

HAINES BOROUGH  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

HAINES BOROUGH  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 11
Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Balance Sheet - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Component Unit Combining Statement of Net Assets	20
Component Unit Combining Statement of Activities	21
Notes to Financial Statements	22 - 43
Required Supplementary Information (for the General Fund and all Major Special Revenue Funds with Legally Adopted Budgets)	
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedule - Municipal Land Disposal Fund	45
Budgetary Comparison Schedule - National Forest Receipts Special Revenue Fund	46
Budgetary Comparison Schedule - Passenger Vessel Tax Special Revenue Fund	47

# 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 AUDITORS' REPORT

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

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, 2011, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Haines Borough's management. 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 represents 3% of total assets in the statement of net assets and 33% 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012 on our consideration of the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 44 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 and the other auditors 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 sufficient evidence to express an opinion or provide any assurance.

Handwritten signature in black ink, appearing to read "ERM".

March 7, 2012

## **HAINES BOROUGH**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2011

The Haines Borough ("the Borough") Management's Discussion and Analysis ("MD&A") provides the narrative overview and analysis of the financial activities of the Borough for the fiscal year ended June 30, 2011 (FY11).

#### **FINANCIAL HIGHLIGHTS**

- The assets of the Haines Borough exceeded its liabilities at the close of FY11 by \$50.6 million (net assets). Of this amount, \$33.8 million represents the Borough's investment in capital assets (e.g. land, buildings, roads) net of related debt, and \$8.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets increased by \$3.2 million, or approximately 7%. The total increase reflects an increase in business-type activities of roughly \$0.6 million and governmental activities of \$2.6 million.
- The increase in net assets for governmental activities is largely due to \$2.1 million of grant funds from the state of Alaska for waterfront improvements at the Port Chilkoot Dock.
- The General Fund, at the beginning of fiscal year 2011, has been restated and reclassified due to Haines Public Library no longer meeting criteria for presentation as a component unit. As a result, the Haines Public Library fund balance of \$72,407, previously reported as a component unit has been reclassified as part of the General Fund beginning fund balance, previously reported as \$4,164,867, for a revised beginning balance for the General Fund of \$4,237,274.
- In FY11 the Borough purchased for \$370,000 Crystal Cathedrals Water & Sewer System, a privately owned water and sewer utility adjacent to the Borough's utility. The purchase was financed through a long term loan from the Borough's general fund to the water and sewer enterprise funds. The Borough has subsequently applied to the Alaska Department of Environmental Conservation for a loan to refinance the purchase.
- In FY11 general fund revenues were comprised primarily of property tax (35%), intergovernmental sources (24%), sales tax (20%), service fees (12%), payment in lieu of taxes (6%), and investment income (2%).
- During the year, the Borough paid down \$732,993 on long-term debt including \$687,404 paid down on general obligation debt and \$45,589 paid down on proprietary fund debts.

#### **REPORT FORMAT**

The financial report is presented with the MD&A. The report consists of government-wide financial statements, fund financial statements, notes to the financial statements and supplementary information.

The report layout is presented in the following order:

MD&A (pages 3 - 11)

Basic Financial Statements:

Government-Wide Financial Statements (pages 12 and 13)

Fund Financial Statements (pages 14 - 21)

Notes to the Basic Financial Statements (pages 22 - 43)

Required Supplementary Information (pages 44 - 47)

The first statements are highly condensed and present a government-wide view of the Borough's finances. Within this view, all operations are reported as either governmental or business-type activities. Governmental activities include basic services such as general government, public safety, public works, education, fire services, ambulance, recreation, economic development, museum, and library. Business-type activities are water, sewer, and boat harbor services. The government-wide statements include the Statement of Net Assets and Statement of Activities.

The focus is on both the Borough as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to focus on the more relevant financial issues and broaden their basis for year-to-year or government-to-government comparisons.

## **OVERVIEW OF FINANCIAL STATEMENTS**

The MD&A is intended to serve as an introduction to the Borough's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Borough's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether our financial position is improving or deteriorating.

The statement of activities demonstrates how the net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

These financial statements discretely present the financial position and activities of the school district, which is a component unit.

The government-wide financial statements can be found on pages 12 and 13 of this report.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough can be divided into two categories: governmental funds and enterprise (or proprietary) funds.

*Governmental funds* – *Governmental funds* are used to account for the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. A reconciliation is presented to facilitate this comparison between *governmental funds* and *governmental activities*.

The Borough maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major governmental funds. The major governmental funds are the general fund, the municipal land disposal fund, the national forest receipts fund, the permanent trust fund, the new school construction fund, the new school debt service fund, the special capital projects fund, the Borough capital improvements fund, and the passenger vessel tax fund. Data from the remaining special revenue, debt service, and capital projects funds is presented in aggregate.

The basic governmental fund financial statements can be found on pages 14 - 16 of this report.

*Enterprise funds* – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The enterprise fund financial statements provide separate information for the small boat harbor and for the water and sewer utilities. All are considered major funds.

The basic enterprise fund financial statements can be found on pages 17 - 19 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as an indicator of a government's financial position. The Borough's total assets exceeded liabilities by \$50.6 million (net assets) as of June 30, 2011, compared to \$47.4 million as of June 30, 2010.

The largest portion of the Borough's net assets (67%) reflects its investment in capital assets (e.g., land, buildings, improvements, road network, and equipment), less any related debt that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources

needed to repay this outstanding debt must be provided from other sources, as the capital assets themselves cannot be used as a source of funds to liquidate these liabilities. The amount of debt related to the investment in capital assets is \$16.2 million as of June 30, 2011.

The following is a condensed version of the Borough's statements of net assets:

### HAINES BOROUGH'S NET ASSETS

	Governmental		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$18,021,698	\$17,587,806	\$1,655,239	\$2,134,785	\$19,676,937	\$19,722,591
Capital assets	33,176,681	31,461,375	16,967,044	15,923,493	50,143,725	47,384,868
Total assets	51,198,379	49,049,181	18,622,283	18,058,278	69,820,662	67,107,459
Current and other liabilities	3,491,919	3,266,684	151,222	118,067	\$3,643,141	\$3,384,751
Long-term liabilities	14,050,908	14,758,022	1,502,259	1,529,974	15,553,167	16,287,996
Total liabilities	17,542,827	18,024,706	1,653,481	1,648,041	19,196,308	19,672,747
Net assets:						
Invested in capital assets						
net of related debt	18,413,276	16,091,027	15,424,270	14,356,097	33,837,546	30,447,124
Restricted	8,112,172	8,681,610	113,217	112,277	8,225,389	8,793,887
Unrestricted	7,130,104	6,251,838	1,431,315	1,941,863	8,561,419	8,193,701
Total net assets	<u>\$33,655,552</u>	<u>\$31,024,475</u>	<u>\$16,968,802</u>	<u>\$16,410,237</u>	<u>\$50,624,354</u>	<u>\$47,434,712</u>

A portion of the Borough's net assets (\$8.2 million or 16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8.6 million or 17%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Borough was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. The government's net assets increased by \$3,189,642 in FY11 compared to a \$2,886,567 increase in FY10. The increase in FY11 was largely due to two factors: (1) the use of grant funds from the State of Alaska for waterfront improvements at the Port Chilkoot Cruise Ship Dock; and (2) the use of grant funds from the State of Alaska and the US Environmental Protection Agency for replacement of the Lily Lake drinking water transmission line.

