances was \$1,358,696, while the bank and other institution balances were \$1,461,703. 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	\$ 1,322,010
Uncollateralized/uninsured	<u>139,693</u>
	<u><u>\$ 1,461,703</u></u>

The cash and cash equivalents for component units other than the School District are fully insured by the FDIC. The School District had uninsured but collateralized deposits of \$1,533,641 at June 30, 2014.

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	\$ 886,531
Restricted assets:	
Cash and cash equivalents	384,821
Revenue bond debt service reserve instruments	<u>87,344</u>
	<u><u>\$ 1,358,696</u></u>

**NOTE 4 - INVESTMENTS**

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - INVESTMENTS (CONTINUED)**

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

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

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

Investments made by the Borough are summarized below:

	Investment Maturities (in years)				Total
	Less than 1	1-5	6-10	Over 10	
Investments held by agent in the Borough's name					
Certificates of Deposit	\$ 2,104,826	\$ 4,086,915	\$ -	\$ -	\$ 6,191,741
U.S. Government Instruments	852,787	1,981,880	1,370,286	49,038	4,253,991
Corporate Debt	102,876	1,775,295	172,324	-	2,050,495
Municipal Securities	860,964	1,080,627	-	-	1,941,591
Total debt securities	<u>\$ 3,921,453</u>	<u>\$ 8,924,717</u>	<u>\$ 1,542,610</u>	<u>\$ 49,038</u>	14,437,818
Common stocks (mutual fund that holds the stocks of the S&P 500)					1,571,827
Equity funds					550,731
					<u>\$ 16,560,376</u>
Reconciliation to statement of net position:					
Investments					\$ 8,566,037
Restricted investments					7,994,339
					<u>\$ 16,560,376</u>

The School District's investment balance of \$5,391 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, 2014, as described by nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair Value	Percentage of Total
Corporate debt	AAA	\$ 271,313	13.23%
Corporate debt	AA	447,084	21.80%
Corporate debt	A	1,046,445	51.03%
Corporate debt	BBB	113,934	5.56%
Corporate debt	Unrated	171,719	8.37%
		<u>\$ 2,050,495</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, 2014, 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	\$ 294,257	\$ -	\$ 106,375	\$ -	\$ -	\$ 32,582	\$ 433,214
Permanent fund	-	-	-	-	-	55,127	55,127
New school debt service	-	-	-	-	9,087	-	9,087
Special capital projects	-	-	-	-	1,406,921	-	1,406,921
Borough capital improvements	93,457	-	-	-	-	-	93,457
Other governmental funds	93,457	148,068	-	-	218,765	3,872	464,162
<i>Enterprise funds:</i>							
Water fund	-	-	-	33,196	-	-	33,196
Sewer fund	-	-	-	49,106	-	-	49,106
Small boat harbor fund	-	-	-	16,873	-	-	16,873
Lutak dock fund	-	-	-	58,037	-	-	58,037
Port Chilkoot dock fund	-	-	-	10,153	-	-	10,153
Total	<u>\$ 481,171</u>	<u>\$ 148,068</u>	<u>\$ 106,375</u>	<u>\$ 167,365</u>	<u>\$ 1,634,773</u>	<u>\$ 91,581</u>	<u>\$ 2,629,333</u>

Reconciliation to statement of net position:

Current receivables	\$ 2,365,891
Restricted receivables	55,127
Noncurrent receivables, net of current portion	<u>208,315</u>
	<u>\$ 2,629,333</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)	\$ 131,585	\$ -	\$ 131,585
Payments in lieu of taxes	-	345,405	345,405
Land sale/LID receivables (including accrued interest)	151,940	-	151,940
Grants and contributions	<u>-</u>	<u>308,543</u>	<u>308,543</u>
Total deferred inflow of resources / unearned revenue for governmental funds	<u>283,525</u>	<u>653,948</u>	<u>937,473</u>
Amounts recognized in the government-wide financial statements			
Property taxes receivable	(131,585)	-	(131,585)
Payments in lieu of taxes	-	(345,405)	(345,405)
Land sales/LID receivables	(151,940)	-	(151,940)
Passenger vessel excise tax	<u>-</u>	<u>-</u>	<u>-</u>
Total unearned revenue for government-wide financial statements	<u>\$ -</u>	<u>\$ 308,543</u>	<u>\$ 308,543</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2014 were as follows:

