Aleutians East Borough Assembly Meeting

Workshop: Thursday, March 8, 2018 – 1:00 p.m.

Meeting: Thursday, March 8, 2018 – 3:00 p.m.

Roll Call & Establishment of a Quorum

Adoption of Agenda

Agenda
Assembly Meeting
(packet available on website www.aleutianseast.org)

Date:	Thursday, March 8, 2018	
Time:	Workshop: 1:00 p.m.	Meeting: 3:00 p.m.

Location: By teleconference in each designated community location below:

King Cove AEB office	Akutan -city office
Nelson Lagoon Corp.	Cold Bay Library
False Pass-city office	Anchorage office – 3380 C St
Sand Point AEB office	

All communities will be provided with conference calling information for the designated location in your community. Public comments on agenda items will take place immediately after the adoption of the agenda. The meeting will also be broadcast on KSDP Public Radio. Additional public comments can be made at the end of the meeting.

ASSEMBLY MEETING AGENDA

1. Roll Call & Establishment of Quorum.

2. Adoption of the Agenda.

3. Community Roll Call and Public Comment on Agenda Items.

4. Minutes.
   - February 8, 2018 Assembly Meeting Minutes.
   - February 28, 2018 Special Assembly Meeting Minutes.

5. Financial Reports.
   - February, Financial Reports.
   - January, Investment Report.

6. Consent Agenda.

7. Public Hearings.
   - Public Hearing Ordinance 18-06, Records Management.
   - Public Hearing Ordinance 18-07 - An Ordinance Authorizing the Mayor to negotiate and execute assignment, assumption and consent of Tidelands Lease for False Pass Seafoods, LLC, to assume the Tidelands Lease Between Bering Pacific Seafoods, LLC and the Aleutians East Borough.

- Public Hearing Ordinance 18-08 - An Ordinance Authorizing the Mayor to negotiate and execute a Tidelands Lease with False Pass Seafoods, LLC for the outfall line to be used to construct a False Pass processing facility.

8. Ordinances.

9. Resolutions.
   - Resolution 18-29, authorizing the Mayor to negotiate and execute an agreement with BDO USA LLP to provide professional auditing services for FY2018, in an amount not to exceed $65,500.

10. Old Business.
11. New Business.
    - Approval of Fiscal Year 2017 Audit.
    - Platting Board to consider preliminary plat of Port Moller cannery subdivision, creating Lots 1, 2, 3, and 4.

12. Reports and Updates.
13. Assembly Comments.
14. Public Comments.
15. Next Meeting Date.
16. Adjournment.

Community Roll Call & Public Comment on Agenda Items

Minutes

CALL TO ORDER
Mayor Alvin D. Osterback called the Assembly meeting to order by teleconference in each community on February 8, 2018 at 3:00 p.m.

ROLL CALL

Mayor Alvin D. Osterback	Present
Chris Babcock	Present
Carol Foster	Present
Warren Wilson	Present
Josephine Shangin	Present
Paul Gronholdt	Absent-excused
Brenda Wilson	Present
Chris Emrich	Present

Advisory Members:

Angela Simpson, Cold Bay	Present
Justine Gundersen, Nelson Lagoon	Present

A quorum was present.

Staff Present:
Roxann Newman, Finance Director
Tina Anderson, Clerk
Anne Bailey, Administrator
Laura Tanis, Communications Director
Mary Tesche, Administrator Assistant
Charlotte Levy, Administrative Assistant
Emil Mobeck, Maintenance Director

Adoption of the Agenda:
MOTION
Carol moved to adopt the agenda with the following amendment:

- Remove Introduction Ordinance 18-08 from Consent Agenda, and move to Ordinances.

Second by Josephine. Hearing no objections MOTION CARRIED.

Community Roll Call and Public Comments on Agenda Items:
The communities of King Cove, Nelson Lagoon, Akutan, Cold Bay, Sand Point and the Anchorage office were participating by teleconference. Also broadcast over KSDP radio.

Minutes, January 11, 2018 Assembly Meeting Minutes:
MOTION
Chris B. moved to approve the January 11, 2018 Minutes and second by Brenda. Hearing no objections, MOTION CARRIED.

January, Financial Report:
MOTION
Carol moved to approve the January Financial Report and second by Chris B.

DISCUSSION

Unapproved

Administrator said everything is on track as it should be for January. A financial work session is scheduled on February 28, and the budget will be reviewed line by line to explain what is coming out of the accounts.

ROLL CALL
Josephine-yes, Chris E.-yes, Brenda-yes, Carol-yes, Chris B.-yes, Warren-yes. Advisory: Angela-yes, Justine-yes. MOTION CARRIES.

December, Investment Report: In packet.
Administrator said the Permanent Fund ending December 31 has an increase of $417,000 since the last report. At the financial planning session scheduled for February 28, APCM will review the investments in greater detail.

CONSENT AGENDA

- Introduction Ordinance 18-06, Records Management.
- Introduction Ordinance 18-07 - An Ordinance Authorizing the Mayor to negotiate and execute assignment, assumption and consent of Tidelands Lease for False Pass Seafoods, LLC, to assume the Tidelands Lease Between Bering Pacific Seafoods, LLC and the Aleutians East Borough.
- Resolution 18-24, a resolution of the Aleutians East Borough Assembly amending Section 9.05 of the Aleutians East Borough Employee Handbook.
- Resolution 18-25, a resolution of the Aleutians East Borough Assembly authorizing a salary increase for the Borough Clerk.
- Resolution 18-26, the Aleutians East Borough Assembly Authorizing a Deed of Easement to the City of Akutan for the Akutan Raw Water Transmission Line Project.
- Resolution 18-27, the Aleutians East Borough Assembly Approving the Projects and Initiatives Identified on the Borough Strategic Plan.
- Resolution 18-28, the Aleutians East Borough Assembly Requesting the Alaska Legislature Prioritize Funding for the Continued Service of the AMHS.

MOTION
Brenda moved to approve the Consent Agenda and second by Carol.

The Administrator reviewed the Consent Agenda items:

- Ordinance 18-06, will put a records management plan in place. Before starting a records program the Assembly needs to pass an ordinance saying we will have a plan. Once adopted, a detailed retention schedule will be before the Assembly in the form of a resolution.
- Ordinance 18-07 is a housekeeping item. This is for newly formed False Pass Seafoods, LLC. Bering Pacific Seafoods has been purchased by Trident Seafoods and APICDA, forming False Pass Seafoods. The ordinance will allow the Mayor to negotiate and execute the lease for False Pass Seafoods to assume the Tidelands Lease between Bering Pacific Seafoods, LLC and the Aleutians East Borough.

Unapproved

- Resolution 18-24, amends Section 9.05 of the Employee Handbook. The amendment gives guidance for longevity employees providing pay increases on the 10th, 15th, 20th, and 25th years of Borough employment, above the cost-of-living allowance.
- Resolution 18-25, authorizes a salary increase for the Borough Clerk. The Borough Clerk works at the pleasure of the Assembly. The Clerk has not received a salary increase for several years. The resolution authorizes a merit based pay adjustment increase of $10,000, based on the Resolution 18-24, the Employee Handbook amendment.
- Resolution 18-26, authorizes a deed of easement to the City of Akutan for a new water line transmission system, construction starting this summer. The water line will cross the Borough property near school, requiring an easement approval.
- Resolution 18-27, the strategic plan which was reviewed in detail at the workshop. This essentially outlines all the strategic initiatives discussed at the December Planning Session. This plans out a one year target.
- Resolution 18-28, requests the Alaska Legislature to prioritize funding, maintain the same level of service and forward fund the system to attract more ridership.

Justine asked about a salary increase for the Finance Director. Bailey said that is something Mayor Osterback can do internally, addressed in the Employee Handbook, merit based amendment, once approved.

ROLL CALL
Chris E.-yes, Chris B.-yes, Warren-yes, Josephine-yes, Carol-yes, Brenda-yes. Advisory: Justine-yes, Angela-yes. MOTION CARRIES.

PUBLIC HEARINGS

Public Hearing Ordinance 18-04, amending Title 40, Chapter 40.05 of the AEB Code of Ordinance, adding new section 40.05.105 to provide a platting board:

MOTION
Brenda moved to approve Ordinance 18-04 and second by Josephine.

DISCUSSION
The Administrator reviewed saying Ordinance 18-04 amends the AEB Code to allow the Assembly to be the platting board to approve plats. Currently, the platting board is the Planning Commission, which is currently inactive.

Mayor Osterback opened for Public Hearing. Hearing none, Public Hearing closed.

ROLL CALL
Chris B.-yes, Carol-yes, Brenda-yes, Chris E.-yes, Warren-yes, Josephine-yes. Advisory: Angela-yes, Justine-yes. MOTION CARRIES.

Public Hearing Ordinance 18-05, amending the operating and capital budget for fiscal year 2018:

MOTION
Brenda moved to approve Ordinance 18-05 and second by Carol.

Unapproved

DISCUSSION

The Administrator reviewed saying, Ordinance 18-05 is the mid-year operating and capital budget for Fiscal Year 2018. She reviewed the changes below:

Items to include on budget amendment:

- $10,000 audit expenditure increase, from $50,000 to $60,000.
- Salary adjustment to Assistant Administrator.
- Add a vehicle line item for Dept. 900, Other, to purchase a truck in the amount of $40,000 for the Maintenance Dept.

Three mid-year items already authorized by the Assembly in the project contingency area, not in operating budget:

- Sand Point School electrical work.
- Sand Point new harbor "A" float design and permitting.
- Cold Bay pre-school.

Mayor Osterback opened Public Hearing. Hearing none, Public Hearing closed.

ROLL CALL
Carol-yes, Brenda-yes, Chris B.-yes, Warren-yes, Josephine-yes, Chris E. Advisory: Justine-yes, Angela-yes. MOTION CARRIED.

ORDINANCES

Introduction Ordinance 18-08, authorizing the Mayor to negotiate and execute a Tidelands Lease with False Pass Seafoods, LLC for the outfall line to be used to construct a False Pass processing facility:

MOTION
Brenda moved to accept Ordinance 18-08 and set for Public Hearing at the next meeting and second by Chris E.

DISCUSSION
The Administrator said this is a housekeeping item. Bering Pacific Seafoods has been purchased by another entity and is now False Pass Seafoods. We need to bring the tidelands lease for the outfall line before the Assembly for approval. She went on to explain the first WHEREAS in the property description is not accurate, and requested an amendment to change that.

AMENDMENT
Carol moved to amend the first WHEREAS corrected as below. Second by Brenda:

WHEREAS, False Pass Seafoods, LLC ("FPS") has requested the Aleutians East Borough ("Borough") lease approximately ~~6,720 square feet~~ ***500 feet in length and 20 feet in width in the southeast corner of Section 28, T. 61 S,. R 94W, Seward Meridian, USGS Quad Map False Pass D-5; latitude 54.8626 deg. N, longitude 163.4142 deg. W***

Unapproved

in False Pass Alaska *of the Borough's tidelands within Alaska Tidelands Survey No. 1611, at False Pass Harbor, as generally depicted on the attached Exhibit "A",."*

ROLL CALL ON AMENDMENT
Josephine-yes, Chris E.-yes, Chris B.-yes, Warren-yes, Carol-yes, Brenda-yes. Advisory: Angela-yes, Justine-yes. MOTION CARRIES.

ROLL CALL ON MAIN MOTION
Chris B.-yes, Brenda-yes, Carol-yes, Warren-yes, Chris E.-yes, Josephine-yes. Advisory: Angela-yes, Justine-yes. MOTION CARRIES.

OLD BUSINESS None

NEW BUSINESS None

REPORTS AND UPDATES

Administrator Report:
Washington D.C. Trip: On January 22, King Cove Corporation and Secretary of U.S. Dept. of Interior Ryan Zinke signed the land exchange that allows over land access between King Cove and Cold Bay. King Cove will now begin to select lands of equal value to exchange for the road access.

While in D.C. the Administrator, Mayor Osterback, and lobbyist, Brad Gilman, met with the U.S. Dept. of Transportation to discuss the Essential Air Service Program in Akutan; met with the Army Corps of Engineers to discuss the Akun Dock and Breakwater Feasibility Study; and with the Alaska Delegation to discuss the False Pass harbor litigation.

Juneau Trip: While in Juneau, met with Speaker of the House Edgmon, Governor Walker, Commissioner Luiken (DOTPF) and others, focusing on the King Cove/Cold Bay access road; limited entry salmon permits; Cold Bay Clinic construction project; and the Akun breakwater. Mayor Osterback also testified in front of House Fisheries committee regarding House Bill 188.

King Cove/Cold Bay Road Lawsuits: On January 31, 2018 nine environmental groups, led by Friends of Alaska Wildlife Refuges, filed a complaint in federal court naming Secretary of the Interior Ryan Zinke, his agency and U.S. Fish & Wildlife Service as defendants.

Hovercraft Update: The Borough's maritime attorney and Keith Whittmore are still working on the purchase and sale agreement with JSC "Circle Maritime Invest". Arrangements are being made to transport the hovercraft, departing Akutan February 25. Working closely with all parties involved to have it go as smooth as possible.

Borough Strategic Plan: The Administrator, Mayor and Assistant Administrator met with Professional Growth Systems (PGS) to finalize a few more items for the Strategic Plan, before presented to the Assembly.

Unapproved

Budget Work Session: Scheduled on February 28 in Anchorage. APCM and Newhouse & Vogler will be present to discuss the Borough's investment accounts and our FY2017 audit.

SWAMC: March 1-2.

Assistant Administrator:
Cold Bay clinic: Submitted a Letter of Intent to the Rasmussen Foundation for $375,000, and hope to get an invite to apply for their grant. Also, submitted a funding request to the State of Alaska CAPSIS for $500,000. The clinic is on the strategic plan, so will be looking for funding opportunities, and working with City of Cold Bay and Eastern Aleutian Tribes.

January Helicopter Operations: Transported 200 passengers, approximately 11,000 lbs. of freight, one medivac, and eight charters. Also working with the Administrator on the hangar logistics once the hovercraft is sold.

Auditor Request for Proposal (RFP): Put out an RFP for an auditing firm. Have interest from 9 companies. Will review and put a recommendation before the Assembly for approval at the next meeting.