The following is a condensed version of the Borough's changes in net assets:

### HAINES BOROUGH'S CHANGES IN NET ASSETS

	Governmental		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Fees, fines and charges for services	\$641,120	\$523,623	\$884,576	\$766,947	\$1,525,696	1,290,570
Operating grants & contributions	824,573	984,238	-	-	824,573	984,238
Capital grants & Contributions	4,882,500	5,499,410	-	-	4,882,500	5,499,410
General revenues						
Property taxes	2,566,967	2,296,696	-	-	2,566,967	2,296,696
Sales taxes	2,724,105	2,543,070	-	-	2,724,105	2,543,070
Other	1,729,675	2,480,727	200,120	267,121	1,929,795	2,747,848
Total revenues	<u>13,368,940</u>	<u>14,327,764</u>	<u>1,084,696</u>	<u>1,034,068</u>	<u>14,453,636</u>	<u>15,361,832</u>
Expenses						
General government	1,997,670	1,662,573	-	-	1,997,670	1,662,573
Public safety	1,056,469	1,036,018	-	-	1,056,469	1,036,018
Public works and streets	1,416,955	2,823,495	-	-	1,416,955	2,823,495
Education	2,394,388	2,639,266	-	-	2,394,388	2,639,266
Economic Development	544,378	432,703	-	-	544,378	432,703
Culture, recreation and Library	1,173,532	1,275,088	-	-	1,173,532	1,275,088
Interest on long-term debt	629,628	734,785	-	-	629,628	734,785
Water	-	-	388,429	342,019	388,429	342,019
Sewer	-	-	517,304	538,980	517,304	538,980
Port/Harbor	627,295	501,560	517,946	483,686	1,145,241	985,246
Total expenses	<u>9,840,315</u>	<u>11,105,488</u>	<u>1,423,679</u>	<u>1,364,685</u>	<u>11,263,994</u>	<u>12,470,173</u>
Increase (decrease) in net assets before transfers	4,091,633	3,222,276	(527,683)	(581,517)	3,563,950	2,640,759
Special items	(563,008)	-	188,700	250,900	(374,308)	250,900
Transfers	(897,548)	(2,645,980)	897,548	2,645,980	-	-
Increase (decrease) in net assets	2,631,077	576,296	558,565	2,315,363	3,189,642	2,891,659
Net assets - beg of year	<u>31,024,475</u>	<u>30,448,179</u>	<u>16,410,237</u>	<u>14,094,874</u>	<u>47,434,712</u>	<u>44,543,053</u>
Net assets - end of year	<u><u>\$33,655,552</u></u>	<u><u>\$31,024,475</u></u>	<u><u>\$16,968,802</u></u>	<u><u>\$16,410,237</u></u>	<u><u>\$50,624,354</u></u>	<u><u>\$47,434,712</u></u>

**Governmental activities** – In FY11 Governmental activities net assets increased by \$2.6 million. This figure is up from a \$0.6 million increase in FY10. The most significant factor in the increase from the previous year's increase is due to the receipt in FY11 of \$2.1 million of grant funds from the state of Alaska for waterfront improvements at the Port Chilkoot Dock.

**Business-type activities** – Business-type activities increased the Borough's net assets by \$558,565. A significant factor in the increase in net assets is the \$978,974 received from the State of Alaska and the US Environmental Protection Agency for replacement of the Lily Lake drinking water transmission line.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds* – The focus of the Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Borough's financing requirements. In particular, an unassigned fund balance may serve as a measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of FY11, the Borough's governmental funds reported combined ending fund balances of \$14.1 million, an increase of \$226,113 (2%) from the prior year due in large part to \$661,714 of investment income earned in the permanent fund in FY11. In compliance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund balances have been classified as follows: \$6.4 million in nonspendable, \$4.3 million is restricted, \$1.4 million is assigned, and \$2.0 million is unassigned and available for spending.

The general fund is the primary operating fund of the Borough. At the end of FY11, the fund balance of the general fund was \$4.3 million, up \$84,342 (4%) from the previous year. This compares to a \$1.2 million (22%) decrease in FY10. The decrease in FY10 was primarily due to a \$1.2 million payment to Chilkoot Indian Association pursuant to a Memorandum of Agreement between the organizations which resulted in deferred revenue for the Haines Borough as of June 30, 2010 which is not reflected on the government funds balance sheet.

*Enterprise funds* – The Borough's enterprise funds encompass the business-type activities presented in the government-wide financial statements.

As of the end of FY11, the enterprise fund's combined net assets were \$17.0 million, an increase of \$558,565 (3%) from the prior year. The increase breaks down between the funds as follows: \$962,499 (28%) increase in the water fund, \$144,552 (3%) decrease in the sewer fund, and a \$259,382 (3%) decrease in the small boat harbor fund. The primary factor in the increase in the water fund is \$978,974 of grant funds received from the State of Alaska and the US Environmental Protection Agency for replacement of the Lily Lake drinking water transmission line. The primary reason for the decrease in the net assets of the sewer and harbor funds is revenues from charges for service that were insufficient to cover depreciation expense.

Unrestricted net assets for the enterprise funds total \$1.4 million, down \$510,548 from the previous year. The reduction was primarily due to the View, 4<sup>th</sup>, & Lynnview water line replacement project which began in FY11 prior to the commitment of municipal matching grant funds from the State of Alaska. Management believes the project will be eligible for grant reimbursement, but until a grant agreement is in place water fund assets are being used to complete the needed work. Unrestricted assets for the water, sewer, and harbor enterprise funds are (\$108,900), \$584,798, and \$955,417 respectively. The unrestricted net assets for the sewer and harbor funds are held as operating and repair reserves for the funds. Management anticipates the unrestricted net assets for the water fund will be positive by the end of FY12.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Significant differences between the original budget and the final amended budget include:

- \$115,000 increase in projected wharfage revenues at the Lutak Dock due to the combined impact of increased activity and increase wharfage fees;
- \$250,000 increase in service fees revenue received resulting from a road maintenance contract with the Chilkoot Indian Association;
- \$84,000 increase in projected sales tax revenues; and
- PERS relief funding from the State of Alaska resulting in a \$120,000 increase in Intergovernmental Revenue and a \$120,000 increase in general government expenditures.

Actual revenues exceeded budgeted revenues by \$135,162 primarily due to sales revenues which were \$115,365 higher than budget. Another factor was PERS relief funding from the State of Alaska which was \$54,447 higher than budget. Partially offsetting those items which came in higher than budget was investment income which came in \$33,991 lower than budget. Actual expenditures were under budget by \$195,358.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital assets* – The Borough's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$50.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, road networks, harbors and water/sewer systems. The total increase in the Borough's investment in capital assets for the current fiscal year was \$2.8 million (6%). Governmental capital assets increased \$1.7 million (5%), while business-type capital assets increased \$1.0 million (7%).

Major capital asset events during the current fiscal year included the following:

- Invested \$2.1 million of grant funds from the state of Alaska for waterfront improvements at the Port Chilkoot Dock;
- Invested \$978,974 of grant funds received from the State of Alaska and the US Environmental Protection Agency for replacement of the Lily Lake drinking water transmission line;
- Demolished the former primary school building which was constructed in 1975;

- Replaced the heating system at the Mosquito Lake School using \$147,212 of grant funds from the State of Alaska DEED and \$74,847 of areawide general fund balance;
- Purchased Crystal Cathedrals Water & Sewer System for \$370,00 financed with a loan to the water and sewer enterprise funds from the general fund;
- Constructed a covered basketball court at the school with \$277,401 of general obligation bond proceeds remaining from the 2005 bond issue; and
- Purchased a new ambulance with \$17,432 of local funds and \$155,533 from a State of Alaska Code Blue grant; and
- Purchased a 2010 Doosan Wheeled Excavator with \$154,308 of local CIP sales tax funds;

*Debt administration* – As of June 30, 2011, the Borough has a total of \$16.2 million in bonds and loans payable, which consisted of two general obligation bond issues (\$14.7 million), one revenue bond issue (\$1.3 million), and two loans payable to the state of Alaska (\$205,081).

The total debt decreased \$732,993 (4%) in FY11. The decrease is due to normal annual debt retirement.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Property and sales tax revenues together make up 55% of general fund revenues. Real property assessments in the Borough increased \$27 million (11%) from FY10 to FY11. Much of this increase was due to the addition of property previously categorized as personal property to the real property rolls. Real property values have leveled off since FY11 and are expected to remain at current levels at least for the short term. Sales tax was up 6% over FY10 but flat from FY09. Sales tax revenues are expected to grow slightly in the near future.

The Borough continues to depend on intergovernmental revenues for a significant portion of its operating expenses. In FY11 combined revenues from the state of Alaska and the federal government made up \$1.8 million (30%) of general fund revenues. The Borough may see these revenues erode in the near future as state oil revenues are projected to decline and the federal government faces budget tightening measures. FY12 is the final year of authorized funding for the federal Secure and Rural Schools program which brought in \$367,524 in FY11 for education. Also FY13 is the final year of authorized funding for the federal Payment In Lieu of Taxes program which brought in \$364,214 to the general fund in FY11.