	Balance, June 30, 2013	Increases	Transfers/ Decreases	Balance, June 30, 2014
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 1,151,005	\$ -	\$ -	\$ 1,151,005
Construction in progress	-	120,747	-	120,747
Total capital assets not being depreciated	1,151,005	120,747	-	1,271,752
Other capital assets:				
Buildings	32,864,140	-	-	32,864,140
Other improvements	8,654,886	1,008,288	-	9,663,174
Furniture and equipment	5,416,898	1,025,773	-	6,442,671
Road network	6,440,093	-	-	6,440,093
Total other capital assets	53,376,017	2,034,061	-	55,410,078
Less accumulated depreciation for:				
Buildings	12,659,251	797,986	-	13,457,237
Other improvements	1,649,291	400,825	-	2,050,116
Furniture and equipment	4,038,480	270,392	-	4,308,872
Road network	4,567,049	-	-	4,567,049
Total accumulated depreciation	22,914,071	1,469,203	-	24,383,274
Other capital assets, net	30,461,946	564,858	-	31,026,804
Governmental activities capital assets, net	<u>\$ 31,612,951</u>	<u>\$ 685,605</u>	<u>\$ -</u>	<u>\$ 32,298,556</u>
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 54,570	\$ -	\$ -	\$ 54,570
Construction in progress	2,494,879	173,049	(1,195,530)	1,472,398
Total capital assets not being depreciated	2,549,449	173,049	(1,195,530)	1,526,968
Other capital assets:				
Buildings	484,327	-	-	484,327
Other improvements (including distribution and collection systems)	40,286,588	7,601,515	1,195,530	49,083,633
Equipment	99,869	38,697	-	138,566
Total other capital assets	40,870,784	7,640,212	1,195,530	49,706,526
Less accumulated depreciation for:				
Buildings	25,266	12,553	-	37,819
Other improvements (including distribution and collection systems)	16,807,654	1,166,091	-	17,973,745
Equipment	79,668	5,052	-	84,720
Total accumulated depreciation	16,912,588	1,183,696	-	18,096,284
Other capital assets, net	23,958,196	6,456,516	1,195,530	31,610,242
Business-type activities capital assets, net	<u>\$ 26,507,645</u>	<u>\$ 6,629,565</u>	<u>\$ -</u>	<u>\$ 33,137,210</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	\$ 158,342
Public safety	89,740
Public works and streets, including depreciation of general infrastructure assets	359,602
Economic development	13,062
Education	637,988
Port development	10,188
Culture, recreation, and library	<u>200,281</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,469,203</u></u>
<i>Business-type activities</i>	
Water	\$ 255,319
Sewer	236,189
Small Boat Harbor	278,230
Lutak Dock	172,119
Port Chilkoot dock fund	<u>241,839</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,183,696</u></u>

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

- Haines Street Improvements with a remaining commitment of approximately \$642,000.
- Haines School Fan Replacements with a remaining commitment of approximately \$240,000.

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, 2014, the cost and accumulated depreciation associated with these assets was \$23,882,101 and \$7,376,272, respectively.

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

As of June 30, 2014, 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, 2014, 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	\$ -	\$ 7,013,115	\$ -	\$ -	\$ -	\$ 7,013,115
Inventory	49,009	-	-	-	-	49,009
Prepaid expenses	20,000	-	-	-	-	20,000
Total nonspendable	69,009	7,013,115	-	-	-	7,082,124
<b>Restricted</b>						
Road maintenance	27,570	-	-	-	-	27,570
Fire service areas	63,432	-	-	-	-	63,432
Debt service	-	-	1,150	-	1,171	2,321
Capital projects	248,791	-	-	1,271,812	-	1,520,603
Medical services	-	-	-	-	124,130	124,130
Economic development	-	-	-	-	391,004	391,004
Land development	-	-	-	-	409,969	409,969
Townsite service area	1,656,665	-	-	-	-	1,656,665
Total restricted	1,996,458	-	1,150	1,271,812	926,274	4,195,694
<b>Assigned</b>						
Subsequent year expenditures	19,694	-	-	-	-	19,694
Permanent fund	-	1,665,407	-	-	-	1,665,407
Total assigned	19,694	1,665,407	-	-	-	1,685,101
<b>Unassigned</b>	2,374,755	-	-	-	-	2,374,755
Total fund balances	\$ 4,459,916	\$ 8,678,522	\$ 1,150	\$ 1,271,812	\$ 926,274	\$ 15,337,674

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, 2014, was as follows:

	Balance, June 30, 2013	Additions	Reductions	Balance, June 30, 2014	Amounts Due Within One Year
<i>Governmental Activities</i>					
Bonds and notes payable:					
USDA bonds	\$ 178,420	\$ -	\$ 5,741	\$ 172,679	\$ 5,855
School construction bonds	12,950,000	-	760,000	12,190,000	795,000
Bond premium	92,732	-	7,418	85,314	7,418
Total bonds and notes payable	13,221,152	-	773,159	12,447,993	808,273
Compensated absences	111,344	15,248	-	126,592	-
Governmental activities long-term liabilities	<u>\$ 13,332,496</u>	<u>\$ 15,248</u>	<u>\$ 773,159</u>	<u>\$ 12,574,585</u>	<u>\$ 808,273</u>
<i>Business-type Activities</i>					
Bonds and notes payable:					
AMBBA sewer revenue bonds	\$ 1,210,000	\$ -	\$ 30,000	\$ 1,180,000	\$ 40,000
State of Alaska DEC loans payable	773,200	163,260	16,357	920,103	50,008
Bond premium	97,191	-	4,860	92,331	4,860
Total bonds and notes payable	2,080,391	163,260	51,217	2,192,434	94,868
Compensated absences	16,489	1,076	-	17,565	-
Business-type activities long-term liabilities	<u>\$ 2,096,880</u>	<u>\$ 164,336</u>	<u>\$ 51,217</u>	<u>\$ 2,209,999</u>	<u>\$ 94,868</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

Bonds and notes payable at June 30, 2014, 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 \$85,314 at June 30, 2014)	\$ 12,190,000
---	---------------

Bonds payable to the United States Department of Agriculture used for construction of new library, due in semi-annual installments of \$7,074 through September 6, 2032, including interest at 4.75%	<u>172,679</u>
--	----------------

Total bond and note payable	12,362,679
Unamortized premium	<u>85,314</u>

Total general bond and note payable debt	12,447,993
Less current portion	<u>(808,273)</u>

Total general long-term bond and note payable debt	<u><u>\$ 11,639,720</u></u>
--	-----------------------------

*Business-type Activities :*

\$1,210,000 2013 sewer revenue bonds, due in semi-annual installments of \$61,849 to \$76,422, including interest at 2% , through 2033	\$ 1,180,000
--	--------------

Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments of \$14,203, plus interest at 1.5% , through 2021	113,629
--	---------

Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$2,904, including interest at 1.5% , through 2032	47,183
--	--------

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
--	---------

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
---	---------

Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$8,235, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	141,235
--	---------

Loan from the State of Alaska Department of Environmental Conservation, due in annual installments of \$6,942, starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	119,061
--	---------

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	2,100,103
Unamortized premium	92,331
Total enterprise funds bond and note payable debt	2,192,434
Less current portion	(94,868)
Total enterprise funds long-term bond and note payable debt	<u>\$ 2,097,566</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, 2014, are as follows:

*Governmental Activities:*

Year Ending June 30	Principal	Interest	Total
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	964,496	354,354	1,318,850
2020-2024	5,432,978	1,137,905	6,570,883
2025-2029	2,532,958	124,954	2,657,912
2030-2034	47,708	5,196	52,904
	<u>\$ 12,447,993</u>	<u>\$ 3,416,356</u>	<u>\$ 15,864,349</u>

*Business-type Activities:*

Year Ending June 30	Principal	Interest	Total
2015	\$ 94,868	\$ 76,805	\$ 171,673
2016	100,407	74,053	174,460
2017	100,953	71,191	172,144
2018	101,508	68,210	169,718
2019	102,070	67,434	169,504
2020-2024	540,695	387,872	928,567
2025-2029	583,479	266,334	849,813
2030-2034	568,454	114,695	683,149
2035-2039	-	6,294	6,294
	<u>\$ 2,192,434</u>	<u>\$ 1,132,888</u>	<u>\$ 3,325,322</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, 2014, was \$87,344.

These bonds also require that the Borough maintain sewer rates at a level which will produce an annual amount of net operating revenue before depreciation equal to at least 1.25 times the maximum amount required each year for debt service. In fiscal year 2014, net operating revenues were \$76,615 and the debt service requirement was \$84,208 resulting in a ratio of .91 for the Sewer Enterprise Fund. As a result, the Borough was not in compliance with this requirement. The Borough has notified the bonding agency of their non-compliance and is considering plans to resolve the non-compliance.

**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 was \$120,000 at June 30, 2014.

**NOTE 11 - RETIREMENT PLANS**

**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.

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.



HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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%, 10.64% funded pension and 11.36% 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 2014 contribution rate of 35.68%. In accordance with the provisions of GASB Statement No. 24, the Borough has recorded the state contribution in the amount of \$332,800 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, 2014	\$ 98,687	\$ 105,365	\$ 204,052	100%
June 30, 2013	95,414	121,660	217,074	100
June 30, 2012	105,971	129,046	235,017	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:

	<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	1.14%	0.20%
Unfunded benefit liability	12.38%	13.32%
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 \$67,922 and \$230,935, respectively, for the year ended June 30, 2014. The Borough employees contributed \$108,307 toward pension during fiscal year 2014.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

Interfund balances represent cash collected or disbursed on behalf of another fund. The composition of interfund balances as of June 30, 2014, was as follows:

Receivable Fund	Payable Fund	Amount
General	New school debt service	\$ 7,937
General	Special capital projects	168,457
General	Nonmajor governmental funds	123,585
General	Small boat harbor	115,843
General	Port Chilkoot Dock	7,786
 Borough capital improvements	General	 1,278,513
Nonmajor governmental funds	General	1,159,368
Passenger vessel tax	General	8,358
Permanent fund	General	245,992
 Water	General	 165,138
Sewer	General	763,981
Small boat harbor	General	560,629
Lutak Dock	General	691,410

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

	Transfers In						Total
	General Fund	Permanent Fund	Borough Capital Improvements	Special Capital Projects	Other Governmental Funds	Small Boat Harbor	
Transfers out:							
General fund	\$ -	\$ -	\$ 598,760	\$ 33,217	\$ 120,932	\$ 30,300	\$ 783,209
Permanent fund	150,000	-	-	-	-	-	150,000
Borough capital improvements	35,000	-	-	14,536	-	-	49,536
Passenger vessel tax	-	-	-	525,700	-	-	525,700
Other governmental funds	5,000	417,148	98,750	5,880	12,446	-	539,224
Small boat harbor fund	-	-	-	74,996	-	-	74,996
Water fund	-	-	-	162,767	-	-	162,767
Total	<u>\$ 190,000</u>	<u>\$ 417,148</u>	<u>\$ 697,510</u>	<u>\$ 817,096</u>	<u>\$ 133,378</u>	<u>\$ 30,300</u>	<u>\$ 2,285,432</u>

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**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 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, 2014

	Budget Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
Revenue				
Taxes				
Property	\$ 2,278,450	\$ 2,278,450	\$ 2,303,751	\$ 25,301
Sales	1,224,000	1,224,000	1,265,023	41,023
Intergovernmental - Federal and State	1,167,150	1,724,032	1,689,925	(34,107)
Federal payments in lieu of taxes	360,000	360,000	366,573	6,573
Service and admission fees	299,650	299,650	291,064	(8,586)
Licenses and permits	33,000	33,000	34,339	1,339
Rentals	69,000	69,000	61,903	(7,097)
Investment earnings	112,000	112,000	114,021	2,021
Contributions and other	59,317	115,421	153,834	38,413
Total revenue	<u>5,602,567</u>	<u>6,215,553</u>	<u>6,280,433</u>	<u>64,880</u>
Expenditures				
Current				
General government	1,172,202	1,577,740	1,616,177	(38,437)
Public safety	1,055,304	1,090,022	1,062,372	27,650
Public works and streets	869,399	892,009	858,153	33,856
Education	1,781,666	1,781,666	1,777,220	4,446
Culture, recreation, and library	643,050	1,094,296	1,062,477	31,819
Total expenditures	<u>5,521,621</u>	<u>6,435,733</u>	<u>6,376,399</u>	<u>59,334</u>
Excess (deficiency) of revenue over (under) expenditures	<u>80,946</u>	<u>(220,180)</u>	<u>(95,966)</u>	<u>124,214</u>
Other financing sources (uses)				
Transfers in	190,000	190,000	190,000	-
Transfers out	(571,500)	(813,740)	(783,209)	30,531
Total other financing sources (uses)	<u>(381,500)</u>	<u>(623,740)</u>	<u>(593,209)</u>	<u>30,531</u>
Net change in fund balance	<u>\$ (300,554)</u>	<u>\$ (843,920)</u>	<u>\$ (689,175)</u>	<u>\$ 154,745</u>

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

For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Intergovernmental - State of Alaska	\$ 130,000	\$ 130,000	\$ 608,196	\$ 478,196
Expenditures				
Port development	81,100	81,100	82,496	(1,396)
Excess of revenues over expenditures	48,900	48,900	525,700	476,800
Other financing uses - transfers out	-	510,000	525,700	(15,700)
Net change in fund balance	\$ 48,900	\$ (461,100)	\$ -	\$ 461,100