Maintenance Memorandum of Understanding (MOU): Working on MOU between the Borough and School District for maintenance with Mayor Osterback and Maintenance Director, Emil Mobeck.

Laura Tanis Report:
DC Trip: The group that travelled to Washington D.C. for the signing of the land exchange were the mayors and administrators from the Borough, Cold Bay and King Cove. Aleut Corporation, President Thomas Mack, Governor Walker and Lt. Governor Mallot also attended. There was a signing ceremony with the U.S. Dept Secretary of Interior, Ryan Zinke. Following that was a national media press conference, and later an Alaska media press conference. Approximately 20 news articles followed. AEB put out press release in response.

Salmon Limited Entry Permits: Working on research for Mayor Osterback regarding the limited entry white paper proposal. Has been comparing Alaska and Washington State limited entry permit programs. Washington initially had multiple operators on a permit and then later changed it to two operators.

NPFMC, February 5-12, 2018: Weiss is attending NPFMC at this time.

Mayor's Report:
Limited Entry Salmon Permits: Mayor Osterback said the Assembly passed a resolution supporting mentoring a second name on the limited entry permit. While in Juneau, he discussed with Governor Walker and staff. The Governor seemed interested in working on something. Mayor Osterback testified at the Fisheries Committee on HB 188, which is a little different than what he is proposing. This is the second year for HB 188. If it doesn't go anywhere this year, the author, Representative Tomkins, would be interested in pursuing something on his idea. Bruce Schactler from Kodiak, who received the 2017 highliner award, attempted to get something

Unapproved

similar in the past approved. Schactler teleconferenced with Mayor Osterback, Tanis and Weiss to compare his and the mayor's proposals. Communications with Schactler will continue. Also, United Fisherman of Alaska, Executive Director and their lobbyist attended the hearing. They sent Mayor Osterback an invitation to speak to their full board, but the date conflicts with AEB budget work session and SWAMC. He requested to meet with them at a later date.

Mayor Osterback said City of King Cove also passed the same resolution for limited entry permits changes. While In Juneau, he and Mayor Henry Mack both brought up the limited entry proposed changes idea. Mayor Osterback said Tanis is working on gathering information on what the State of Washington did and why. The Fisheries Committee is also looking into what the State of Washington has done. Between Juneau lobbyist and Anchorage staff, AEB will begin to draft a bill to be introduced later. We will continue to pursue.

ASSEMBLY COMMENTS
Chris Babcock asked about Consent Agenda items on the Assembly meeting agenda. Mayor Osterback said Consent Agenda are items that we feel are noncontroversial, like introduction ordinances that are basically just scheduling. He said the Administrator reviews the Consent Agenda items, and Assembly has opportunity at the beginning to remove items, if they wish to discuss or debate further. The Assembly adopted the Consent Agenda years ago to speed up the meeting by approving in one action, rather than doing a motion and roll call on each item separately. A time saving measure on agenda items.

PUBLIC COMMENTS
City of King Cove Mayor Henry Mack thanked Mayor Osterback, Tanis and Bailey for support in Washington D.C. and Juneau. It was good to be with everyone showing great support for the signing of the land exchange. While in Juneau, he appreciated the support by Mayor Osterback and Bailey on the Akutan dock/breakwater project and Cold Bay clinic. He requested to meet to discuss a King Cove Road advisory group.

Mayor Osterback added that Della Trumble took the pen she signed the land exchange with and the other pen used will be given to Mayor Stanley Mack for his efforts. At the ceremony, recognition was given to Mayor Dick Jacobsen who started the projects and Mayor Stanley Mack who spent all his terms working on the road project.

NEXT MEETING DATE
March 8, 2018.

ADJOURNMENT
Brenda moved to adjourn and second by Carol. Hearing no more the meeting adjourned at 3:59 p.m.

_____ _____
Mayor Alvin D. Osterback Tina Anderson, Clerk

Date:_____

Unapproved

CALL TO ORDER
Mayor Alvin D. Osterback called the Special Assembly meeting to order at the Anchorage office building and by teleconference at designated locations on March 1, 2018 at 3:00 p.m.

ROLL CALL

Mayor Alvin D. Osterback	Present
Chris Babcock	Present
Carol Foster	Present
Warren Wilson	Present
Josephine Shangin	Present
Paul Gronholdt	Present
Brenda Wilson	Present
Chris Emrich	Absent-excused

Advisory Members:

Angela Simpson, Cold Bay	Present
Justine Gundersen, Nelson Lagoon	Present

A quorum was present.

Staff Present:
- Roxann Newman, Finance Director
- Tina Anderson, Clerk
- Anne Bailey, Administrator
- Laura Tanis, Communications Director
- Mary Tesche, Administrator Assistant
- Ernie Weiss, Resource Director
- Charlotte Levy, Administrative Assistant
- Mark Hickey, AEB Lobbyist
- Joe Levesque, AEB Attorney

Adoption of the Agenda:
MOTION
Carol moved to adopt the agenda and second by Warren.
Hearing no objections MOTION CARRIED.

Community Roll Call and Public Comments on Agenda Items:

The communities of King Cove, Nelson Lagoon, and the Anchorage office were participating by teleconference. Also broadcast on KSDP radio.

There were no public comments on the agenda item.

Unapproved

1. King Cove Land Exchange Litigation:
   Friends of Alaska National Wildlife Refuges, the Wilderness Society, National Audubon Society, Wilderness Watch, Center for Biological Diversity, Defenders of Wildlife, National Wildlife Refuge Association, Alaska Wilderness League, and Sierra Club Department of the Interior, U.S. DEPARTMENT OF THE INTERIOR, and U.S. FISH AND WILDLIFE SERVICE, Case No. 3: 18-cv-00029-TMB.

AEB Attorney, Joe Levesque, said the special meeting is focused on the King Cove Access Road Project. AEB and communities have tried to establish road access for years, with many obstacles. With the new administration in Washington D.C., everything has been aligned to move forward. Once U.S. Dept of Interior Secretary Zinke signed the agreement to allow the land exchange for the road, environmental groups filed a lawsuit against the decision. The lawsuit is requesting a declaratory and injunctive relief immediately, to not allow the road to be built. The question has arisen, should the Borough intervene. Alaska civil rules, allows upon timely application, anyone to intervene in an action when the applicant claims an interest related to the property or transaction, unless the applicants interest is adequately represented by the existing parties. He asked the Assembly if they feel comfortable that AEB will be adequately represented by other parties involved. If not, then it may be necessary to intervene.

Levesque said the complaint for declaratory and injunctive relief filed with the U.S. District Court of the District of Alaska, is against the U.S. Interior Dept. Secretary Ryan Zinke, U.S. Dept of Interior and USFWS. Plaintiffs are Friends of Alaska National Wildlife Refuges, the Wilderness Society, National Audubon Society, Wilderness Watch, Center for Biological Diversity, Defenders of Wildlife, National Wildlife Refuge Association, Alaska Wilderness League, and Sierra Club. The land exchange agreement is signed by the King Cove Corporation and the United States, which is being challenged by environmental groups.

EXECUTIVE SESSION

Brenda moved to go into Executive Session to discuss the pros and cons of intervening in the case Friends of Alaska Wildlife Refuges, et. al. v. Ryan Zinke, with the Borough Attorney. This discussion will include litigation tactics and strategies.

And to invite the following people to attend the Executive Session with the Assembly:

1. Anne Bailey, Borough Administrator
2. Mary Tesche, Assistant Borough Administrator
3. Joe Levesque, Borough Attorney
4. Gary Hennigh, City of King Cove Administrator
5. Henry Mack, City of King Cove Mayor
6. Angela Simpson, City of Cold Bay Administrator
7. Mark Hickey, Borough Lobbyist

Second by Josephine.

Unapproved

ROLL CALL
Josephine-yes, Brenda-yes, Carol-yes, Chris B.-yes, Warren-yes, Paul-yes. MOTION PASSED.

The Executive Session began at _4:24 p.m. and ended at _5:00 p.m.

The Assembly came out of Executive Session and moved back into the Special Assembly Meeting.

Mayor Osterback said we were in Executive Session to discuss litigation tactics and strategies in the Friends of Alaska National Wildlife Refuges vs. Zinke. No action was taken in Executive Session.

MOTION
Paul moved to hire and retain Robertson, Monagle & Eastaugh to assist the Borough in moving to intervene in the Friends of Alaska National Wildlife Refugees vs. Zinke, not to exceed the amount of $61,875. Second by Brenda.

Paul feels it is a good strategy we need to take to proceed. In a month, we can review our strategy.

ROLL CALL
Carol-yes, Josephine-yes, Brenda-yes, Paul-yes, Warren-yes. Advisory: Angela-yes, Justine-yes. MOTION CARRIED.

NEXT MEETING
March 8, 2018.

ADJOURNMENT
Carol moved to adjourn and second by Brenda. Hearing no more the meeting adjourned at 5:10 p.m.

_____ _____
Mayor Alvin D. Osterback Clerk, Tina Anderson

Date:_____

Unapproved

Financial Report

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 01 GENERAL FUND						
Active	R 01-201 INTEREST REVENUE	$35,000.00	$11,312.02	$0.00	$23,687.98	32.32%
Active	R 01-203 OTHER REVENUE	$50,000.00	$4,490,573.73	$4,442,700.00	-$4,440,573.73	8981.15%
Active	R 01-206 AEBSD Fund Balance Refun	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 01-218 AEB RAW FISH TAX	$3,200,779.00	$2,998,243.10	$275,634.68	$202,535.90	93.67%
Active	R 01-229 Southwest Cities LLC	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 01-233 STATE PERS ON-BEHALF	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 01-265 STATE RAW FISH TAX	$2,093,686.72	$2,093,686.72	$0.00	$0.00	100.00%
Active	R 01-266 STATE EXTRATERRITORIA	$101,299.00	$0.00	$0.00	$101,299.00	0.00%
Active	R 01-267 STATE FISH LANDING TAX	$35,222.00	$5,017.44	$0.00	$30,204.56	14.25%
Active	R 01-268 State"Loss" Of Raw Fish Tax	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 01-270 STATE REVENUE OTHER	$258,921.00	$315,831.00	$0.00	-$56,910.00	121.98%
Active	R 01-276 AEB SCHOOL	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 01-277 STATE BOND REBATE	$1,311,650.00	$534,800.00	$381,604.00	$776,850.00	40.77%
Active	R 01-291 PLO-95 PAYMNT IN LIEU O	$559,000.00	$0.00	$0.00	$559,000.00	0.00%
Active	R 01-292 USFWS LANDS	$36,256.00	$0.00	$0.00	$36,256.00	0.00%
	Total Fund 01 GENERAL FUND	$7,681,813.72	$10,449,464.01	$5,099,938.68	-$2,767,650.29	136.03%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 01 GENERAL FUND						
DEPT 100 MAYORS OFFICE						
Active	E 01-100-000-300 SALARIES	$80,364.00	$66,969.01	$6,697.00	$13,394.99	83.33%
Active	E 01-100-000-350 FRINGE BENEFITS	$29,232.00	$25,765.29	$3,116.64	$3,466.71	88.14%
Active	E 01-100-000-400 TRAVEL AND PER	$36,000.00	$25,102.35	$6,370.44	$10,897.65	69.73%
Active	E 01-100-000-425 TELEPHONE	$1,500.00	$1,235.15	$66.58	$264.85	82.34%
Active	E 01-100-000-475 SUPPLIES	$1,000.00	$1,800.97	$0.00	-$800.97	180.10%
Active	E 01-100-000-554 AK LOBBIST	$45,000.00	$28,000.00	$3,500.00	$17,000.00	62.22%
Active	E 01-100-000-555 FEDERAL LOBBIS	$75,600.00	$50,400.00	$12,600.00	$25,200.00	66.67%
SUBDEPT 000		$268,696.00	$199,272.77	$32,350.66	$69,423.23	74.16%
Total DEPT 100 MAYORS OFFICE		$268,696.00	$199,272.77	$32,350.66	$69,423.23	74.16%
DEPT 105 ASSEMBLY						
Active	E 01-105-000-300 SALARIES	$25,000.00	$19,500.00	$2,400.00	$5,500.00	78.00%
Active	E 01-105-000-350 FRINGE BENEFITS	$90,000.00	$87,943.33	$10,664.79	$2,056.67	97.71%
Active	E 01-105-000-400 TRAVEL AND PER	$40,000.00	$38,068.35	$12,718.95	$1,931.65	95.17%
Active	E 01-105-000-475 SUPPLIES	$3,000.00	$1,900.00	$0.00	$1,100.00	63.33%
SUBDEPT 000		$158,000.00	$147,411.68	$25,783.74	$9,484.32	93.30%
Total DEPT 105 ASSEMBLY		$158,000.00	$147,411.68	$25,783.74	$9,484.32	93.30%
DEPT 150 PLANNING/CLERKS DEPARMENT						
Active	E 01-150-000-300 SALARIES	$93,974.00	$66,861.10	$13,963.22	$27,112.90	71.15%
Active	E 01-150-000-350 FRINGE BENEFITS	$34,946.00	$26,559.26	$3,605.93	$8,386.74	76.00%
Active	E 01-150-000-400 TRAVEL AND PER	$12,500.00	$9,755.86	$1,904.00	$2,744.14	78.05%
Active	E 01-150-000-425 TELEPHONE	$7,500.00	$3,522.15	$512.73	$3,977.85	46.96%
Active	E 01-150-000-450 POSTAGE/SPEED	$1,000.00	$474.11	$0.00	$525.89	47.41%
Active	E 01-150-000-475 SUPPLIES	$5,000.00	$2,578.90	$511.06	$2,421.10	51.58%
Active	E 01-150-000-526 UTILITIES	$20,000.00	$9,862.90	$2,184.36	$10,137.10	49.31%
Active	E 01-150-000-530 DUES AND FEES	$5,000.00	$4,904.65	$0.00	$95.35	98.09%
Active	E 01-150-000-650 ELECTION	$10,000.00	$4,700.00	$0.00	$5,300.00	47.00%
SUBDEPT 000		$189,920.00	$129,218.93	$22,681.30	$60,526.65	68.04%
Total DEPT 150 PLANNING/CLERKS DEPARMENT		$189,920.00	$129,218.93	$22,681.30	$60,526.65	68.04%
DEPT 151 Planning Commission						
Active	E 01-151-000-300 SALARIES	$10,000.00	$0.00	$0.00	$10,000.00	0.00%
Active	E 01-151-000-350 FRINGE BENEFITS	$500.00	$0.00	$0.00	$500.00	0.00%
Active	E 01-151-000-380 CONTRACT LABO	$25,000.00	$0.00	$0.00	$25,000.00	0.00%
Active	E 01-151-000-400 TRAVEL AND PER	$20,000.00	$0.00	$0.00	$20,000.00	0.00%
SUBDEPT 000		$55,500.00	$0.00	$0.00	$55,500.00	0.00%
Total DEPT 151 Planning Commission		$55,500.00	$0.00	$0.00	$55,500.00	0.00%
DEPT 200 ADMINISTRATION						
Active	E 01-200-000-300 SALARIES	$177,008.00	$118,076.70	$14,619.06	$58,931.30	66.71%
Active	E 01-200-000-350 FRINGE BENEFITS	$66,438.00	$48,965.84	$6,104.54	$17,472.16	73.70%
Active	E 01-200-000-381 ENGINEERING	$25,000.00	$0.00	$0.00	$25,000.00	0.00%
Active	E 01-200-000-382 ANCHORAGE OFFI	$0.00	$15,230.29	$753.39	-$15,230.29	0.00%
Active	E 01-200-000-400 TRAVEL AND PER	$25,500.00	$15,262.54	$5,802.08	$10,237.46	59.85%
Active	E 01-200-000-425 TELEPHONE	$7,100.00	$4,224.24	$389.61	$2,875.76	59.50%
Active	E 01-200-000-450 POSTAGE/SPEED	$2,500.00	$147.67	$0.00	$2,352.33	5.91%
Active	E 01-200-000-475 SUPPLIES	$15,000.00	$10,860.03	$1,035.81	$4,139.97	72.40%
Active	E 01-200-000-525 RENTAL/LEASE	$23,404.00	$15,568.22	$2,107.21	$7,835.78	66.52%
Active	E 01-200-000-530 DUES AND FEES	$2,500.00	$1,050.00	$0.00	$1,450.00	42.00%
SUBDEPT 000		$344,450.00	$229,385.53	$30,811.70	$104,791.87	66.59%
Total DEPT 200 ADMINISTRATION		$344,450.00	$229,385.53	$30,811.70	$104,791.87	66.59%