Use of the Lutak Dock and related wharfage revenues have increased in FY11 and are expected to continue to do so in immediate future. Increased mining activity in the Yukon may mean increased use of the dock for of mining materials, fuel, and ore.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have any questions about this report or need additional financial information, a request should be addressed to the Haines Borough, PO Box 1209, Haines, AK 99827 or please call (907) 766-2231.

The Haines Borough School District component unit issues its own separate audited financial statements. These statements may be obtained by directly contacting the Haines Borough School District, PO Box 1289, Haines, AK 99827.

HAINES BOROUGH  
STATEMENT OF NET ASSETS  
June 30, 2011

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,820,634	\$ 575	\$ 2,821,209	\$ 1,546,061
Investments	6,564,963	-	6,564,963	49,266
Receivables	2,044,454	82,926	2,127,380	228,161
Internal balances, net	(1,364,583)	1,364,583	-	-
Due from component units	29,077	-	29,077	-
Inventory and prepaid expenses	140,408	82,712	223,120	48,536
Performance deposit	-	11,226	11,226	-
Total current assets	10,234,953	1,542,022	11,776,975	1,872,024
Restricted Assets				
Cash and cash equivalents	40,156	-	40,156	-
Investments	7,352,417	-	7,352,417	-
Revenue bond debt service reserve investments	-	113,217	113,217	-
Receivables	59,942	-	59,942	-
Noncurrent Assets				
Receivables, net of current portion	334,230	-	334,230	-
Capital assets, net	33,176,681	16,967,044	50,143,725	154,642
Total assets	<u>\$ 51,198,379</u>	<u>\$ 18,622,283</u>	<u>\$ 69,820,662</u>	<u>\$ 2,026,666</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,196,606	\$ 65,519	\$ 1,262,125	\$ 44,731
Accrued payroll	218,046	-	218,046	23,663
Accrued interest payable	-	4,390	4,390	-
Due to primary government	-	-	-	51,003
Due to component units	40,400	-	40,400	-
Deposits	-	31,902	31,902	-
Deferred revenue	1,324,370	-	1,324,370	780
Current portion of long-term obligations	712,497	49,411	761,908	-
Total current liabilities	3,491,919	151,222	3,643,141	120,177
Noncurrent Portion of Long-Term Obligations				
Total liabilities	<u>14,050,908</u>	<u>1,502,259</u>	<u>15,553,167</u>	<u>-</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	18,413,276	15,424,270	33,837,546	154,642
Restricted for				
Bond reserves	-	113,217	113,217	-
Medical services	170,829	-	170,829	-
Capital projects	1,208,509	-	1,208,509	-
Economic development	378,797	-	378,797	-
Museum projects and other	-	-	-	150,429
Permanent fund - nonexpendable	6,354,037	-	6,354,037	-
Unrestricted	<u>7,130,104</u>	<u>1,431,315</u>	<u>8,561,419</u>	<u>1,601,418</u>
Total net assets	<u>33,655,552</u>	<u>16,968,802</u>	<u>50,624,354</u>	<u>1,906,489</u>
Total liabilities and net assets	<u>\$ 51,198,379</u>	<u>\$ 18,622,283</u>	<u>\$ 69,820,662</u>	<u>\$ 2,026,666</u>

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

HAINES BOROUGH  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
		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	\$ 1,997,670	\$ -	\$ 18,729	\$ 18,804	\$ (1,960,137)	\$ -	\$ (1,960,137)	\$ -
Public safety	1,056,469	257,982	117,046	-	(681,441)	-	(681,441)	-
Public works and streets	1,416,955	-	-	3,396,733	1,979,778	-	1,979,778	-
Economic development	544,378	-	-	-	(544,378)	-	(544,378)	-
Education	2,394,388	-	423,206	912,019	(1,059,163)	-	(1,059,163)	-
Port operations	627,295	300,200	154,270	554,944	382,119	-	382,119	-
Culture, recreation and library	1,173,532	82,938	111,322	-	(979,272)	-	(979,272)	-
Interest on long-term debt	629,628	-	-	-	(629,628)	-	(629,628)	-
Total governmental activities	9,840,315	641,120	824,573	4,882,500	(3,492,122)	-	(3,492,122)	-
Business-type activities								
Water	388,429	323,616	-	-	-	(64,813)	(64,813)	-
Sewer	517,304	370,080	-	-	-	(147,224)	(147,224)	-
Small boat harbor	517,946	190,880	-	-	-	(327,066)	(327,066)	-
Total business-type activities	1,423,679	884,576	-	-	-	(539,103)	(539,103)	-
Total	\$ 11,263,994	\$ 1,525,696	\$ 824,573	\$ 4,882,500	(3,492,122)	(539,103)	(4,031,225)	-
Component Units	\$ 6,860,597	\$ 126,705	\$ 1,289,549	\$ -				(5,444,343)
General Revenue and Transfers								
Property taxes					2,566,967	-	2,566,967	-
Sales taxes					2,724,105	-	2,724,105	-
Provided by general government					-	-	-	1,925,458
Intergovernmental revenue not restricted to specific programs					926,353	1,477	927,830	3,715,037
Investment income					699,603	9,943	709,546	1,986
Contributions to Permanent Fund Principal - inflation proofing					101,863	-	101,863	-
Licenses and permits					24,775	-	24,775	-
Rentals					61,878	-	61,878	-
Contributions and other					114,022	-	114,022	118,974
Payments in lieu of taxes					364,189	-	364,189	-
Special item - loss on disposal of fixed assets					(563,008)	-	(563,008)	-
Special item - loan principal forgiveness					-	188,700	188,700	-
Transfers (contributions of capital assets and transfers from general government)					(897,548)	897,548	-	-
Total general revenue and transfers					6,123,199	1,097,668	7,220,867	5,761,455
Change in net assets					2,631,077	558,565	3,189,642	317,112
Net Assets, beginning of year					31,024,475	16,410,237	47,434,712	1,589,377
Net Assets, end of year					\$ 33,655,552	\$ 16,968,802	\$ 50,624,354	\$ 1,906,489

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

HAINES BOROUGH  
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

ASSETS	General Fund	Municipal Land Disposal	National Forest Receipts	Permanent Fund	New School Construction	New School Debt Service	Special Capital Projects	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,820,634	\$ -	\$ -	\$ 40,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,860,790
Investments	6,564,963	-	-	7,352,417	-	-	-	-	-	-	13,917,380
Receivables	490,151	264,698	-	59,942	-	9,121	1,431,852	86,051	-	96,811	2,438,626
Due from other funds	115,843	378,677	430,754	275	125,352	-	-	1,208,538	429,184	483,993	3,172,616
Due from component units	29,077	-	-	-	-	-	-	-	-	-	29,077
Prepaid expenses	92,800	-	-	-	-	-	-	-	-	-	92,800
Inventory	47,608	-	-	-	-	-	-	-	-	-	47,608
<b>Total assets</b>	<b>\$ 10,161,076</b>	<b>\$ 643,375</b>	<b>\$ 430,754</b>	<b>\$ 7,452,790</b>	<b>\$ 125,352</b>	<b>\$ 9,121</b>	<b>\$ 1,431,852</b>	<b>\$ 1,294,589</b>	<b>\$ 429,184</b>	<b>\$ 580,804</b>	<b>\$ 22,558,897</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ 112,347	\$ 669	\$ -	\$ 1,553	\$ -	\$ -	\$ 973,796	\$ 81,540	14,326	\$ 12,372	\$ 1,196,603
Accrued payroll	218,046	-	-	-	-	-	-	-	-	-	218,046
Due to other funds	4,073,679	-	-	-	-	5,465	458,056	-	-	-	4,537,200
Due to component units	40,400	-	-	-	-	-	-	-	-	-	40,400
Deferred revenue	1,394,988	264,699	430,754	-	-	-	-	4,540	414,858	2,282	2,512,121
<b>Total liabilities</b>	<b>5,839,460</b>	<b>265,368</b>	<b>430,754</b>	<b>1,553</b>	<b>-</b>	<b>5,465</b>	<b>1,431,852</b>	<b>86,080</b>	<b>429,184</b>	<b>14,654</b>	<b>8,504,370</b>
<b>Fund Balances</b>											
Nonspendable	140,408	-	-	6,213,629	-	-	-	-	-	-	6,354,037
Restricted	1,998,304	378,007	-	-	125,352	3,656	-	1,208,509	-	566,150	4,279,978
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	175,759	-	-	1,237,608	-	-	-	-	-	-	1,413,367
Unassigned	2,007,145	-	-	-	-	-	-	-	-	-	2,007,145
<b>Total fund balances</b>	<b>4,321,616</b>	<b>378,007</b>	<b>-</b>	<b>7,451,237</b>	<b>125,352</b>	<b>3,656</b>	<b>-</b>	<b>1,208,509</b>	<b>-</b>	<b>566,150</b>	<b>14,054,527</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,161,076</b>	<b>\$ 643,375</b>	<b>\$ 430,754</b>	<b>\$ 7,452,790</b>	<b>\$ 125,352</b>	<b>\$ 9,121</b>	<b>\$ 1,431,852</b>	<b>\$ 1,294,589</b>	<b>\$ 429,184</b>	<b>\$ 580,804</b>	
Amounts reported for governmental activities in the statement of net assets are different because:											
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds											33,176,681
Earned revenues that are not available to pay for current-period expenditures are deferred in the funds											1,187,749
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds											(14,763,405)
<b>Net assets of governmental activities</b>											<b>\$ 33,655,552</b>