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		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
DEPT 201 Assistant Administrator						
Active	E 01-201-000-300 SALARIES	$90,000.00	$45,000.00	$7,500.00	$45,000.00	50.00%
Active	E 01-201-000-350 FRINGE BENEFITS	$31,422.00	$14,334.26	$2,303.46	$17,087.74	45.62%
Active	E 01-201-000-400 TRAVEL AND PER	$10,000.00	$9,523.56	$1,163.60	$476.44	95.24%
Active	E 01-201-000-425 TELEPHONE	$2,000.00	$694.44	$100.91	$1,305.56	34.72%
Active	E 01-201-000-475 SUPPLIES	$2,500.00	$793.27	$4.12	$1,706.73	31.73%
Active	E 01-201-000-525 RENTAL/LEASE	$8,903.00	$4,906.50	$817.75	$3,996.50	55.11%
SUBDEPT 000		$144,825.00	$75,252.03	$11,889.84	$69,572.97	51.96%
Total DEPT 201 Assistant Administrator		$144,825.00	$75,252.03	$11,889.84	$69,572.97	51.96%
DEPT 250 FINANCE DEPARTMENT						
Active	E 01-250-000-300 SALARIES	$135,049.00	$89,109.76	$14,234.62	$45,939.24	65.98%
Active	E 01-250-000-350 FRINGE BENEFITS	$53,365.00	$42,488.96	$5,368.75	$10,876.04	79.62%
Active	E 01-250-000-400 TRAVEL AND PER	$7,000.00	$9,845.96	$0.00	-$2,845.96	140.66%
Active	E 01-250-000-425 TELEPHONE	$8,000.00	$6,628.62	$787.05	$1,371.38	82.86%
Active	E 01-250-000-450 POSTAGE/SPEED	$1,000.00	$500.00	$0.00	$500.00	50.00%
Active	E 01-250-000-475 SUPPLIES	$7,500.00	$7,525.22	$485.15	-$25.22	100.34%
Active	E 01-250-000-526 UTILITIES	$5,000.00	$2,265.82	$890.22	$2,734.18	45.32%
Active	E 01-250-000-550 AUDIT	$60,000.00	$66,704.27	$10,000.00	-$6,704.27	111.17%
SUBDEPT 000		$276,914.00	$225,068.61	$31,765.79	$51,759.53	81.28%
Total DEPT 250 FINANCE DEPARTMENT		$276,914.00	$225,068.61	$31,765.79	$51,759.53	81.28%
DEPT 650 RESOURCE DEPARTMENT						
Active	E 01-650-000-300 SALARIES	$92,571.00	$61,714.08	$7,714.26	$30,856.92	66.67%
Active	E 01-650-000-350 FRINGE BENEFITS	$31,462.00	$26,894.40	$3,364.70	$4,567.60	85.48%
Active	E 01-650-000-400 TRAVEL AND PER	$20,000.00	$8,082.68	$758.15	$11,917.32	40.41%
Active	E 01-650-000-402 NPFMC Meetings	$15,000.00	$2,767.99	$0.00	$12,232.01	18.45%
Active	E 01-650-000-403 BOF Meetings	$30,000.00	$2,000.00	$0.00	$28,000.00	6.67%
Active	E 01-650-000-425 TELEPHONE	$1,500.00	$822.58	$148.88	$677.42	54.84%
Active	E 01-650-000-475 SUPPLIES	$2,500.00	$1,198.77	$654.13	$1,301.23	47.95%
Active	E 01-650-000-525 RENTAL/LEASE	$8,903.00	$5,801.04	$828.72	$3,101.96	65.16%
SUBDEPT 000		$201,936.00	$109,281.54	$13,468.84	$92,654.46	54.12%
Total DEPT 650 RESOURCE DEPARTMENT		$201,936.00	$109,281.54	$13,468.84	$92,654.46	54.12%
DEPT 651 COMMUNICATION DIRECTOR						
Active	E 01-651-011-300 SALARIES	$98,973.00	$67,631.52	$9,897.20	$31,341.48	68.33%
Active	E 01-651-011-350 FRINGE BENEFITS	$34,158.00	$19,107.44	$2,421.62	$15,050.56	55.94%
Active	E 01-651-011-400 TRAVEL AND PER	$15,000.00	$7,297.68	$2,625.50	$7,702.32	48.65%
Active	E 01-651-011-425 TELEPHONE	$2,400.00	$1,990.46	$252.90	$409.54	82.94%
Active	E 01-651-011-475 SUPPLIES	$2,500.00	$435.90	$4.12	$2,064.10	17.44%
Active	E 01-651-011-525 RENTAL/LEASE	$10,016.00	$5,947.69	$849.67	$4,068.31	59.38%
Active	E 01-651-011-532 ADVERTISING	$15,000.00	$12,507.37	$993.00	$2,492.63	83.38%
SUBDEPT 011 PUBLIC INFORMATION		$178,047.00	$114,918.06	$17,044.01	$63,128.94	64.54%
Total DEPT 651 COMMUNICATION DIRECTOR		$178,047.00	$114,918.06	$17,044.01	$63,128.94	64.54%
DEPT 700 PUBLIC WORKS DEPARTMENT						
Active	E 01-700-000-300 SALARIES	$64,633.00	$34,840.22	$5,416.66	$29,792.78	53.90%
Active	E 01-700-000-350 FRINGE BENEFITS	$31,024.00	$12,109.85	$2,125.44	$18,914.15	39.03%
Active	E 01-700-000-400 TRAVEL AND PER	$15,000.00	$7,573.00	$5,374.00	$7,427.00	50.49%
Active	E 01-700-000-425 TELEPHONE	$1,000.00	$712.85	$120.90	$287.15	71.29%
Active	E 01-700-000-475 SUPPLIES	$5,000.00	$2,813.67	$0.00	$2,186.33	56.27%
Active	E 01-700-000-526 UTILITIES	$2,000.00	$168.07	$54.26	$1,831.93	8.40%
SUBDEPT 000		$118,657.00	$58,217.66	$13,091.26	$60,413.16	49.06%
Total DEPT 700 PUBLIC WORKS DEPARTMENT		$118,657.00	$58,217.66	$13,091.26	$60,413.16	49.06%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
DEPT 844 KCAP						
Active	E 01-844-000-300 SALARIES	$2,500.00	$0.00	$0.00	$2,500.00	0.00%
Active	E 01-844-000-350 FRINGE BENEFITS	$20,000.00	$3,519.41	$0.00	$16,480.59	17.60%
Active	E 01-844-000-400 TRAVEL AND PER	$4,000.00	$0.00	$0.00	$4,000.00	0.00%
Active	E 01-844-000-475 SUPPLIES	$1,000.00	$1,263.69	$183.02	-$263.69	126.37%
Active	E 01-844-000-603 MAINTENANCE	$100,000.00	$54,991.86	$0.00	$45,008.14	54.99%
SUBDEPT 000		$127,500.00	$59,774.96	$183.02	$67,725.04	46.88%
	Total DEPT 844 KCAP	$127,500.00	$59,774.96	$183.02	$67,725.04	46.88%
DEPT 850 EDUCATION						
Active	E 01-850-000-700 LOCAL SCHOOL C	$800,000.00	$400,000.00	$0.00	$400,000.00	50.00%
Active	E 01-850-000-701 SCHOOL SCHOLA	$25,000.00	$0.00	$0.00	$25,000.00	0.00%
Active	E 01-850-000-756 STUDENT TRAVEL	$20,000.00	$0.00	$0.00	$20,000.00	0.00%
SUBDEPT 000		$845,000.00	$400,000.00	$0.00	$445,000.00	47.34%
	Total DEPT 850 EDUCATION	$845,000.00	$400,000.00	$0.00	$445,000.00	47.34%
DEPT 900 OTHER						
Active	E 01-900-000-500 EQUIPMENT	$35,000.00	$17,598.19	$2,321.93	$17,401.81	50.28%
Active	E 01-900-000-515 AEB VEHICLES	$40,000.00	$0.00	$0.00	$40,000.00	0.00%
Active	E 01-900-000-526 UTILITIES	$25,000.00	$12,259.47	$5,405.13	$12,740.53	49.04%
Active	E 01-900-000-527 Aleutia Crab	$58,522.00	$46,111.22	$0.00	$12,410.78	78.79%
Active	E 01-900-000-551 LEGAL	$100,000.00	$100,786.35	$52,702.10	-$786.35	100.79%
Active	E 01-900-000-552 INSURANCE	$160,000.00	$155,941.61	$0.00	$4,058.39	97.46%
Active	E 01-900-000-600 REPAIRS	$5,000.00	$4,947.55	$884.10	$52.45	98.95%
Active	E 01-900-000-727 BANK FEES	$12,000.00	$17,726.66	$2,676.46	-$5,726.66	147.72%
Active	E 01-900-000-752 CONTRIBUTION T	$150,000.00	$75,000.00	$0.00	$75,000.00	50.00%
Active	E 01-900-000-753 MISC EXPENSE	$96,000.00	$125,128.45	($2,286.93)	-$29,128.45	130.34%
Active	E 01-900-000-757 DONATIONS	$23,500.00	$10,800.00	$0.00	$12,700.00	45.96%
Active	E 01-900-000-760 REVENUE SHARIN	$12,900.00	$15,789.00	$0.00	-$2,889.00	122.40%
Active	E 01-900-000-943 WEB SERVICE	$30,000.00	$14,682.45	$1,954.00	$15,317.55	48.94%
SUBDEPT 000		$747,922.00	$596,770.95	$63,656.79	$137,215.65	79.79%
	Total DEPT 900 OTHER	$747,922.00	$596,770.95	$63,656.79	$137,215.65	79.79%
	Total Fund 01 GENERAL FUND	$3,657,367.00	$2,344,572.72	$262,726.95	$1,287,195.82	64.11%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 20 GRANT PROGRAMS						
Active	R 20-201 INTEREST REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 20-203 OTHER REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 20-204 OPERATING TRANSFER F	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 20-207 AEB Grant Revenue	$1,168,000.00	$0.00	$0.00	$1,168,000.00	0.00%
Active	R 20-209 AEB Grants	$1,207,000.00	$0.00	$0.00	$1,207,000.00	0.00%
Active	R 20-211 AEB Grant FY18	$2,954,000.00	$0.00	$0.00	$2,954,000.00	0.00%
Active	R 20-287 KCAP/09-DC-359	$1,587,088.50	$21,392.13	$0.00	$1,565,696.37	1.35%
Active	R 20-426 DCCED/Akutan Harbor Float	$150,602.91	$0.00	$0.00	$150,602.91	0.00%
Active	R 20-499 Cold Bay Airport-Apron&Taxi	$249,449.26	$100,017.26	$0.00	$149,432.00	40.10%
Active	R 20-503 CDBG-Nelson Lagoon Erosi	$592,832.88	$100,636.04	$0.00	$492,196.84	16.98%
	Total Fund 20 GRANT PROGRAMS	$7,908,973.55	$222,045.43	$0.00	$7,686,928.12	2.81%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

	17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 20 GRANT PROGRAMS					
DEPT 426 DCCED/Akutan Harbor Floats					
Active E 20-426-000-850 CAPITAL CONSTR	$150,602.91	$0.00	$0.00	$150,602.91	0.00%
SUBDEPT 000	$150,602.91	$0.00	$0.00	$150,602.91	0.00%
Total DEPT 426 DCCED/Akutan Harbor Floats	$150,602.91	$0.00	$0.00	$150,602.91	0.00%
DEPT 427 Akutan Harbor Contribution					
Active E 20-427-000-850 CAPITAL CONSTR	$259,743.66	$0.00	$0.00	$259,743.66	0.00%
SUBDEPT 000	$259,743.66	$0.00	$0.00	$259,743.66	0.00%
Active E 20-427-209-850 CAPITAL CONSTR	$53,088.00	$6,089.01	$0.00	$46,998.99	11.47%
SUBDEPT 209 AEB Grant	$53,088.00	$6,089.01	$0.00	$46,998.99	11.47%
Total DEPT 427 Akutan Harbor Contribution	$312,831.66	$6,089.01	$0.00	$306,742.65	1.95%
DEPT 499 Cold Bay Airport-Apron&Taxiway					
Active E 20-499-049-850 CAPITAL CONSTR	$149,432.00	$18,914.89	$8,848.20	$130,517.11	12.66%
SUBDEPT 049 DCCED-13-DC-501	$149,432.00	$18,914.89	$8,848.20	$130,517.11	12.66%
Total DEPT 499 Cold Bay Airport-Apron&Taxiway	$149,432.00	$18,914.89	$8,848.20	$130,517.11	12.66%
DEPT 504 Nelson Lagoon Erosion					
Active E 20-504-208-300 SALARIES	$376,389.99	$28,728.86	$0.00	$347,661.13	7.63%
Active E 20-504-208-350 FRINGE BENEFITS	$0.00	$1,516.66	$0.00	-$1,516.66	0.00%
Active E 20-504-208-380 CONTRACT LABO	$24,232.98	$13,412.78	$0.00	$10,820.20	55.35%
Active E 20-504-208-400 TRAVEL AND PER	$20,920.00	$10,020.00	$0.00	$10,900.00	47.90%
Active E 20-504-208-475 SUPPLIES	$7,754.49	$340.13	$0.00	$7,414.36	4.39%
Active E 20-504-208-500 EQUIPMENT	$165,535.63	$46,497.61	$0.00	$119,038.02	28.09%
SUBDEPT 208 CDBG /Nelson Lagoon Erosion	$594,833.09	$100,516.04	$0.00	$494,317.05	16.90%
Active E 20-504-209-850 CAPITAL CONSTR	$35,196.58	$120.00	$0.00	$35,076.58	0.34%
SUBDEPT 209 AEB Grant	$35,196.58	$120.00	$0.00	$35,076.58	0.34%
Total DEPT 504 Nelson Lagoon Erosion	$630,029.67	$100,636.04	$0.00	$529,393.63	15.97%
DEPT 513 COLD BAY APRON PROJECT					
Active E 20-513-000-850 CAPITAL CONSTR	$225,000.00	$225,000.00	$0.00	$0.00	100.00%
SUBDEPT 000	$225,000.00	$225,000.00	$0.00	$0.00	100.00%
Total DEPT 513 COLD BAY APRON PROJECT	$225,000.00	$225,000.00	$0.00	$0.00	100.00%
DEPT 516 Cold Bay Preschool					
Active E 20-516-209-475 SUPPLIES	$13,500.00	$0.00	$0.00	$13,500.00	0.00%
SUBDEPT 209 AEB Grant	$13,500.00	$0.00	$0.00	$13,500.00	0.00%
Total DEPT 516 Cold Bay Preschool	$13,500.00	$0.00	$0.00	$13,500.00	0.00%
DEPT 520 Cold Bay Clinic					
Active E 20-520-000-850 CAPITAL CONSTR	$481,139.00	$0.00	$0.00	$481,139.00	0.00%
SUBDEPT 000	$481,139.00	$0.00	$0.00	$481,139.00	0.00%
Active E 20-520-209-850 CAPITAL CONSTR	$2,137,000.00	$0.00	$0.00	$2,137,000.00	0.00%
SUBDEPT 209 AEB Grant	$2,137,000.00	$0.00	$0.00	$2,137,000.00	0.00%
Total DEPT 520 Cold Bay Clinic	$2,618,139.00	$0.00	$0.00	$2,618,139.00	0.00%
DEPT 802 CAPITAL - COLD BAY					
Active E 20-802-000-850 CAPITAL CONSTR	$60,000.00	$0.00	$0.00	$60,000.00	0.00%
SUBDEPT 000	$60,000.00	$0.00	$0.00	$60,000.00	0.00%
Total DEPT 802 CAPITAL - COLD BAY	$60,000.00	$0.00	$0.00	$60,000.00	0.00%
DEPT 813 Akutan Airport/CIP Trident					
Active E 20-813-000-850 CAPITAL CONSTR	$313,738.96	$0.00	$0.00	$313,738.96	0.00%
SUBDEPT 000	$313,738.96	$0.00	$0.00	$313,738.96	0.00%
Total DEPT 813 Akutan Airport/CIP Trident	$313,738.96	$0.00	$0.00	$313,738.96	0.00%
DEPT 814 False Pass Harbor House					

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	17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Active E 20-814-209-850 CAPITAL CONSTR	$100,000.00	$0.00	$0.00	$100,000.00	0.00%
SUBDEPT 209 AEB Grant	$100,000.00	$0.00	$0.00	$100,000.00	0.00%
Total DEPT 814 False Pass Harbor House	$100,000.00	$0.00	$0.00	$100,000.00	0.00%
DEPT 831 SAND POINT HARBOR					
Active E 20-831-209-850 CAPITAL CONSTR	$205,226.00	$200,186.90	$23,808.80	$5,039.10	97.54%
SUBDEPT 209 AEB Grant	$205,226.00	$200,186.90	$23,808.80	$5,039.10	97.54%
Total DEPT 831 SAND POINT HARBOR	$205,226.00	$200,186.90	$23,808.80	$5,039.10	97.54%
DEPT 862 NELSON LAGOON DOCK					
Active E 20-862-209-600 REPAIRS	$915,246.00	$0.00	$0.00	$915,246.00	0.00%
SUBDEPT 209 AEB Grant	$915,246.00	$0.00	$0.00	$915,246.00	0.00%
Total DEPT 862 NELSON LAGOON DOCK	$915,246.00	$0.00	$0.00	$915,246.00	0.00%
DEPT 864 SAND POINT AIRPORT BUILDING					
Active E 20-864-209-600 REPAIRS	$100,000.00	$100,000.00	$0.00	$0.00	100.00%
SUBDEPT 209 AEB Grant	$100,000.00	$100,000.00	$0.00	$0.00	100.00%
Total DEPT 864 SAND POINT AIRPORT BUILDING	$100,000.00	$100,000.00	$0.00	$0.00	100.00%
DEPT 866 AEB PROJECTS					
Active E 20-866-209-506 SURVEYING	$117,161.48	$525.00	$0.00	$116,636.48	0.45%
Active E 20-866-209-888 PROJECT CONTIN	$169,474.00	$709.51	($110,000.00)	$168,764.49	0.42%
SUBDEPT 209 AEB Grant	$286,635.48	$1,234.51	-$110,000.00	$285,400.97	0.43%
Total DEPT 866 AEB PROJECTS	$286,635.48	$1,234.51	-$110,000.00	$285,400.97	0.43%
DEPT 867 KCC Alternative Road					
Active E 20-867-000-300 SALARIES	$0.00	$2,175.00	$150.00	-$2,175.00	0.00%
Active E 20-867-000-350 FRINGE BENEFITS	$0.00	$10,188.55	$1,709.59	-$10,188.55	0.00%
Active E 20-867-000-380 CONTRACT LABO	$535,463.88	$0.00	$0.00	$535,463.88	0.00%
Active E 20-867-000-381 ENGINEERING	$0.00	$0.00	$0.00	$0.00	0.00%
Active E 20-867-000-400 TRAVEL AND PER	$0.00	$0.00	$0.00	$0.00	0.00%
Active E 20-867-000-475 SUPPLIES	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000	$535,463.88	$12,363.55	$1,859.59	$523,100.33	2.31%
Active E 20-867-168-300 SALARIES	$6,775.00	$825.00	$150.00	$5,950.00	12.18%
Active E 20-867-168-350 FRINGE BENEFITS	$0.00	$1,767.97	$1,709.59	-$1,767.97	0.00%
Active E 20-867-168-381 ENGINEERING	$857,950.00	$0.00	$0.00	$857,950.00	0.00%
Active E 20-867-168-400 TRAVEL AND PER	$5,926.49	$0.00	$0.00	$5,926.49	0.00%
Active E 20-867-168-850 CAPITAL CONSTR	$719,657.42	$20,658.75	$0.00	$698,998.67	2.87%
SUBDEPT 168 KCAP/09-DC-359	$1,590,308.91	$23,251.72	$1,859.59	$1,567,057.19	1.46%
Active E 20-867-209-850 CAPITAL CONSTR	$8,867.78	$0.00	$0.00	$8,867.78	0.00%
SUBDEPT 209 AEB Grant	$8,867.78	$0.00	$0.00	$8,867.78	0.00%
Total DEPT 867 KCC Alternative Road	$2,134,640.57	$35,615.27	$3,719.18	$2,099,025.30	1.67%
DEPT 900 OTHER					
Active E 20-900-000-753 MISC EXPENSE	$0.00	$0.00	$0.00	$0.00	0.00%
Active E 20-900-000-850 CAPITAL CONSTR	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000	$0.00	$0.00	$0.00	$0.00	0.00%
Total DEPT 900 OTHER	$0.00	$0.00	$0.00	$0.00	0.00%
Total Fund 20 GRANT PROGRAMS	$8,215,022.25	$687,676.62	-$73,623.82	$7,527,345.63	8.37%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 22 OPERATIONS						
Active	R 22-203 OTHER REVENUE	$0.00	$375,000.00	$187,500.00	-$375,000.00	0.00%
Active	R 22-221 COLD BAY TERMINAL LEA	$139,620.00	$89,337.76	$11,792.22	$50,282.24	63.99%
Active	R 22-222 COLD BAY TERMINAL OTH	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 22-301 HELICOPTER/TICKETS	$300,000.00	$124,761.15	$11,862.30	$175,238.85	41.59%
Active	R 22-302 HELICOPTER/FREIGHT	$95,000.00	$37,299.80	$9,335.68	$57,700.20	39.26%
	Total Fund 22 OPERATIONS	$534,620.00	$626,398.71	$220,490.20	-$91,778.71	117.17%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 22 OPERATIONS						
DEPT 802 CAPITAL - COLD BAY						
Active	E 22-802-200-300 SALARIES	$27,958.00	$18,638.72	$2,329.84	$9,319.28	66.67%
Active	E 22-802-200-350 FRINGE BENEFITS	$3,617.00	$1,612.16	$201.52	$2,004.84	44.57%
Active	E 22-802-200-400 TRAVEL AND PER	$0.00	$0.00	$0.00	$0.00	0.00%
Active	E 22-802-200-425 TELEPHONE	$4,500.00	$2,766.79	$355.45	$1,733.21	61.48%
Active	E 22-802-200-475 SUPPLIES	$7,500.00	$3,333.95	$4.94	$4,166.05	44.45%
Active	E 22-802-200-526 UTILITIES	$24,000.00	$7,791.49	$4,079.34	$16,208.51	32.46%
Active	E 22-802-200-576 GAS	$1,500.00	$0.00	$0.00	$1,500.00	0.00%
Active	E 22-802-200-577 FUEL	$15,000.00	$8,483.09	$1,764.94	$6,516.91	56.55%
SUBDEPT 200 COLD BAY TERMINAL		$84,075.00	$42,626.20	$8,736.03	$40,091.15	50.70%
Total DEPT 802 CAPITAL - COLD BAY		$84,075.00	$42,626.20	$8,736.03	$40,091.15	50.70%
DEPT 845 HELICOPTER OPERATIONS						
Active	E 22-845-300-300 SALARIES	$130,520.00	$77,309.48	$4,204.13	$53,210.52	59.23%
Active	E 22-845-300-350 FRINGE BENEFITS	$32,140.00	$19,490.15	$1,192.26	$12,649.85	60.64%
Active	E 22-845-300-380 CONTRACT LABO	$1,453,000.00	$763,870.06	$164,532.78	$689,129.94	52.57%
Active	E 22-845-300-400 TRAVEL AND PER	$5,000.00	$4,581.72	$4,581.72	$418.28	91.63%
Active	E 22-845-300-425 TELEPHONE	$2,140.00	$2,325.22	$105.45	-$185.22	108.66%
Active	E 22-845-300-475 SUPPLIES	$60,000.00	$56,139.81	$1,677.59	$3,860.19	93.57%
Active	E 22-845-300-525 RENTAL/LEASE	$24,000.00	$16,495.20	$2,043.00	$7,504.80	68.73%
Active	E 22-845-300-526 UTILITIES	$8,000.00	$750.00	$150.00	$7,250.00	9.38%
Active	E 22-845-300-552 INSURANCE	$18,200.00	$14,246.00	$14,246.00	$3,954.00	78.27%
Active	E 22-845-300-576 GAS	$12,000.00	$7,227.61	$1,141.08	$4,772.39	60.23%
Active	E 22-845-300-577 FUEL	$150,000.00	$72,494.56	$24,056.97	$77,505.44	48.33%
SUBDEPT 300 HELICOPTER OPERATIONS		$1,895,000.00	$1,034,929.81	$217,930.98	$745,808.15	54.61%
Total DEPT 845 HELICOPTER OPERATIONS		$1,895,000.00	$1,034,929.81	$217,930.98	$745,808.15	54.61%
Total Fund 22 OPERATIONS		$1,979,075.00	$1,077,556.01	$226,667.01	$785,899.30	54.45%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 24 BOND CONSTRUCTION						
Active	R 24-201 INTEREST REVENUE	$0.00	$22,220.96	$0.00	-$22,220.96	0.00%
Active	R 24-203 OTHER REVENUE	$0.00	$33,275.77	$0.00	-$33,275.77	0.00%
Active	R 24-227 COE-HARBOR PROJECTS	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 24-259 BOND PROCEEDS	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 24-270 STATE REVENUE OTHER	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 24-277 STATE BOND REBATE	$0.00	$0.00	$0.00	$0.00	0.00%
Total Fund 24 BOND CONSTRUCTION		$0.00	$55,496.73	$0.00	-$55,496.73	0.00%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