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

HAINES BOROUGH  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Municipal Land Disposal	National Forest Receipts	Permanent Fund	New School Construction	New School Debt Service	Special Capital Projects	Borough Capital Improvements	Passenger Vessel Tax	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>											
Taxes:											
Property	\$ 2,139,804	\$ -	\$ -	\$ -	\$ -	\$ 366,887	\$ -	\$ -	\$ -	\$ 14,150	\$ 2,520,841
Sales	1,236,365	-	-	-	-	-	-	743,870	-	743,870	2,724,105
<b>Intergovernmental:</b>											
Federal	442,692	-	36,854	-	-	-	234,388	-	-	17,093	731,027
State	1,030,236	-	-	-	-	912,019	3,717,291	-	90,719	58,731	5,808,996
Service and admission fees	641,120	-	-	-	-	-	-	-	-	-	641,120
Licenses and permits	24,775	-	-	-	-	-	-	-	-	-	24,775
Rentals	61,878	-	-	-	-	-	-	-	-	-	61,878
Investment earnings	124,159	-	-	661,714	15,316	-	-	-	-	277	801,466
Contributions and other	108,605	571	-	-	-	-	-	-	-	3,249	112,425
LID payments	-	-	-	-	-	-	-	-	-	890	890
Payments in lieu of taxes	364,214	-	-	-	-	-	-	-	-	-	364,214
<b>Total revenues</b>	<b>6,173,848</b>	<b>571</b>	<b>36,854</b>	<b>661,714</b>	<b>15,316</b>	<b>1,278,906</b>	<b>3,951,679</b>	<b>743,870</b>	<b>90,719</b>	<b>838,260</b>	<b>13,791,737</b>
<b>Expenditures</b>											
<b>Current</b>											
General government	1,368,516	184,827	-	21,226	-	-	-	-	-	46,091	1,620,660
Public safety	907,808	-	-	-	-	-	-	-	-	245,423	1,153,231
Public works and streets	673,710	-	-	-	-	-	-	-	-	-	673,710
Economic development	-	-	-	-	-	-	-	-	-	538,616	538,616
Education	1,925,740	-	36,854	-	-	-	-	-	-	18,964	1,981,558
Port operations	123,529	-	-	-	-	-	-	-	-	-	123,529
Culture, recreation, and library	1,005,785	-	-	-	-	-	-	-	-	-	1,005,785
<b>Debt service</b>											
Principal	-	-	-	-	-	675,000	-	-	-	4,986	679,986
Interest	-	-	-	-	-	627,884	-	-	-	9,162	637,046
Capital outlay	-	-	-	-	285,608	-	3,750,182	545,803	90,719	18,804	4,691,116
<b>Total expenditures</b>	<b>6,005,088</b>	<b>184,827</b>	<b>36,854</b>	<b>21,226</b>	<b>285,608</b>	<b>1,302,884</b>	<b>3,750,182</b>	<b>545,803</b>	<b>90,719</b>	<b>882,046</b>	<b>13,105,237</b>
Excess (deficiency) of revenues over (under) expenditures	168,760	(184,256)	-	640,488	(270,292)	(23,978)	201,497	198,067	-	(43,786)	686,500
<b>Other Financing Sources (Uses)</b>											
Transfers in	204,588	-	-	-	-	-	361,511	100,000	-	8,037	674,136
Transfers out	(289,006)	-	-	(140,000)	-	-	-	(172,722)	-	(72,408)	(674,136)
Sale of capital assets	-	102,621	-	-	-	-	-	-	-	-	102,621
Special item	-	-	-	-	-	-	(563,008)	-	-	-	(563,008)
<b>Total other financing sources and uses</b>	<b>(84,418)</b>	<b>102,621</b>	<b>-</b>	<b>(140,000)</b>	<b>-</b>	<b>-</b>	<b>(201,497)</b>	<b>(72,722)</b>	<b>-</b>	<b>(64,371)</b>	<b>(460,387)</b>
<b>Net change in fund balances</b>	<b>84,342</b>	<b>(81,635)</b>	<b>-</b>	<b>500,488</b>	<b>(270,292)</b>	<b>(23,978)</b>	<b>-</b>	<b>125,345</b>	<b>-</b>	<b>(108,157)</b>	<b>226,113</b>
Fund Balances, beginning of year	4,237,274	459,642	-	6,950,749	395,644	27,634	-	1,083,164	-	674,307	13,828,414
<b>Fund Balances, end of year</b>	<b>\$ 4,321,616</b>	<b>\$ 378,007</b>	<b>\$ -</b>	<b>\$ 7,451,237</b>	<b>\$ 125,352</b>	<b>\$ 3,656</b>	<b>\$ -</b>	<b>\$ 1,208,509</b>	<b>\$ -</b>	<b>\$ 566,150</b>	<b>\$ 14,054,527</b>

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, 2011

Net change in fund balances - total governmental funds		\$	226,113
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>			
Capital outlays			3,214,215
Donation of capital assets			32,906
Depreciation expense			(1,531,815)
			1,715,306
<p>Other transactions involving capital assets consist of sales of assets net of cash collected. Cash collected is current income in the fund financial statements and the gain on sales is revenue for the statement of activities.</p>			
Cash collected in the current year			(102,621)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the change in the net amount recognized from year to year (the change in deferred revenue).</p>			
			110,400
<p>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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>			
			687,404
Change in compensated absences			(5,525)
Change in net assets of governmental activities			\$ 2,631,077

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

HAINES BOROUGH  
BALANCE SHEET -  
PROPRIETARY FUNDS  
June 30, 2011

Business-type Activities - Enterprise Funds				
	Water	Sewer	Small Boat Harbor	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 575	\$ 575
Receivables	37,743	39,280	5,903	82,926
Due from other funds	-	553,880	1,101,730	1,655,610
Inventory	46,951	3,094	32,667	82,712
Performance deposit	-	11,226	-	11,226
<b>Total current assets</b>	<b>84,694</b>	<b>607,480</b>	<b>1,140,875</b>	<b>1,833,049</b>
<b>Restricted Assets</b>				
Revenue bond debt service reserve instruments	-	113,217	-	113,217
<b>Fixed Assets</b>				
Land	45,570	9,000	-	54,570
Buildings	15,764	6,811	-	22,575
Improvements other than buildings	7,498,642	9,657,496	7,556,231	24,712,369
Equipment	-	-	77,832	77,832
<b>Total fixed assets</b>	<b>7,559,976</b>	<b>9,673,307</b>	<b>7,634,063</b>	<b>24,867,346</b>
Less Accumulated Depreciation	3,195,387	4,475,797	972,923	8,644,107
<b>Net fixed assets</b>	<b>4,364,589</b>	<b>5,197,510</b>	<b>6,661,140</b>	<b>16,223,239</b>
Construction in Progress	319,404	-	424,401	743,805
<b>Total assets</b>	<b>\$ 4,768,687</b>	<b>\$ 5,918,207</b>	<b>\$ 8,226,416</b>	<b>\$ 18,913,310</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 7,275	\$ 6,135	\$ 52,109	\$ 65,519
Bond interest payable	-	4,390	-	4,390
Loan payable - current	16,313	-	-	16,313
Bond payable - current	-	33,098	-	33,098
Deposits	6,687	7,709	17,506	31,902
Due to other funds	175,184	-	115,843	291,027
<b>Total current liabilities</b>	<b>205,459</b>	<b>51,332</b>	<b>185,458</b>	<b>442,249</b>
<b>Noncurrent Liabilities</b>				
Accrued vacation	4,448	4,448	-	8,896
Revenue bonds payable	-	1,304,595	-	1,304,595
Loans payable	188,768	-	-	188,768
<b>Total noncurrent liabilities</b>	<b>193,216</b>	<b>1,309,043</b>	<b>-</b>	<b>1,502,259</b>
<b>Total liabilities</b>	<b>398,675</b>	<b>1,360,375</b>	<b>185,458</b>	<b>1,944,508</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,478,912	3,859,817	7,085,541	15,424,270
Restricted for bond reserves	-	113,217	-	113,217
Unrestricted	(108,900)	584,798	955,417	1,431,315
<b>Total net assets</b>	<b>4,370,012</b>	<b>4,557,832</b>	<b>8,040,958</b>	<b>16,968,802</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,768,687</b>	<b>\$ 5,918,207</b>	<b>\$ 8,226,416</b>	<b>\$ 18,913,310</b>

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

HAINES BOROUGH  
STATEMENT OF REVENUES, EXPENSES , AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Harbor	Total
Operating Revenue				
Charges for services	\$ 323,616	\$ 370,080	\$ 190,880	\$ 884,576
General Revenue				
Intergovernmental - State of Alaska	1,477	-	-	1,477
Operating Expenses				
Depreciation	140,746	219,906	277,693	638,345
Salaries and benefits	133,572	120,762	108,729	363,063
Utilities	29,479	67,035	37,861	134,375
Professional services	30,026	1,878	15,024	46,928
Materials and supplies	36,610	17,901	67,329	121,840
Banking and insurance	4,073	5,817	7,747	17,637
Repairs and maintenance	6,107	8,682	-	14,789
Vehicle	3,064	3,439	1,835	8,338
Advertising, dues and subscriptions	596	2,052	556	3,204
Travel and training	1,599	-	1,172	2,771
Total operating expenses	385,872	447,472	517,946	1,351,290
Operating loss	(60,779)	(77,392)	(327,066)	(465,237)
Nonoperating Revenue (Expense)				
Investment income	4,887	2,672	2,384	9,943
Interest expense	(2,557)	(69,832)	-	(72,389)
Total nonoperating revenue (expense)	2,330	(67,160)	2,384	(62,446)
Loss before contributions and transfers	(58,449)	(144,552)	(324,682)	(527,683)
Contributions in aid of construction	955,110	-	65,300	1,020,410
Transfers in (out)	(122,862)	-	-	(122,862)
Special item - loan principal forgiveness	188,700	-	-	188,700
Change in net assets	962,499	(144,552)	(259,382)	558,565
Net Assets, beginning of year	3,407,513	4,702,384	8,300,340	16,410,237
Net Assets, end of year	\$ 4,370,012	\$ 4,557,832	\$ 8,040,958	\$ 16,968,802

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

HAINES BOROUGH  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Small Boat Harbor	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 322,432	\$ 372,804	\$ 189,548	\$ 884,784
Cash paid to suppliers	(119,646)	(111,749)	(123,350)	(354,745)
Cash paid to employees	(133,247)	(121,234)	(108,729)	(363,210)
Net cash transferred from (to) general fund	304,329	135,814	40,347	480,490
Net cash flows from operating activities	<u>373,868</u>	<u>275,635</u>	<u>(2,184)</u>	<u>647,319</u>
Cash Flows from Capital and Related Financing Activities				
Purchases of fixed assets	(276,767)	(175,142)	-	(451,909)
Disposal of fixed assets	887	-	-	887
Transfers to other funds	(122,862)	-	-	(122,862)
Repayment of loan payable	(14,203)	-	-	(14,203)
Interest on bonds and loan payable	(2,557)	(69,832)	-	(72,389)
Repayment of bonds payable	-	(31,386)	-	(31,386)
Net cash flows from capital and related financing activities	<u>(415,502)</u>	<u>(276,360)</u>	<u>-</u>	<u>(691,862)</u>
Cash Flows from Investing Activities				
Purchase of investments	-	(1,947)	-	(1,947)
Change in performance deposit	-	-	-	-
Investment income	4,887	2,672	2,384	9,943
Net cash flows from investing activities	<u>4,887</u>	<u>725</u>	<u>2,384</u>	<u>7,996</u>
Net decrease in cash	<u>(36,747)</u>	<u>-</u>	<u>200</u>	<u>(36,547)</u>
Cash and Cash Equivalents, beginning of year	<u>36,747</u>	<u>-</u>	<u>375</u>	<u>37,122</u>
Cash and Cash Equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575</u>	<u>\$ 575</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities				
Operating loss	\$ (60,779)	\$ (77,392)	\$ (327,066)	\$ (465,237)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation	140,746	219,906	277,693	638,345
Changes in operating assets and liabilities				
Receivables	(3,219)	2,627	(1,332)	(1,924)
Due from other funds	304,329	135,814	40,347	480,490
Inventory	(1,575)	622	(32,667)	(33,620)
Accounts payable	(6,517)	(5,567)	40,841	28,757
Accrued vacation	325	(472)	-	(147)
Deposits	558	97	-	655
Total adjustments	<u>434,647</u>	<u>353,027</u>	<u>324,882</u>	<u>1,112,556</u>
Net cash flows from operating activities	<u>\$ 373,868</u>	<u>\$ 275,635</u>	<u>\$ (2,184)</u>	<u>\$ 647,319</u>
Noncash Capital and Related Financing Activities				
Special item - loan principal forgiveness	<u>\$ 188,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,700</u>

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

HAINES BOROUGH  
 COMPONENT UNIT COMBINING STATEMENT OF NET ASSETS  
 June 30, 2011

	Haines Borough School District	Sheldon Museum	Non-major Component Unit	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,357,472	\$ 146,993	\$ 41,596	\$ 1,546,061
Investments	5,256	44,010	-	49,266
Receivables	227,871	290	-	228,161
Inventory and prepaid expenses	-	48,536	-	48,536
Total current assets	1,590,599	239,829	41,596	1,872,024
Noncurrent Assets				
Capital assets, net	95,356	59,286	-	154,642
Total assets	\$ 1,685,955	\$ 299,115	\$ 41,596	\$ 2,026,666
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 43,166	\$ 1,565	\$ -	\$ 44,731
Due to governmental entity	-	16,911	34,092	51,003
Accrued payroll and related liabilities	16,189	7,474	-	23,663
Deferred revenue	-	780	-	780
Total current liabilities	59,355	26,730	34,092	120,177
<b>NET ASSETS</b>				
Invested in Capital Assets	95,356	59,286	-	154,642
Restricted for Museum				
Projects and Other	-	150,429	-	150,429
Unrestricted	1,531,244	62,670	7,504	1,601,418
Total net assets	1,626,600	272,385	7,504	1,906,489
Total liabilities and net assets	\$ 1,685,955	\$ 299,115	\$ 41,596	\$ 2,026,666