	17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 24 BOND CONSTRUCTION					
DEPT 809 Akutan Airport/Grant					
Active E 24-809-000-850 CAPITAL CONSTR	$525,177.42	$0.00	$0.00	$525,177.42	0.00%
SUBDEPT 000	$525,177.42	$0.00	$0.00	$525,177.42	0.00%
Total DEPT 809 Akutan Airport/Grant	$525,177.42	$0.00	$0.00	$525,177.42	0.00%
DEPT 833 FALSE PASS HARBOR					
Active E 24-833-000-850 CAPITAL CONSTR	$339,073.39	$2,397.50	$1,997.50	$336,675.89	0.71%
SUBDEPT 000	$339,073.39	$2,397.50	$1,997.50	$336,675.89	0.71%
Total DEPT 833 FALSE PASS HARBOR	$339,073.39	$2,397.50	$1,997.50	$336,675.89	0.71%
DEPT 839 AKUTAN HARBOR					
Active E 24-839-000-850 CAPITAL CONSTR	$2,658.99	$2,658.99	$0.00	$0.00	100.00%
SUBDEPT 000	$2,658.99	$2,658.99	$0.00	$0.00	100.00%
Total DEPT 839 AKUTAN HARBOR	$2,658.99	$2,658.99	$0.00	$0.00	100.00%
DEPT 900 OTHER					
Active E 24-900-000-380 CONTRACT LABO	$0.00	$30,715.38	$3,987.49	-$30,715.38	0.00%
Active E 24-900-000-725 BOND INTEREST	$0.00	$0.00	$0.00	$0.00	0.00%
Active E 24-900-000-745 Bond Sale Expense	$0.00	$0.00	$0.00	$0.00	0.00%
Active E 24-900-000-850 CAPITAL CONSTR	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000	$0.00	$30,715.38	$3,987.49	-$30,715.38	0.00%
Total DEPT 900 OTHER	$0.00	$30,715.38	$3,987.49	-$30,715.38	0.00%
Total Fund 24 BOND CONSTRUCTION	$866,909.80	$35,771.87	$5,984.99	$831,137.93	4.13%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 30 BOND FUND						
Active	R 30-201 INTEREST REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 30-203 OTHER REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 30-204 OPERATING TRANSFER F	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 30-259 BOND PROCEEDS	$0.00	$0.00	$0.00	$0.00	0.00%
	Total Fund 30 BOND FUND	$0.00	$0.00	$0.00	$0.00	0.00%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 30 BOND FUND						
DEPT 900 OTHER						
Active	E 30-900-000-725 BOND INTEREST	$0.00	$566,689.10	$19,875.00	-$566,689.10	0.00%
Active	E 30-900-000-726 BOND PRINCIPAL	$0.00	$1,375,000.00	$0.00	-$1,375,000.00	0.00%
Active	E 30-900-000-745 Bond Sale Expense	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000		$0.00	$1,941,689.10	$19,875.00	-$1,941,689.10	0.00%
	Total DEPT 900 OTHER	$0.00	$1,941,689.10	$19,875.00	-$1,941,689.10	0.00%
	Total Fund 30 BOND FUND	$0.00	$1,941,689.10	$19,875.00	-$1,941,689.10	0.00%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 40 PERMANENT FUND						
Active	R 40-201 INTEREST REVENUE	$0.00	$3,059,292.36	$0.00	-$3,059,292.36	0.00%
Active	R 40-203 OTHER REVENUE	$35,000.00	$0.00	$0.00	$35,000.00	0.00%
Active	R 40-204 OPERATING TRANSFER F	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 40-230 LAND SALES	$0.00	$0.00	$0.00	$0.00	0.00%
	Total Fund 40 PERMANENT FUND	$35,000.00	$3,059,292.36	$0.00	-$3,024,292.36	8740.84%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 40 PERMANENT FUND						
DEPT 900 OTHER						
Active	E 40-900-000-380 CONTRACT LABO	$0.00	$30,715.40	$3,987.50	-$30,715.40	0.00%
Active	E 40-900-000-751 OPERATING TRAN	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000		$0.00	$30,715.40	$3,987.50	-$30,715.40	0.00%
	Total DEPT 900 OTHER	$0.00	$30,715.40	$3,987.50	-$30,715.40	0.00%
	Total Fund 40 PERMANENT FUND	$0.00	$30,715.40	$3,987.50	-$30,715.40	0.00%

ALEUTIANS EAST BOROUGH
*Revenue Guideline©

Current Period: FEBRUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 41 MAINTENANCE RESERVE FUND						
Active	R 41-201 INTEREST REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 41-203 OTHER REVENUE	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 41-204 OPERATING TRANSFER F	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 41-207 AEB Grant Revenue	$200,000.00	$0.00	$0.00	$200,000.00	0.00%
Active	R 41-230 LAND SALES	$0.00	$0.00	$0.00	$0.00	0.00%
Active	R 41-276 AEB SCHOOL	$1,457,388.89	$0.00	$0.00	$1,457,388.89	0.00%
Total Fund 41 MAINTENANCE RESERVE FUND		$1,657,388.89	$0.00	$0.00	$1,657,388.89	0.00%

ALEUTIANS EAST BOROUGH
*Expenditure Guideline©

Current Period: FEBRUARY 17-18

	17-18 YTD Budget	17-18 YTD Amt	FEBRUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 41 MAINTENANCE RESERVE FUND					
DEPT 800 CAPITAL - SCHOOL					
Active E 41-800-857-888 PROJECT CONTIN	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
SUBDEPT 857 FALSE PASS SCHOOL	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
Active E 41-800-865-888 PROJECT CONTIN	$48,680.00	$37,576.00	$0.00	$11,104.00	77.19%
SUBDEPT 865 Akutan School	$48,680.00	$37,576.00	$0.00	$11,104.00	77.19%
Active E 41-800-866-888 PROJECT CONTIN	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
SUBDEPT 866 NELSON LAGOON SCHOOL	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
Active E 41-800-867-888 PROJECT CONTIN	$122,285.00	$125,071.68	$110,000.00	-$2,786.68	102.28%
SUBDEPT 867 Sand Point School	$122,285.00	$125,071.68	$110,000.00	-$2,786.68	102.28%
Active E 41-800-868-888 PROJECT CONTIN	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
SUBDEPT 868 King Cove School	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
Active E 41-800-869-888 PROJECT CONTIN	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
SUBDEPT 869 COLD BAY SCHOOL	$50,000.00	$0.00	$0.00	$50,000.00	0.00%
Total DEPT 800 CAPITAL - SCHOOL	$370,965.00	$162,647.68	$110,000.00	$208,317.32	43.84%
DEPT 900 OTHER					
Active E 41-900-000-753 MISC EXPENSE	$0.00	$8,643.96	$1,399.25	-$8,643.96	0.00%
Active E 41-900-000-880 LAND	$0.00	$0.00	$0.00	$0.00	0.00%
SUBDEPT 000	$0.00	$8,643.96	$1,399.25	-$8,643.96	0.00%
Total DEPT 900 OTHER	$0.00	$8,643.96	$1,399.25	-$8,643.96	0.00%
Total Fund 41 MAINTENANCE RESERVE FUND	$370,965.00	$171,291.64	$111,399.25	$199,673.36	46.17%

INVESTMENT REPORT

ALEUTIANS EAST BOROUGH

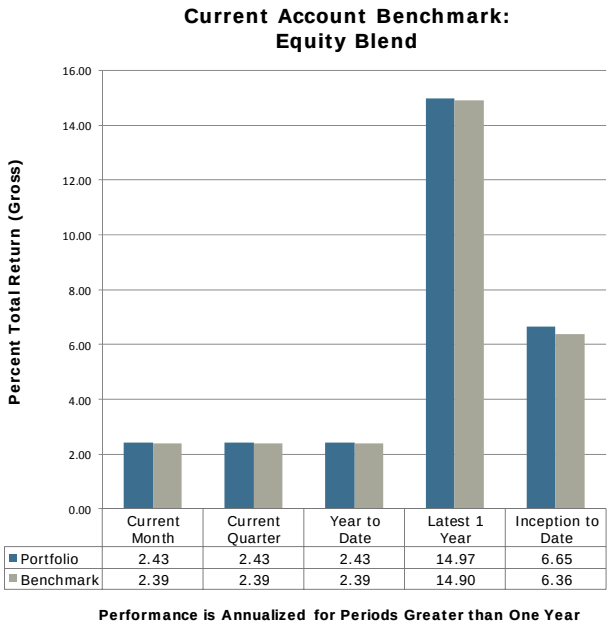
Account Statement - Period Ending January 31, 2018

ALASKA PERMANENT CAPITAL MANAGEMENT
Registered Investment Adviser

ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	46,342,822
Contributions	0
Withdrawals	-1,021
Change in Market Value	1,096,724
Interest	53,269
Dividends	0
Portfolio Value on 01-31-18	47,491,793

INVESTMENT PERFORMANCE



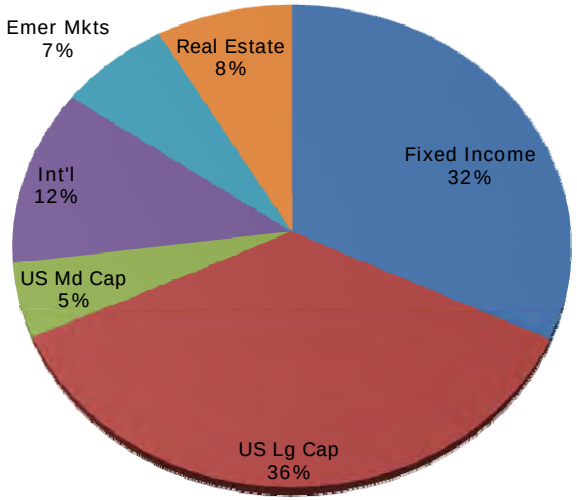
	Current Month	Current Quarter	Year to Date	Latest 1 Year	Inception to Date
Portfolio	2.43	2.43	2.43	14.97	6.65
Benchmark	2.39	2.39	2.39	14.90	6.36

Clients are encouraged to compare this report with the official statement from their custodian.

MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272 -7575

PORTFOLIO COMPOSITION



Alaska Permanent Capital Management Co.

PORTFOLIO SUMMARY AND TARGET

ALEUTIANS EAST BOROUGH

January 31, 2018

Asset Class & Target	Market Value	% Assets	Range
FIXED INCOME (34%)			
US Fixed Income (34.0%)	14,356,855	30.2	25% to 60%
Cash (0.0%)	933,496	2.0	na
Subtotal:	**15,290,350**	**32.2**	
EQUITY (66%)			
US Large Cap (36.0%)	16,975,749	35.7	30% to 50%
US Mid Cap (5.0%)	2,379,488	5.0	0% to 10%
Developed International Equity (10.0%)	5,604,118	11.8	5% to 15%
Emerging Markets (5.0%)	3,251,712	6.8	0% to 10%
Real Estate (10.0%)	3,990,376	8.4	5% to 15%
Subtotal:	**32,201,443**	**67.8**	
TOTAL PORTFOLIO	**47,491,793**	**100**	

AEB/AKUTAN HARBOR - 2006 A

Account Statement - Period Ending January 31, 2018

ALASKA PERMANENT CAPITAL MANAGEMENT
Registered Investment Adviser

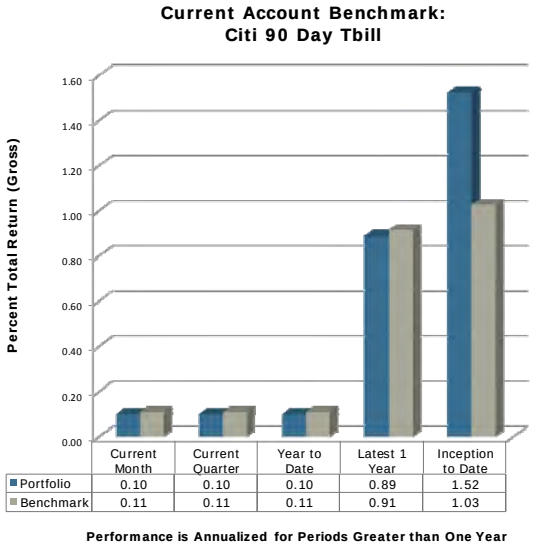
ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	1,525,749
Contributions	0
Withdrawals	-108
Change in Market Value	323
Interest	1,209
Dividends	0
Portfolio Value on 01-31-18	1,527,174

MANAGEMENT TEAM

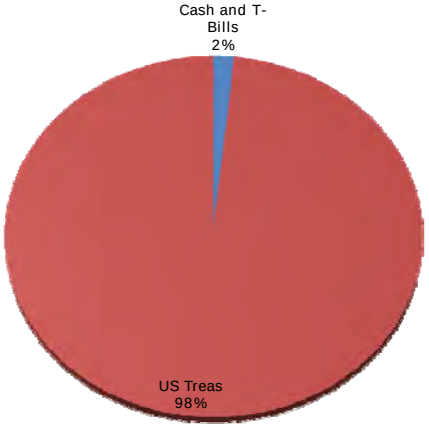
Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272 -7575

INVESTMENT PERFORMANCE



	Current Month	Current Quarter	Year to Date	Latest 1 Year	Inception to Date
Portfolio	0.10	0.10	0.10	0.89	1.52
Benchmark	0.11	0.11	0.11	0.91	1.03

PORTFOLIO COMPOSITION



Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 1.53% Average Maturity: 0.23 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.

PORTFOLIO APPRAISAL

AEB/AKUTAN HARBOR - 2006 A

January 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		25,481		25,481	1.67			
U.S. TREASURY									
200,000	US TREASURY NOTES 1.000% Due 02-15-18	100.35	200,695	99.99	199,976	13.09	2,000	924	1.29
200,000	US TREASURY NOTES 0.875% Due 03-31-18	99.84	199,672	99.92	199,832	13.09	1,750	599	1.39
450,000	US TREASURY NOTES 0.750% Due 04-15-18	99.77	448,984	99.86	449,374	29.43	3,375	1,011	1.43
650,000	US TREASURY NOTES 1.125% Due 06-15-18	99.84	648,984	99.85	649,012	42.50	7,312	964	1.53
	Accrued Interest				3,498	0.23			
			1,498,336		1,501,693	98.33		3,498	
TOTAL PORTFOLIO			**1,523,817**		**1,527,174**	**100**	**14,437**	**3,498**	

AEB OPERATING FUND

Account Statement - Period Ending January 31, 2018

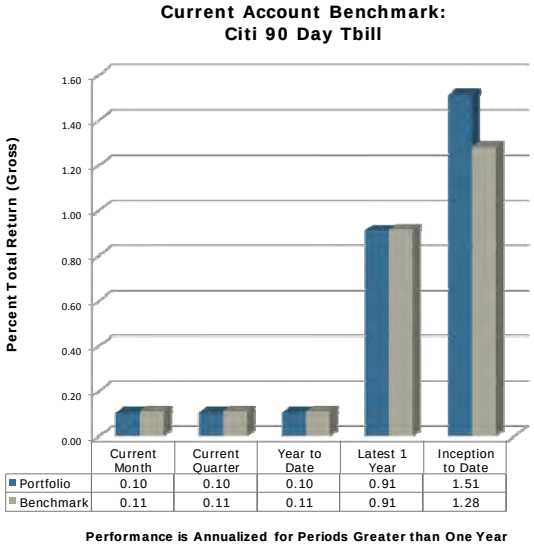
ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	2,550,453
Contributions	0
Withdrawals	-166
Change in Market Value	452
Interest	2,194
Dividends	0
Portfolio Value on 01-31-18	2,552,932

MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272 -7575

INVESTMENT PERFORMANCE



PORTFOLIO COMPOSITION

Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 1.50% Average Maturity: 0.19 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.

PORTFOLIO APPRAISAL

AEB OPERATING FUND

January 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		33,395		33,395	1.31			
U.S. TREASURY									
565,000	US TREASURY NOTES 1.000% Due 02-15-18	99.93	564,581	99.99	564,932	22.13	5,650	2,610	1.29
200,000	US TREASURY NOTES 1.000% Due 03-15-18	99.93	199,852	99.96	199,918	7.83	2,000	768	1.34
300,000	US TREASURY NOTES 0.875% Due 03-31-18	99.84	299,508	99.92	299,748	11.74	2,625	899	1.39
525,000	US TREASURY NOTES 0.750% Due 04-15-18	99.78	523,870	99.86	524,270	20.54	3,937	1,179	1.43
300,000	US TREASURY NOTES 1.000% Due 05-15-18	99.83	299,484	99.86	299,589	11.74	3,000	646	1.48
625,000	US TREASURY NOTES 1.125% Due 06-15-18	99.84	624,023	99.85	624,050	24.44	7,031	927	1.53
	Accrued Interest				7,030	0.28			
			2,511,318		2,519,537	98.69		7,030	
TOTAL PORTFOLIO			**2,544,713**		**2,552,932**	**100**	**24,244**	**7,030**	

ALEUTIANS EAST BOROUGH SERIES E BOND

Account Statement - Period Ending January 31, 2018

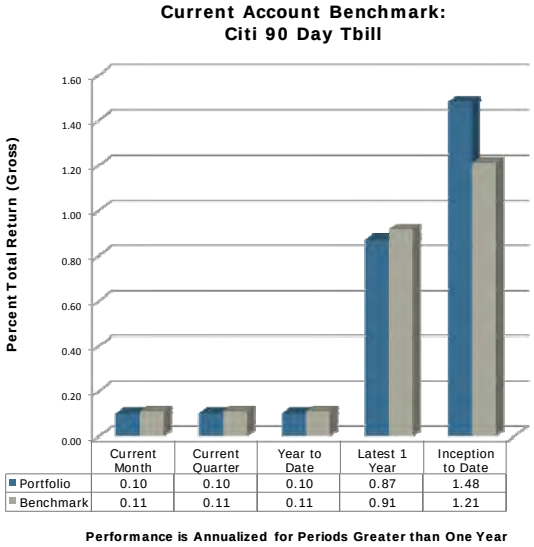
ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	2,488,886
Contributions	0
Withdrawals	-415
Change in Market Value	179
Interest	2,328
Dividends	0
Portfolio Value on 01-31-18	2,490,977

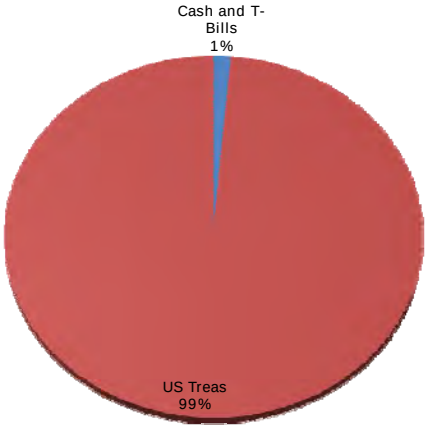
MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272 -7575

INVESTMENT PERFORMANCE



PORTFOLIO COMPOSITION



Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 1.56% Average Maturity: 0.29 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.

PORTFOLIO APPRAISAL

ALEUTIANS EAST BOROUGH SERIES E BOND

January 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		33,973		33,973	1.36			
U.S. TREASURY									
505,000	US TREASURY NOTES 1.000% Due 02-15-18	99.94	504,684	99.99	504,939	20.27	5,050	2,333	1.29
500,000	US TREASURY NOTES 1.000% Due 03-15-18	99.93	499,664	99.96	499,795	20.06	5,000	1,920	1.34
150,000	US TREASURY NOTES 0.750% Due 04-15-18	99.53	149,297	99.86	149,791	6.01	1,125	337	1.43
400,000	US TREASURY NOTES 1.125% Due 06-15-18	99.84	399,375	99.85	399,392	16.03	4,500	593	1.53
500,000	US TREASURY NOTES 0.875% Due 07-15-18	99.64	498,203	99.66	498,300	20.00	4,375	205	1.63
100,000	US TREASURY NOTES 1.000% Due 08-15-18	100.46	100,457	99.62	99,625	4.00	1,000	462	1.70
100,000	US TREASURY NOTES 1.000% Due 09-15-18	100.43	100,434	99.53	99,527	4.00	1,000	384	1.77
100,000	US TREASURY NOTES 0.875% Due 10-15-18	100.05	100,047	99.35	99,348	3.99	875	262	1.81
100,000	US TREASURY NOTES 1.250% Due 11-15-18	100.77	100,770	99.52	99,520	4.00	1,250	269	1.87
	Accrued Interest				6,766	0.27			
			2,452,930		2,457,004	98.64		6,766	
TOTAL PORTFOLIO			**2,486,903**		**2,490,977**	**100**	**24,175**	**6,766**	

* Callable security

AEB 2010 SERIES A GO BOND/KCAP

Account Statement - Period Ending January 31, 2018

ALASKA PERMANENT CAPITAL MANAGEMENT
Registered Investment Adviser

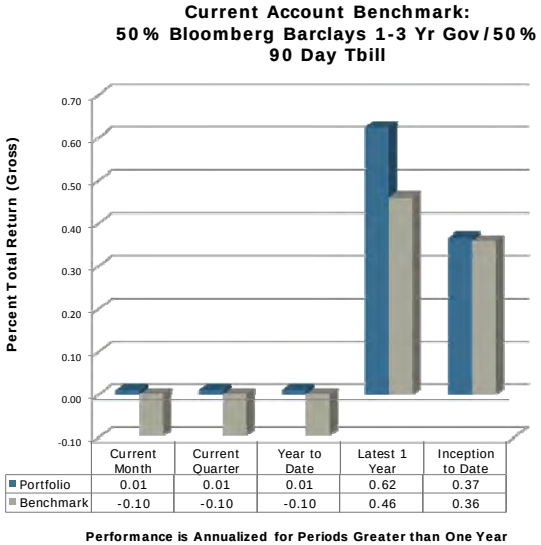
ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	1,026,150
Contributions	0
Withdrawals	-43
Change in Market Value	-775
Interest	882
Dividends	0
Portfolio Value on 01-31-18	1,026,215

MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272-7575

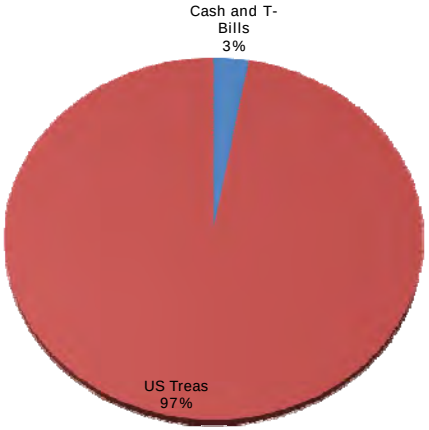
INVESTMENT PERFORMANCE



	Current Month	Current Quarter	Year to Date	Latest 1 Year	Inception to Date
Portfolio	0.01	0.01	0.01	0.62	0.37
Benchmark	-0.10	-0.10	-0.10	0.46	0.36

Performance is Annualized for Periods Greater than One Year

PORTFOLIO COMPOSITION



Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 1.67% Average Maturity: 0.67 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.

PORTFOLIO APPRAISAL

AEB 2010 SERIES A GO BOND/KCAP

January 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		29,343		29,343	2.86			
U.S. TREASURY									
100,000	US TREASURY NOTES 1.000% Due 02-15-18	99.93	99,930	99.99	99,988	9.74	1,000	462	1.29
175,000	US TREASURY NOTES 1.000% Due 03-15-18	99.93	174,870	99.96	174,928	17.05	1,750	672	1.34
150,000	US TREASURY NOTES 0.625% Due 04-30-18	99.57	149,361	99.80	149,700	14.59	937	241	1.44
200,000	US TREASURY NOTES 1.125% Due 06-15-18	99.84	199,687	99.85	199,696	19.46	2,250	297	1.53
75,000	US TREASURY NOTES 1.250% Due 12-15-18	99.95	74,962	99.44	74,584	7.27	937	124	1.89
200,000	US TREASURY NOTES 1.250% Due 06-30-19	99.68	199,367	98.90	197,804	19.28	2,500	221	2.04
100,000	US TREASURY NOTES 1.125% Due 03-31-20	98.77	98,770	97.77	97,770	9.53	1,125	385	2.19
	Accrued Interest				2,401	0.23			
			996,947		996,871	97.14		2,401	
TOTAL PORTFOLIO			**1,026,290**		**1,026,215**	**100**	**10,500**	**2,401**	

AEB 2010 SERIES B BOND/AKUTAN AIR

Account Statement - Period Ending January 31, 2018

ALASKA PERMANENT CAPITAL MANAGEMENT
Registered Investment Adviser

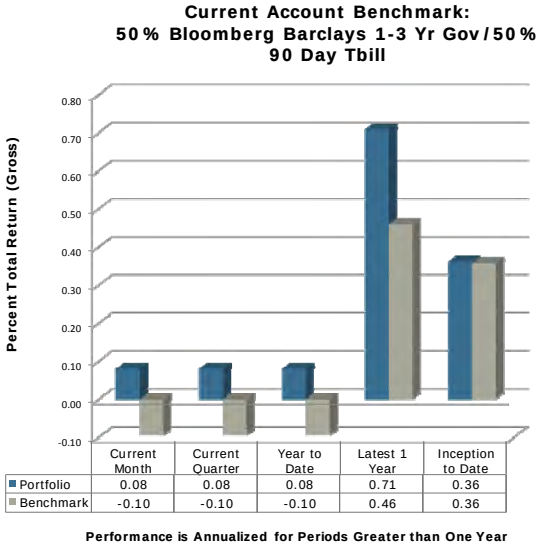
ACCOUNT ACTIVITY

Portfolio Value on 12-31-17	2,042,612
Contributions	0
Withdrawals	-85
Change in Market Value	32
Interest	1,604
Dividends	0
Portfolio Value on 01-31-18	2,044,163

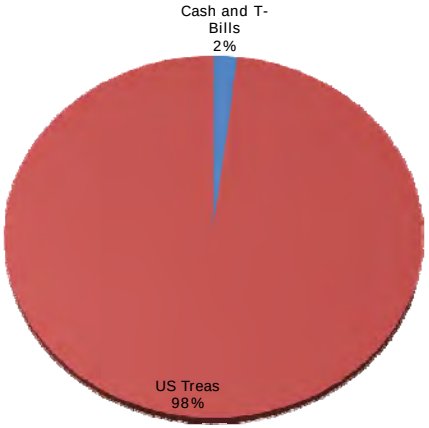
MANAGEMENT TEAM

Client Relationship Manager:	Amber Frizzell, AIF® Amber@apcm.net
Your Portfolio Manager:	Jason Roth
Contact Phone Number:	907/272-7575

INVESTMENT PERFORMANCE



PORTFOLIO COMPOSITION



Fixed Income Portfolio Statistics

Average Quality: AAA Yield to Maturity: 1.72% Average Maturity: 0.59 Yrs

Clients are encouraged to compare this report with the official statement from their custodian.

Alaska Permanent Capital Management Co.

PORTFOLIO APPRAISAL

AEB 2010 SERIES B BOND/AKUTAN AIR

January 31, 2018

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
CASH AND EQUIVALENTS									
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		39,494		39,494	1.93			
U.S. TREASURY									
300,000	US TREASURY NOTES 0.625% Due 04-30-18	99.48	298,441	99.80	299,400	14.65	1,875	482	1.44
100,000	US TREASURY NOTES 0.875% Due 05-31-18	99.84	99,836	99.79	99,789	4.88	875	152	1.51
325,000	US TREASURY NOTES 1.125% Due 06-15-18	100.03	325,109	99.85	324,506	15.87	3,656	482	1.53
160,000	US TREASURY NOTES 0.750% Due 07-31-18	99.47	159,150	99.55	159,275	7.79	1,200	3	1.66
100,000	US TREASURY NOTES 1.000% Due 08-15-18	100.46	100,457	99.62	99,625	4.87	1,000	462	1.70
300,000	US TREASURY NOTES 1.000% Due 09-15-18	99.83	299,480	99.53	298,581	14.61	3,000	1,152	1.77
100,000	US TREASURY NOTES 0.875% Due 10-15-18	100.05	100,047	99.35	99,348	4.86	875	262	1.81
100,000	US TREASURY NOTES 1.250% Due 11-15-18	100.77	100,770	99.52	99,520	4.87	1,250	269	1.87
100,000	US TREASURY NOTES 1.250% Due 12-15-18	100.25	100,250	99.44	99,445	4.86	1,250	165	1.89
100,000	US TREASURY NOTES 1.125% Due 01-15-19	99.95	99,953	99.24	99,242	4.85	1,125	53	1.93
125,000	US TREASURY NOTES 0.750% Due 02-15-19	99.05	123,809	98.75	123,442	6.04	937	433	1.97
200,000	US TREASURY NOTES 1.000% Due 03-15-19	99.46	198,922	98.91	197,812	9.68	2,000	768	1.99
	Accrued Interest				4,683	0.23			
			2,006,224		2,004,669	98.07		4,683	
TOTAL PORTFOLIO			**2,045,718**		**2,044,163**	**100**	**19,044**	**4,683**	

Consent Agenda

NONE AT THIS TIME

Public Hearings

AGENDA STATEMENT

To: Mayor Osterback and Assembly
From: Tina Anderson, Clerk
Date: February 8, 2018
Re: Ordinance 18-06, Public Records

As the Aleutians East Borough gets older, it has become necessary to get a public records management program in place. Before starting a public records program, the Assembly needs to pass an ordinance designating the clerk as the records manager. Ordinance 18-06 says we will have a program. The program will take responsibility for retention schedules, inactive storage, disposal process, protection of archival records, identify and protect vital records. This ordinance also covers the records that are exempt from inspection and public disclosure.