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

HAINES BOROUGH  
COMPONENT UNIT COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	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	\$ 6,480,319	\$ 47,789	\$ 1,213,029	\$ -	\$ (5,219,501)	\$ -	\$ -	\$ (5,219,501)
Sheldon Museum	326,418	78,916	56,320	-	-	(191,182)	-	(191,182)
Non-Major Component Units	53,860	-	20,200	-	-	-	(33,660)	(33,660)
	<u>\$ 6,860,597</u>	<u>\$ 126,705</u>	<u>\$ 1,289,549</u>	<u>\$ -</u>	<u>(5,219,501)</u>	<u>(191,182)</u>	<u>(33,660)</u>	<u>(5,444,343)</u>
General Revenues								
Provided by general government					1,709,044	185,663	30,751	1,925,458
State of Alaska					3,715,037	-	-	3,715,037
Investment income					1,488	491	7	1,986
Contributions and other					55,941	60,143	2,890	118,974
Total General Revenue and Transfers					<u>5,481,510</u>	<u>246,297</u>	<u>33,648</u>	<u>5,761,455</u>
Change in Net Assets					262,009	55,115	(12)	317,112
Net Assets, beginning of year					<u>1,364,591</u>	<u>217,270</u>	<u>7,516</u>	<u>1,589,377</u>
Net Assets, end of year					<u>\$ 1,626,600</u>	<u>\$ 272,385</u>	<u>\$ 7,504</u>	<u>\$ 1,906,489</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, 2011

**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 assets (page 20) and the combining statement of activities (page 21).

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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

**Government-Wide and Fund Financial Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Borough, and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges to 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.

**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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

*Municipal Land Disposal Fund* – Accounts for the proceeds of sales, collections of outstanding contracts receivable, and costs of administering the land disposals conducted by the Borough. These amounts are transferred to the Permanent Trust Fund, unless designated by the Assembly for future land development.

*National Forest Receipts* – Accounts for grant funds restricted for: search and rescue or firefighting on Federal land; educating homeowners about wildfire issues; conducting after school forest related programs, and other restricted uses.

*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 Construction* – Accounts for the proceeds of a bond issuance to be used in construction of the new school and related projects.

*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 tax, that benefit the entire Borough area.

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

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.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. The Borough also follows subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

Proprietary (or enterprise) funds (water/sewer/harbor) 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.

**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 and Net Assets or Equity**

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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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, and supplies, and is stated at the lower of cost (first-in, first-out basis) or market.

Prepaid Expenses

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

Restricted Assets

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

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

Deferred Revenue

The Borough occasionally sells land using long-term receivable contracts.

In the fund financial statements, as the amounts due on the receivable contracts are not available to finance current period expenditures, they are recorded as deferred revenue. 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.

In addition, amounts received from grants and other sources, but not yet spent for their restricted purpose, are shown on the balance sheet as deferred 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, and related debt. Net assets 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 regulation 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 and current liabilities. The Borough has reclassified fund balances in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved, designated, and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned. 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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 reflected as deferred revenues in the fund financial statements.

Reclassifications

Certain prior year financial statement balances have been reclassified to conform to the current year presentation. See Note 15 for further information.

**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 requirement 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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

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, 2011 expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

General fund	
Administration	\$ 71,741
Assembly	2,411
Public facilities	5,618
Parks and recreation	5,007
Special revenue funds	
Small grants	17,093
Capital project funds	
Barnett Pump Station	107,429
Proprietary funds	
Boat Harbor Fund	21,567

These over-expenditures were funded by revenues that were greater than anticipated and various grants.

**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, 2011, the carrying amount of the Borough's cash balances was \$2,872,591, while the bank and other institution balances were \$3,059,946. 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	\$ 2,324,413
Uncollateralized/uninsured	<u>735,533</u>
	<u>\$ 3,059,946</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 \$1,244,849 at June 30, 2011.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3 - CASH (CONTINUED)**

	<u>Carrying Amount</u>
Reconciliation to statement of net assets:	
Cash and cash equivalents	\$ 2,821,209
Restricted cash and cash equivalents	40,156
Performance deposit	<u>11,226</u>
	<u>\$ 2,872,591</u>
Cash and cash equivalents consist of:	
Cash	\$ 981,052
Cash equivalents	<u>1,891,539</u>
	<u>\$ 2,872,591</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.

*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.

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - INVESTMENTS (CONTINUED)**

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	\$ 4,341,646	\$ 2,336,533	\$ -	\$ -	\$ 6,678,179
U.S. Government Instruments	576,348	757,444	1,136,466	-	2,470,258
Corporate Debt	764,485	1,301,011	1,023,679	-	3,089,175
Total debt securities	<u>\$ 5,682,479</u>	<u>\$ 4,394,988</u>	<u>\$ 2,160,145</u>	<u>\$ -</u>	12,237,612
Common stocks (mutual fund that holds the stocks of the S&P 500)					1,382,254
Equity funds					410,731
					<u>\$ 14,030,597</u>
Reconciliation to statement of net assets:					
Investments					\$ 6,564,963
Restricted investments					7,352,417
Revenue bond future debt service accounts					113,217
					<u>\$ 14,030,597</u>

Sheldon Museum component unit investment balance of \$44,010 consisted entirely of long term certificates of deposits. The School District's investment balance of \$5,256 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, 2011, as described by the nationally recognized statistical rating organizations, are shown below:

	S&P Rating	Investment Fair Value	% of Total
Corporate debt	AAA	\$ 267,012	8.64%
Corporate debt	AA	877,829	28.42%
Corporate debt	A	1,307,217	42.32%
Corporate debt	A1	471,249	15.25%
Corporate debt	Unrated	165,868	5.37%
		<u>\$ 3,089,175</u>	<u>100.00%</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 - RECEIVABLES AND DEFERRED REVENUE**

Receivables at June 30, 2011, for the individual major funds and nonmajor funds in the aggregate were as follows:

	Taxes	Land Sale/LID Contracts	Revolving Loan Contracts	Water, Sewer and Harbor Fees	State and Federal Governments	Accrued Interest and Other	Total
General fund	\$ 292,073	\$ -	\$ 119,532	\$ -	\$ 32,731	\$ 45,815	\$ 490,151
Municipal land disposal fund	-	254,659	-	-	-	10,039	264,698
Permanent fund	-	-	-	-	-	59,942	59,942
New school debt service	-	-	-	-	9,121	-	9,121
Special capital projects	-	-	-	-	1,431,852	-	1,431,852
Borough capital improvements	86,051	-	-	-	-	-	86,051
Other governmental funds	86,051	-	-	-	10,760	-	96,811
Water fund	-	-	-	37,743	-	-	37,743
Sewer fund	-	-	-	39,280	-	-	39,280
Small boat harbor fund	-	-	-	4,897	-	1,006	5,903
<b>Total</b>	<b><u>\$ 464,175</u></b>	<b><u>\$ 254,659</u></b>	<b><u>\$ 119,532</u></b>	<b><u>\$ 81,920</u></b>	<b><u>\$ 1,484,464</u></b>	<b><u>\$ 116,802</u></b>	<b><u>\$ 2,521,552</u></b>

Reconciliation to statement of net assets:

Current receivables	\$2,127,380
Restricted receivables	59,942
Noncurrent receivables, net of current portion	<u>334,230</u>
	<u>\$2,521,552</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 is 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 AND DEFERRED REVENUE (CONTINUED)**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition 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 revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable (general fund)	\$ 141,723	\$ -	\$ 141,723
Payments in lieu of taxes	-	364,189	364,189
Land sale/LID receivables (including accrued interest)	264,699	2,282	266,981
Grants and contributions	<u>-</u>	<u>1,739,228</u>	<u>1,739,228</u>
 Total deferred/unearned revenue for governmental funds	 <u>406,422</u>	 <u>2,105,699</u>	 <u>2,512,121</u>
 Amounts not deferred for government-wide financial statements			
Property taxes receivable	(141,723)	-	(141,723)
Payments in lieu of taxes	-	(364,189)	(364,189)
Land sales/LID receivables	(264,699)	(2,282)	(266,981)
Passenger vessel excise tax	<u>-</u>	<u>(414,858)</u>	<u>(414,858)</u>
 Total deferred/unearned revenue for government-wide financial statements	 <u>\$ -</u>	 <u>\$ 1,324,370</u>	 <u>\$ 1,324,370</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - CAPITAL ASSETS**