Once the retention schedule is completed, that will be brought before the Assembly in the form of a resolution to adopt. A detailed description of the obsolete records destroyed will be brought before the Assembly annually.

SAND POINT OFFICE
P.O. BOX 349
SAND POINT, ALASKA 99661
(907) 383-2699
(907) 383-3496 FAX

ANCHORAGE OFFICE
3380 "C" STREET, SUITE 205
ANCHORAGE, ALASKA 99503
(907) 274-7555
(907) 276-7569 FAX

KING COVE OFFICE
P.O. BOX 49
KING COVE, ALASKA 99612
(907) 497-2588
(907) 497-2386 FAX

ORIDNANCE 18-06

AN ORDINANCE OF THE ALEUTIANS EAST BOROUGH ASSEMBLY ENACTING ALEUTIANS EAST BOROUGH CODE CHAPTER 2.21, PUBLIC RECORDS, TO GOVERN THE MANAGEMENT AND DISSEMINATION OF BOROUGH RECORDS.

WHEREAS, certain state and federal laws require the Borough to retain certain records for a specific period of time; and

WHEREAS, as a political subdivision of the State of Alaska, the Borough shall promote the principles of efficient records management for local public records kept in accordance with state law; and

WHEREAS, it is the best interest of the Borough to adopt a comprehensive system for the collection, management, use and retention of Borough records;

NOW THEREFORE, BE IT ORDAINED BY THE ALEUTIANS EAST BOROUGH:

Section 1. That a new chapter 2.21 is hereby enacted as follows:

Chapter 2.21 – Public Records

2.21.010 Purpose & Policy
2.21.020 Definitions
2.21.030 Borough Records Declared Public Property
2.21.040 Records Subject to Inspection and Copying
2.21.050 Records Exempted from Public Disclosure
2.21.060 Requests for Borough Records
2.21.070 Records Management
2.21.080 Duties of Borough Departments
2.21.090 Adoption of Regulations

2.21.010 Purpose & Policy.

A. The Management and Preservation of Public Records Act (AS 40.21) provides for the orderly management of current local public records, and the preservation of noncurrent public records of permanent value.

B. This chapter is intended to provide the Aleutians East Borough with a comprehensive system for the creation, acquisition, use, preservation, security, maintenance, transmission, retention, dissemination and disposal of Borough information contained in any recorded medium.

C. It is the Borough's policy to provide access to public records in a manner that promotes the right of the people to remain informed, and balances that right against the sometimes-competing interests of reasonable personal privacy as well as the need for confidentiality with respect to

some limited areas of Borough affairs. In balancing these interests, this chapter shall be construed as requiring the disclosure of public records in the Borough's possession or control, except for those classes of records specifically exempted herein, or by other applicable law.

2.21.020 Definitions.

For the purposes of this chapter the following words and phrases shall have the meanings set forth in this section:

A. "Borough" means any department, division, office, board, commission, agency or other instrumentality of the Aleutians East Borough.

B. "Confidential information" means information, the disclosure of which is restricted by any Borough, state or federal law, ordinance, regulation, rule or judicial decision.

C. "Historic Value" means the value of a record for use at a later date in reconstructing a general history of the development and government of the borough.

D. "Legal Value" means the value of a record for use as evidence in pending or threatened litigation or to document a legal relationship or event, including without limitation property and commercial transactions and legislative and judicial actions of the Aleutians East Borough.

E. "Record" means all recorded information acquired or stored by the borough for future use or preservation, regardless of physical form or characteristic, which is developed or received in connection with the transaction of official business. The term "Record" does not include any proprietary software program.

F. "Record Center" means a record depository managed by the Clerk's Office for the storage and disposition of noncurrent records.

G. "Record Series" means any group of identical or related records which are normally used and filed as a unit and which permit evaluation as a unit for retention scheduling purposes, each record series shall be segregated according to series and the year of acquisition.

H. "Requester" means a person who submits a request to the borough to inspect or obtain a copy of any borough record.

I. "Retention Schedule" means the schedule developed by the clerk that prescribes retention periods and other policies governing the management of Borough records according to series, including the prompt and orderly disposition of records that no longer possess administrative, legal or historic value.

J. "Vital Record" means records that are necessary to assure continuance of essential governmental operations to protect the legal and financial operations of the Borough in the event of disaster or catastrophic loss of Borough records.

2.21.030 Borough records declared public property.

A. All borough records are property of the borough. Unless otherwise authorized or required by law, no person shall:

1. Deface, alter or destroy any borough record;

2. Remove any borough record from the borough's possession; or,

3. Otherwise disclose confidential information contained within any borough record.

B. In addition to any other penalty prescribed by law, violation of subsection (A) by a borough employee may be cause for disciplinary action.

2.21.040 Records subject to inspection and copying.

A. Except as otherwise provided by ordinance, or by any other provision of state or federal law, the borough shall make borough records open to reasonable inspection during regular business hours.

B. Nothing in this chapter requires the borough to create, compile, summarize, outline, or in any other way create information from existing borough records in order to comply with a request to inspect borough records.

C. The borough is not required to produce public records for inspection, or to copy records, in the exact medium they are stored; provided, that the substantive content of the information contained within the record is not altered. In the event that the substantive content of a record is altered, a written statement explaining the nature of the change and why such change was necessary shall be issued to the requester.

2.21.050 Records exempted from inspection and public disclosure.

This chapter shall not be construed as requiring the disclosure of:

A. Any privileged communication between the Borough Attorney and the borough;

B. Files related to pending or actual litigation involving the borough, or any document prepared by the Borough Attorney in the provision of legal services or legal advice to the borough;

C. Borough personnel, payroll, or medical files, or other files that reveal the financial or medical status of any specific individual, the release of which would constitute an unwarranted invasion of privacy, except for the following information:

1. The names and position titles of borough officers and employees, including any prior positions held;

2. The dates of appointment and separation of a borough officer or employee;

3. Salary levels and fringe benefits of borough officers and employees as may be required by law, including information in regard to the pay range and step grade of an employee or officers; and,

4. The names of all applicants for borough employment as department heads, administrator, or deputy administrator;

D. Bids or proposals submitted to the borough as part of a procurement process governed by Title 3 of this Code of Ordinances, unless the borough has issued a notice of intent to award;

E. Proprietary information which a manufacturer, consultant, contractor or supplier of goods and services reasonably requires to be kept privileged or confidential to protect the interests of persons providing the information or data;

F. Information obtained by and in the custody of insurance carriers insuring the borough, and their attorneys and agents, regarding possible and pending claims against the borough, and records maintained in the borough regarding such claims;

G. Records concerning the predecisional deliberative process in any quasi-judicial proceeding conducted by the borough;

H. Any record, nondisclosure of which is authorized by a valid Alaska or federal statute or regulation, or by privilege, exemption or principle recognized by the courts, or by a protective order authorized by law;

I. Confidential tax information;

J. Other documents with respect to which the borough's need for confidentiality outweighs the public's right to know.

2.21.060 Requests to inspect and copy borough records.

A. All requests to inspect borough records shall be submitted in writing to the Borough Clerk, on a form provided by the Borough, along with any applicable fee. In the event that a requester is unable to submit a written request due to a physical or mental disability, the Borough Clerk shall

either assist the requester in preparing a written request, or treat the oral request as a written request.

B. All requests for records shall be approved or denied by the Borough Clerk.

C. The Borough Clerk shall refer all approved requests to the department head responsible for maintaining those records to which the request is applicable. The Borough Clerk or designee shall, consistent with the orderly conduct of borough business and the records and information management program, make a good faith and reasonable effort to locate records that are adequately identified in the request.

D. The department head responsible for maintaining the record shall forward it to the Borough Clerk. Before any record may be made available for public inspection and copying, the Borough Clerk or the Clerk's designee shall review the record to confirm that it may be disclosed. Within 10 business days after receiving a request, the borough clerk shall either:

1. Make the borough record available to the requester for inspection, or provide the requester with a copy of the record, as requested; or

2. Notify the requester in writing that the borough record is not subject to inspection, including a citation to the provision of borough, state or federal law that authorizes or requires the borough to withhold the record, or the date upon which the record was destroyed in accordance with the borough's adopted records retention schedule.

E. The Borough Clerk may extend the initial 10-business-day period established under subsection (D) of this section for a period not to exceed 10 additional business days by providing notice to the requester within the initial 10-business-day period. The notice must state the reason for the extension and the date by which the Borough Clerk expects to be able to furnish the requested record or to issue a determination that the record is not subject to disclosure.

F. Any denial of a request for information or inspection of borough records shall be appealable to the Mayor, upon written notice submitted within seven days of the Borough Clerk's decision.

G. The fee for copying borough records shall be established by the borough's fee schedule as recommended by the borough Clerk and approved by the Borough Assembly. The fees shall not exceed the maximum fees allowable under A.S. 40.25.110.

2.21.070 Management of Public Records.

A. The borough clerk or clerk's designee shall serve as the records manager and shall have the primary responsibility for the development, maintenance and operation of the Borough's records management system.

B. Each department director shall designate a records coordinator. The records coordinator shall manage the department's records according to the adopted procedures, regulations, and retention schedule. Each department director shall provide the records manager the name and contact information of the records coordinator.

C. The records manager shall develop and provide each department with a records classification and procedures manual listing a description of all record series maintained by the borough and a general schedule for the annual relocation of inactive records to the record center for storage or digital imaging for transfer to microfilm or another storage medium.

D. The records manager shall cause records stored in computer memory device systems to be reviewed, stored and destroyed in the same manner and at the same time as if the records were maintained in written, printed or photographic form.

E. The assembly shall adopt by resolution a records retention schedule and approve by resolution any changes to that retention schedule setting forth time schedules for retention of particular series of records.

F. The records manager shall review and update the retention schedule biannually. Department records coordinators shall work with the records manager to review and update the department's record series and retention schedule biannually. Records coordinators shall fill out a retention schedule change form submit it to the department director for approval and submit it to the records manager for action.

G. The records manager shall develop a schedule for the destruction or other disposal of obsolete records at the end of the retention period established for that type of record series. That schedule shall not apply to records of vital, historical, legal or financial value. Thirty days prior to destruction of an obsolete record, the records manager shall circulate to each department head for comment a detailed listing of all records to be destroyed and the date for destruction. The department director must respond prior to the date for destruction to prevent disposal of any record in the detailed listing.

H. The records manager shall maintain a permanent log of all destroyed records. The borough clerk shall report to the Assembly annually a detailed description of the obsolete records destroyed.

I. The records manager shall have the authority to provide a microfilm and/or electronic document imaging of records as designated for efficient management of active and inactive records.

J. The records manager may replace any original record which is lost, worn or damaged by a certified copy of that record, and the replacement shall be considered an original record for all purposes.

2.21.080 Regulations.

The borough assembly may adopt regulations to effectuate this chapter. The borough clerk's office shall submit regulations to the assembly for approval, by resolution, to carry out the proposed purposes as set forth in this chapter.

2.21.090 Duties of Borough Departments.

Each department shall establish and maintain a file system in the most organized and efficient manner possible and in compliance with any records management regulations approved by the assembly.

Section 2. This ordinance shall become effective immediately upon its enactment.

ENACTED BY THE ALEUTIANS EAST BOROUGH ASSEMBLY THIS _____ DAY OF _____ _____, 2018.

_____
Mayor Alvin D. Osterback

ATTEST:

_____
Tina Anderson, Clerk

AKUTAN • COLD BAY • NELSON LAGOON
ALEUTIANS EAST
BOROUGH
FALSE PASS • KING COVE • SAND POINT

ORDINANCE SERIAL NO. 18-07

AN ORDINANCE AUTHORIZING THE MAYOR TO NEGOTIATE AND EXECUTED THE ASSIGNMENT, ASSUMPTION AND CONSENT OF TIDELANDS LEASE FOR FALSE PASS SEAFOODS, LLC TO ASSUME THE TIDELANDS LEASE BETWEEN BERING PACIFIC SEAFOODS, LLC AND ALEUTIANS EAST BOROUGH.

WHEREAS, Aleutians East Borough ("Borough") is the owner of that certain tidelands described in the Tidelands Lease associated with the dock located in False Pass, Alaska between the Borough and Bering Pacific Seafoods, LLC ("BPS") dated June 1, 2013, a copy of which is attached hereto has Exhibit A (the "Tidelands Lease"); and

WHEREAS, Borough is the owner of the tidelands as shown in Exhibit B hereto, described as: Section 27, T.61 S., R 94W., Seward Meridian and Section 28, T. 61 S., R. 94W., Seward Meridian, located in False Pass, Alaska; and

WHEREAS, BPS desire to execute the Dock Tidelands Lease Assignment, Assumption and Consent Agreement (the "Agreement") whereby BPS assigns all right, title and interest in and to the Tidelands Lease to False Pass Seafoods, LLC ("FPS") and FPS assumes all the rights, duties, interests, liabilities and obligations in, to, and under the Tidelands Lease; NOW THEREFORE:

BE IT ORDAINED BY THE MAYOR:

SECTION 1. Classification. This is a non-code ordinance.

SECTION 2. Authorization to Assignment of Lease. The Mayor, or his/her designee, is hereby authorized to execute the attached Dock Tidelands Lease Assignment, Assumption and Consent Agreement transferring all obligations and liabilities under the Agreement from BPS to FPS. A copy of the Agreement is set out in Exhibit C of this Ordinance.

SECTION 3. **Effectiveness**. This Ordinance shall take effect upon adoption by the Aleutians East Borough Assembly.

Passed and adopted by the Aleutians East Borough Assembly this _____ day of _____, 2018.