Capital assets for the year ended June 30, 2011 were as follows:

	Balance, June 30, 2010	Increases	Transfers/ Decreases	Balance, June 30, 2011
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 651,063	\$ 50,510	\$ -	\$ 701,573
Construction in progress - waterfront improvements	76,759	-	(76,759)	-
Construction in progress - PC docks	183,228	-	(183,228)	-
Total capital assets not being depreciated	<u>911,050</u>	<u>50,510</u>	<u>(259,987)</u>	<u>701,573</u>
Other capital assets:				
Buildings	32,464,310	767,195	(575,411)	32,656,094
Other improvements	13,338,492	1,944,975	259,987	15,543,454
Furniture and equipment	4,213,294	375,453	-	4,588,747
Road network	6,331,105	108,988	-	6,440,093
Total other capital assets	<u>56,347,201</u>	<u>3,196,611</u>	<u>(315,424)</u>	<u>59,228,388</u>
Less accumulated depreciation for:				
Buildings	11,188,180	803,588	(575,411)	11,416,357
Other improvements	6,939,450	160,616	-	7,100,066
Furniture and equipment	3,509,190	407,099	-	3,916,289
Road network	4,160,056	160,512	-	4,320,568
Total accumulated depreciation	<u>25,796,876</u>	<u>1,531,815</u>	<u>(575,411)</u>	<u>26,753,280</u>
Other capital assets, net	<u>30,550,325</u>	<u>1,664,796</u>	<u>259,987</u>	<u>32,475,108</u>
Governmental activities capital assets, net	<u>\$31,461,375</u>	<u>\$ 1,715,306</u>	<u>\$ -</u>	<u>\$33,176,681</u>
<i>Business-type activities</i>				
Capital assets not being depreciated:				
Land and improvements	\$ 24,010	\$ 30,560	\$ -	\$ 54,570
Construction in progress	418,789	359,558	(34,542)	743,805
Total capital assets not being depreciated	<u>442,799</u>	<u>390,118</u>	<u>(34,542)</u>	<u>798,375</u>
Other capital assets:				
Buildings	22,575	-	-	22,575
Other improvements (including distribution and collection systems)	23,386,049	1,291,778	34,542	24,712,369
Equipment	77,832	-	-	77,832
Total other capital assets	<u>23,486,456</u>	<u>1,291,778</u>	<u>34,542</u>	<u>24,812,776</u>
Less accumulated depreciation for:				
Buildings	22,575	-	-	22,575
Other improvements (including distribution and collection systems)	7,913,658	630,042	-	8,543,700
Equipment	69,529	8,303	-	77,832
Total accumulated depreciation	<u>8,005,762</u>	<u>638,345</u>	<u>-</u>	<u>8,644,107</u>
Other capital assets, net	<u>15,480,694</u>	<u>653,433</u>	<u>34,542</u>	<u>16,168,669</u>
Business-type activities capital assets, net	<u>\$15,923,493</u>	<u>\$ 1,043,551</u>	<u>\$ -</u>	<u>\$16,967,044</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	\$ 76,987
Public safety	76,203
Public works and streets, including depreciation of general infrastructure assets	210,320
Economic development	5,762
Education	600,433
Port operations	340,754
Culture, recreation, and library	221,356
Total depreciation expense - governmental activities	\$ 1,531,815
 <i>Business-type activities</i>	
Water	\$ 140,746
Sewer	219,906
Small Boat Harbor	277,693
Total depreciation expense - business-type activities	\$ 638,345

Construction contract commitments at year-end include:

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, 2011, the cost and accumulated depreciation associated with these assets was \$23,480,095 and \$5,959,105, respectively.

At June 30, 2011, the Borough had outstanding contracts for the following projects:

- a street water system upgrade with a remaining commitment of approximately \$311,000,
- a school construction project with a remaining commitment of approximately \$124,000,
- Lily lake water transmission upgrade with a remaining commitment of approximately \$196,000,
- Barnett pump station replacement with a remaining commitment of approximately \$112,000.

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

As of June 30, 2011, 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, 2011, fund balances are composed of the following:

	<u>General Fund</u>	<u>Municipal Land Disposal</u>	<u>Permanent Fund</u>	<u>New School Construction</u>	<u>New School Debt Service</u>	<u>Borough Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances</b>								
Nonspendable Fund Balance								
Permanent fund	\$ -	\$ -	\$ 6,213,629	\$ -	\$ -	\$ -	\$ -	\$ 6,213,629
Inventory	47,608	-	-	-	-	-	-	47,608
Prepaid expenses	92,800	-	-	-	-	-	-	92,800
Total nonspendable	<u>140,408</u>	<u>-</u>	<u>6,213,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,354,037</u>
Restricted								
Road maintenance	37,150	-	-	-	-	-	-	37,150
Fire service areas	100,603	-	-	-	-	-	-	100,603
Debt service	-	-	-	-	3,656	-	16,524	20,180
Capital projects	140,633	-	-	125,352	-	1,208,509	-	1,474,494
Medical services	-	-	-	-	-	-	170,829	170,829
Economic development	-	-	-	-	-	-	378,797	378,797
Land development	-	378,007	-	-	-	-	-	378,007
Library memorial materials	671	-	-	-	-	-	-	671
Townsite service area	1,719,247	-	-	-	-	-	-	1,719,247
Total restricted	<u>1,998,304</u>	<u>378,007</u>	<u>-</u>	<u>125,352</u>	<u>3,656</u>	<u>1,208,509</u>	<u>566,150</u>	<u>4,279,978</u>
Assigned								
Subsequent year expenditures	175,759	-	-	-	-	-	-	175,759
Permanent fund	-	-	1,237,608	-	-	-	-	1,237,608
Total assigned	<u>175,759</u>	<u>-</u>	<u>1,237,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,413,367</u>
Unassigned	<u>2,007,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,007,145</u>
Total fund balances	<u>\$ 4,321,616</u>	<u>\$ 378,007</u>	<u>\$ 7,451,237</u>	<u>\$ 125,352</u>	<u>\$ 3,656</u>	<u>\$ 1,208,509</u>	<u>\$ 566,150</u>	<u>\$ 14,054,527</u>

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, 2011, was as follows:

	<u>Balance, June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2011</u>	<u>Amounts Due within One Year</u>
<i>Governmental Activities</i>					
Bonds and notes payable:					
USDA bonds	\$ 194,082	\$ -	\$ 4,986	\$ 189,096	\$ 5,079
School construction bonds	15,055,000	-	675,000	14,380,000	700,000
School bonds premium	114,986	-	7,418	107,568	7,418
Total bonds and notes payable	15,364,068	-	687,404	14,676,664	712,497
Other liabilities:					
Compensated absences	81,216	5,525	-	86,741	-
Governmental activities long-term liabilities	<u>\$ 15,445,284</u>	<u>\$ 5,525</u>	<u>\$ 687,404</u>	<u>\$ 14,763,405</u>	<u>\$ 712,497</u>
<i>Business-type Activities</i>					
Bonds and notes payable:					
Sewer revenue bonds	\$ 1,369,079	\$ -	\$ 31,386	\$ 1,337,693	\$ 33,098
State of Alaska DEC loans payable	198,317	20,967	14,203	205,081	16,313
Total bonds and notes payable	1,567,396	20,967	45,589	1,542,774	49,411
Other Liabilities					
Compensated absences	8,246	650	-	8,896	-
Business-type activities long-term liabilities	<u>\$ 1,575,642</u>	<u>\$ 21,617</u>	<u>\$ 45,589</u>	<u>\$ 1,551,670</u>	<u>\$ 49,411</u>

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

Bonds and notes payable at June 30, 2011, is comprised 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 un-amortized premium of \$107,568 at June 30, 2011)	\$ 14,380,000
---	---------------

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>189,096</u>
--	----------------

Total bond and note payable	14,569,096
Unamortized premiums	<u>107,568</u>

Total General Bond and Note Payable Debt	14,676,664
--	------------

Less Current portion	<u>(712,497)</u>
----------------------	------------------

Total General Long-Term Bond and Note Payable Debt	<u><u>\$ 13,964,167</u></u>
--	-----------------------------

*Business-type Activities :*

\$1,700,000 1994 sewer revenue bonds, due in semi-annual installments of \$50,609, including interest at 5.125%, through 2033	\$ 1,337,693
---	--------------

Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments of \$14,203, plus interest at 1.5%, through 2022	156,237
---	---------

Loan from the State of Alaska Department of Environmental Conservation, due in annual principal installments starting one year after the first disbursement. Interest is to accrue at 1.5% and principal paid over 20 years.	<u>48,844</u>
--	---------------

Total Enterprise Funds Bond and Note Payable Debt	1,542,774
---	-----------

Less Current portion	<u>(49,411)</u>
----------------------	-----------------

Total Enterprise Funds Long-Term Bond and Note Payable Debt	<u><u>\$ 1,493,363</u></u>
---	----------------------------

HAINES BOROUGH  
NOTES TO FINANCIAL STATEMENTS

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

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 bonds and notes payable debt outstanding as of June 30, 2011, are as follows:

*Governmental Activities:*

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 712,497	\$ 609,453	\$ 1,321,950
2013	742,743	580,607	1,323,350
2014	773,002	546,748	1,319,750
2015	808,274	507,602	1,315,876
2016	848,557	466,568	1,315,125
2017 - 2021	4,817,557	1,763,551	6,581,108
2022 - 2026	5,893,342	663,550	6,556,892
2027 - 2031	56,978	13,762	70,740
2032 - 2036	23,714	1,324	25,038
	<u>\$ 14,676,664</u>	<u>\$ 5,153,165</u>	<u>\$ 19,829,829</u>

*Business-type Activities:*

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 49,411	\$ 71,202	\$ 120,613
2013	51,161	69,238	120,399
2014	53,000	67,186	120,186
2015	54,934	65,039	119,973
2016	56,968	62,792	119,760
2017 - 2021	319,177	276,428	595,605
2022 - 2026	331,355	203,394	534,749
2027 - 2031	405,804	114,525	520,329
2032 - 2036	220,964	16,448	237,412
	<u>\$ 1,542,774</u>	<u>\$ 946,252</u>	<u>\$ 2,489,026</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, 2011, was \$122,650.

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 1.10 times the maximum amount required each year for debt service. Net operating revenues were \$145,186 and the debt service requirement was \$101,218 resulting in a ratio of 1.43 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 \$440,000 at June 30, 2011.

**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.

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%, 7.64% funded pension and 14.36% 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 2011 contribution rate of 27.96%. In accordance with the provisions of GASB Statement Number 24, the Borough has recorded the State contribution in the amount of \$174,447 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, 2011	\$ 77,286	\$ 145,266	\$ 222,552	100%
June 30, 2010	87,552	154,305	241,857	100
June 30, 2009	75,976	178,976	254,952	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	0.55%	0.55%
Death and Disability Benefit	1.18%	0.31%
Unfunded benefit liability	<u>12.27%</u>	<u>13.14%</u>
Total employer contribution	<u><u>22.00%</u></u>	<u><u>22.00%</u></u>

The Borough made PERS Tier IV pension and other post-employment benefits contributions of \$55,120 and \$187,408, respectively, for the year ended June 30, 2011. The Borough employees contributed \$88,192 toward pension during fiscal year 2011.

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, 2011, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special capital projects	\$ 458,056
General	Small boat harbor	115,843
General	New school debt service	5,465
General	Water	175,184
Borough capital improvements	General	1,208,538
Municipal land disposal	General	378,677
National forest receipts	General	430,754
New school construction	General	125,352
Nonmajor governmental funds	General	483,993
Passenger vessel tax	General	429,184
Permanent fund	General	275
Sewer	General	553,880
Small boat harbor	General	1,101,730

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

	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Borough Capital Improvements</u>	
Transfers out:					
General fund	\$ -	\$ 180,969	\$ 8,037	\$ 100,000	\$ 289,006
Permanent fund	140,000	-	-	-	140,000
Borough capital improvements	59,588	113,134	-	-	172,722
Other governmental funds	5,000	67,408	-	-	72,408
Total	<u>\$ 204,588</u>	<u>\$ 361,511</u>	<u>\$ 8,037</u>	<u>\$ 100,000</u>	<u>\$ 674,136</u>

Transfers between funds are in accordance with the Borough Code and budgetary authorizations, and are generally for debt service.

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.

**NOTE 15 - PRIOR PERIOD RECLASSIFICATION**

The General Fund, at the beginning of fiscal year 2011, has been restated and reclassified due to Haines Public Library no longer meeting criteria for presentation as a component unit. As a result, the Haines Public Library fund balance of \$72,407, previously reported as a component unit has been reclassified as part of the General Fund beginning fund balance, previously reported as \$4,164,867, for a revised beginning balance for the General Fund of \$4,237,274.

REQUIRED SUPPLEMENTARY INFORMATION  
(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, 2011

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Taxes				
Property	\$ 2,163,918	\$ 2,163,918	\$ 2,139,804	\$ (24,114)
Sales	1,037,000	1,121,000	1,236,365	115,365
Intergovernmental - Federal and State	1,374,755	1,435,852	1,472,928	37,076
Service and admission fees	246,975	619,975	641,120	21,145
Licenses and permits	22,000	24,000	24,775	775
Rentals	87,750	69,000	61,878	(7,122)
Investment income	158,150	158,150	124,159	(33,991)
Contributions and other	70,516	82,577	108,605	26,028
Payments in lieu of taxes	355,000	364,214	364,214	-
Total Revenue	<u>5,516,064</u>	<u>6,038,686</u>	<u>6,173,848</u>	<u>135,162</u>
Expenditures				
Current				
General government	1,156,392	1,320,960	1,368,516	(47,556)
Public safety	907,146	945,117	907,808	37,309
Public works and streets	736,374	724,420	673,710	50,710
Education	1,927,244	1,930,244	1,925,740	4,504
Port operations	129,794	182,982	123,529	59,453
Culture, recreation, and library	1,071,491	1,096,723	1,005,785	90,938
Total Expenditures	<u>5,928,441</u>	<u>6,200,446</u>	<u>6,005,088</u>	<u>195,358</u>
Excess (deficiency) of revenue over expenditures	(412,377)	(161,760)	168,760	330,520
Other financing sources (uses)				
Transfers in	(40,000)	(10,412)	204,588	215,000
Transfers out	90,000	(15,020)	(289,006)	(273,986)
Total other financing sources (uses)	<u>50,000</u>	<u>(25,432)</u>	<u>(84,418)</u>	<u>(58,986)</u>
Net change in fund balance	<u>\$ (362,377)</u>	<u>\$ (187,192)</u>	<u>\$ 84,342</u>	<u>\$ 271,534</u>

HAINES BOROUGH  
 BUDGETARY COMPARISON SCHEDULE -  
 MUNICIPAL LAND DISPOSAL FUND

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Contributions and other	\$ -	\$ -	\$ 571	\$ 571
Expenditures				
General government	305,419	305,419	184,827	120,592
Excess (deficiency) of revenue over expenditures	(305,419)	(305,419)	(184,256)	121,163
Other financing sources (uses)				
Sale of capital assets	70,000	70,000	102,621	32,621
Net change in fund balance	<u>\$ (235,419)</u>	<u>\$ (235,419)</u>	<u>\$ (81,635)</u>	<u>\$ 153,784</u>

HAINES BOROUGH  
 BUDGETARY COMPARISON SCHEDULE -  
 NATIONAL FOREST RECEIPTS SPECIAL REVENUE FUND

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Intergovernmental - federal	\$ -	\$ 36,854	\$ 36,854	\$ -
Expenditures				
Education	-	36,854	36,854	-
Excess (deficiency) of revenue over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

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

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenue				
Intergovernmental - State of Alaska	\$ 140,900	\$ 140,900	\$ 90,719	\$ (50,181)
Expenditures				
Capital outlay	85,800	114,081	90,719	23,362
Excess (deficiency) of revenue over expenditures	55,100	26,819	-	(26,819)
Net change in fund balance	\$ 55,100	\$ 26,819	\$ -	\$ (26,819)