_____
Alvin Osterback, Mayor

ATTEST:

_____
Tina Anderson, Borough Clerk

(SEAL)

EXHIBIT A

CC

ALASKA

2013-000250-0

Recording District 305 Aleutian Islands

07/01/2013 09:36 AM Page 1 of 28

ALEUTIAN ISLANDS RECORDING DISTRICT

After Recording Return To:
ALEUTIANS EAST BOROUGH
3380 C Street, Suite 205
Anchorage, AK 99503

TIDELANDS LEASE

This Lease is entered into on June 1, 2013, between the Aleutians East Borough ("Lessor") and Bering Pacific Seafoods, LLC ("BPS" or "Lessee").

Recitals

A. Lessor is the owner of the tidelands as shown in Exhibit 1 hereto, described as: Section 27, T. 61 S., R 94W., Seward Meridian and Section 28, T. 61 S., R. 94W., Seward Meridian, in False Pass Alaska. The Lessor owns the tidelands subject to the rights of the public under the Public Trust Doctrine. The parcel requested for lease is located in the SW corner of the False Pass Small Boat Harbor near the causeway pad. Approximately 6,720 square feet will be required as easement for the steel pile dock. Upon completion of the installation of the steel pile dock, an "as-built" survey will be performed by the Lessee. Once completed, the "as-built" survey will be utilized as the legal description of the tideland easement.

B. Lessee, on its own or through its affiliate, plans to construct a steel pile dock ("Facility") in the existing harbor in False Pass, Alaska. The parties contemplate that Lessee may, from time to time during the life of this Lease, replace or repair the Facility as it is planned at execution of this Lease.

C. Use of the Tidelands for a steel pile dock will facilitate operations of the Bering Sea Pacific fish processing facility, the City of False Pass and the public.

D. Lessee desires to lease the Tidelands from Lessor, and Lessor desires to lease the Tidelands to Lessee.

E. To facilitate the mutual goals of Lessor and Lessee, they hereby enter into this Lease to document the terms and conditions under which Lessor will lease the Tidelands to Lessee.

F. On April 15, 2005 a Harbor Management Agreement (Agreement) between the Lessor and the City of False Pass ("City") was executed and will stay in effect until

September 30, 2025 (attached as Exhibit 2). The Agreement states that the City agrees to manage and operate the False Pass Small Boat Harbor. According to the Agreement "Any permanent improvement, development or structure proposed by the City or a third party to be constructed or placed within the Harbor, whether upon or separate from an existing facility or improvement in the Harbor, must be approved in writing by the Borough prior to construction or placement." This Lease authorizes the Lessee to construct the Facility in the False Pass Harbor. The above referenced Agreement governs the False Pass Harbor and is hereby incorporated in this Lease as if fully stated herein. However, the Agreement is between the City of False Pass and the Aleutians East Borough and parts of the agreement (i.e. B(7)) are not intended to create additional responsibilities or obligations to the Lease under this Agreement.

Terms and Conditions

1. Premises. Lessor leases to Lessee the Tidelands described as approximately 6,720 *square feet* of the Borough's tidelands within Alaska Tidelands Survey No. 1611, at False Pass Harbor, as generally depicted in Exhibit 3. No later than 45 days after the completion of the construction of the dock, Lessee shall provide the Lessor with an as-built survey showing the exact boundaries and legal description of the leased property. Upon acceptance of the as-built and legal description by the Lessor the survey and legal description shall replace the description of lease property set out in this section and a new exhibit depicting the leased property shall be attached to the lease agreement.

2. Term and Renewal. The Term of this Lease shall be 35 years, beginning on June 1, 2013, and ending on June 1, 2048, subject to one 35 year renewal or earlier termination as described below.

(A) The parties intend that the Lease will last for a maximum 70 years, including the 35 year Term and one 35 year renewal. In the event Lessor does not receive written notice of nonrenewal from Lessee not less than 365 days before the end of the Term or the renewal thereof, this Lease shall be renewed for an additional 10 years, subject to the terms and conditions contained in this Lease as the parties may, from time to time, agree to amend it.

3. Rent. Lessee shall pay rent to Lessor at the rate of $.50 per square foot and taxes per year, due and payable on the date of full execution of this Lease. Lessee shall pay all legal and engineering/consultant fees incurred by the Lessor for this project, due and payable 30 days after an invoice from the Lessor is received by Lessee.

4. Lease Payment and Adjustment.

(A) After the first year of the Lease Lessee shall pay Lessor the annual lease payments at the start of each subsequent year of the term, with the annual payment due on or before June 1st.

(B) The annual lease payment for the remainder of the initial five-year period of the lease term (35 years) shall be $3,360.00 and taxes.

(C) Beginning the first year after the initial five-year period, the Borough Administrator will re-evaluate and adjust the annual lease payment for the lease premises for the next five-year period of this lease and then every five years thereafter. The new annual payment shall be paid retroactively to the beginning of the lease payment adjustment period.

5. Termination. Lessor may terminate this Lease upon Lessee's default upon 90 days' written notice of termination. No such notice of termination shall be sent unless Lessor has given Lessee written notice of default and an opportunity to cure the problem. Lessee may terminate this Lease upon 90 days' written notice to Lessor. Upon termination or cancellation of this Lease, the Lessee shall immediately turn over to the Lessor all plans, records, agreements, and other documents relating to the Facility and its operation under this Lease and shall make available to the Lessor and its agents all records of Lessee that may directly or indirectly affect or revel the financing of the Facility operation by Lessee. Termination or cancellation of this Lease does not affect the undischarged obligation of one party to this Lease to the other.

6. Authorized Use of Premises. The Tidelands are leased to Lessee to use as Lessee deems necessary or desirable to achieve Lessee's business objectives in constructing, operating and maintaining the Facility, as it may from time to time be repaired or replaced. Lessee shall at all times comply with all applicable laws, ordinances and regulations of duly constituted authorities now or hereafter in effect, with respect to Lessee's use of the Tidelands.

Lessee agrees that nothing in this Article or in this Lease shall create any third-party beneficiary rights or relationship in Lessee or in any other entity.

7. Possession. Upon execution of this Lease and payment of the first rental payment, Lessee shall have the right to possession of the Tidelands.

8. Taxes. Lessee shall be responsible for any and all property taxes assessed during the term of this Lease against any leasehold interest. Lessee shall pay any sales or other tax levied on the rent.

9. Insurance. Lessee, at all times, shall maintain and keep in effect insurance coverage outlined below, naming the Lessor and the City of False Pass as additional

insureds (including their Administrators, officers, officials, employees and volunteers). Lessee will provide the Lessor with proof of insurance and give thirty (30) days written notice prior to cancellation of any policies.

(A) Minimum Scope of Insurance

(1) Commercial General Liability
(2) Commercial Automobile Liability Insurance
(3) Worker's Compensation insurance as required by the State of Alaska and Employers Liability Insurance.
(4) Property insurance in an amount no less than replacement cost value
(5) Marinas Operator Liability

(B) Minimum Limits of Insurance

(1) Commercial General Liability:

a. $1,000,000 combined single limit per occurrence / $2,000,000 Aggregate for bodily injury and property damage claims arising from contractors operations

b. This will cover all dock operations onshore and offshore.

(2) Auto Liability:

a. $1,000,000 combined single limit per accident for bodily injury and property damage.

(3) Worker's Compensation and Employers Liability:

a. Worker's Compensation shall be statutory as required by the State of Alaska. Employers Liability shall be endorsed to the following minimum limits and contain USL&H coverage endorsement if applicable

Bodily Injury By Accident - $1,000,000 each accident;
Bodily Injury By Disease - $1,000,000 each employee;
Bodily Injury By Disease - $1,000,000 policy limit.

(4) All risk property insurance, including earthquake and flood, in an amount equal to the replacement cost of the dock.

a. The replacement cost value of the dock is not less than the completed construction cost.

(5) Marinas Operator Policy

a. $1,000,000 in pollution insurance

(C) Other Insurance Provisions

(1) Borough and City to be additional named insureds on General Liability and Automobile liability policies.

(2) All policies to contain waiver of subrogation in favor of Borough and City of False Pass

(3) Lessee's liability policies to be primary and non-contributory

(D) Coverage to be placed with carriers with A.M.Best rating of A- VII

10. Dock Management. Management and operation of the Facility should mirror the requirements outlined in the Harbor Management Agreement between the Lessor and the City of False Pass, attached as Exhibit 2. Lessee agrees and acknowledges that it has read following provisions that are part of the Harbor Management Agreement and restated herein and made part of this lease:

a. OPERATION AS A PUBLIC FACILITY. Lessee hereby agrees to manage and operate the Dock for the use and benefit of the public; to make all Dock facilities and services available to all members of the public on the same basis and on fair and reasonable terms and without discrimination. Unless otherwise directed by the Lessor or required by state and federal law, all state and federal or other publically owned or operated vessels shall receive no special preference for berthing space at or use of the Dock. Said vessels shall use the harbor under the same conditions and at the same rates as those specified for the general public.

   The Lessor acknowledges the Lesses's right to provide preferential treatment for its vessels and use. The Lessee must provide reasonable notice to other dock users when Lessee requires space at the Dock for its own vessels and for its other uses.

b. MAINTENANCE, REPAIR AND DOCK UPKEEP. Lessee hereby agrees to continuously maintain the Dock in a good state of repair and in a clean and orderly manner, at no cost to the Lessor or City of False Pass. Lessee shall be responsible for all major repairs, minor repairs, routine preventative maintenance and upkeep.

   i. Lessee is required to comply with all Department of Environmental Conservation requirements.

c. REVENUES AND ACCOUNTS. Lessee shall establish tariffs, and shall collect a fee or charges, for all uses of the Dock. Lessee shall keep complete financial records in accordance with generally accepted accounting practices, reflecting all revenue derived by Lessee from the Dock as well as all funds expended by Lessee for the maintenance and operation of the Dock. The right is hereby reserved by the Lessor to examine said financial records at any time during normal business hours.

d. IMPROVEMENTS. Any permanent improvement, development or structure proposed by Lessee to be constructed or place on the Dock, whether upon or separate from the Dock, must be approved in writing by the Lessor prior to construction or placement.

e. OWNERSHIP OF IMPROVEMENTS. All improvements made to the Dock and all fixtures added to and incorporated into the use of the Dock shall become the property of the Lessor upon their construction, addition to or incorporation in to the Dock unless the Lessee, Lessor, and City of False Pass agree otherwise in writing.

    i. Lessee has plans to install a crane and fish pump on the dock. The Lessor and City of False Pass are aware of this and agree that the Lessee will be the sole owner of the crane and fish pump.

f. OPERATOR PROVIDED UTILITIES AND WATER SYSTEM. Where electrical facilities or electrical, fuel or water distribution systems are not provided by the Lessor or City of False Pass, Lessee may install with its own personnel with prior approval of the Lessor, or have installed by a competent contractor, adequate lighting and power, fuel and water distribution systems. Under no circumstances may Lessee alter or modify existing Harbor facilities for the purpose of installing electrical utilities, fuel, or water systems without first obtaining specific written approval from the Lessor. Prior to installation of any power in or to the Dock, whether to power permanent fixtures of equipment or for distribution to vessels, the Lessee shall provide for the design of the system by an engineer with recognized experience in the design of electrical systems for marinas and docks that may be affected by electrolysis. The Lessor may require a review of the design by a second engineer or a consultant before approving the project.

g. FUEL AND HAZARDOUS MATERIAL HANDLING. If fuel or any other hazardous materials are handled on the Dock or in the Harbor, Lessee shall insure that only properly trained personnel handle such fuel or materials and that adequate procedures are followed for safely storing, dispensing, and otherwise handling fuel or hazardous materials in accordance with the most current edition of the National Fire Protection Code and all applicable

federal, state, and local laws and regulation, in particular, applicable United States Coast Guard regulations. Lessee shall ensure that all necessary permits, operations manuals, and other authorizations are issued or are in place before permitting the handling of fuel or hazardous materials and may require the shipper or handler to obtain such permits and authorizations and to bear all or any part of the expense of obtaining such permits or authorizations and any additions or changes to the Dock facilities that are needed to comply. Such additions or changes to the Dock facilities must be approved by the Lessor and City of False Pass.

h. ENVIRONMENTAL POLLUTION. In the event of a spill or discharge of a petroleum product or hazardous material at the dock, Lessee shall immediately report the spill or discharge to the appropriated authorities and to the Lessor, act promptly to contain the spill or discharge, repair any damage, remove the petroleum product or hazardous material and clean up the affected area, restore the Dock and affected waters to a safe condition and otherwise comply with the applicable provisions of state and federal law.

i. LIENS. Lessee shall keep the Dock free of all liens, pay all costs for labor and materials arising out of construction, improvements or repairs by the Lessee on the Dock, and shall indemnify, defend, and hold the Lessor and the City of False Pass harmless from liability, action, claim, suit, loss, property damage of personal injury of whatever kind resulting from or arising out of any such liens, including costs and attorney fees.

j. NO WAIVER. The failure of the Lessor to insist in any one or more instances upon the strict performance of Lessee of any provision or covenant in this agreement may not be considered a waiver or relinquishment for the future, but the provision or covenant will continue in full force. The waiver by the Lessee of any provision or covenant in this agreement cannot be enforced or relied upon unless the waiver is in writing signed on behalf of the Lessor.

k. NATURAL DISASTERS. In the event any cause which is not due to the fault or negligence of either Lessee, the Lessor, or the City of False Pass renders the Dock unusable and makes the performance of this Agreement impossible, this Agreement may be terminated by either party upon written notice to the other party. Causes include, but are not limited to, acts of God or public enemy, acts of the United States and State of Alaska, fires, floods, or strikes.

l. NATIONAL OR STATE EMERGENCY. In case of any national emergency declared by the federal government, or any state emergency declared by the State of Alaska, Lessee may not hold the Lessor or

or City of False Pass liable for any inability to perform any part of this Agreement as a result of the national or state emergency.

11. Standard Provisions. This Lease is subject to the Standard Provisions, which are attached hereto and are incorporated as part of this Lease.

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

Bering Pacific Seafoods, LLC

By: _____
Larry Cotter
Its: Chief ~~Operating~~ Executive Officer

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this 25 day of June, 2013, before me, a Notary Public in and for the State of Alaska, personally appeared **Lawrence P. Cotter,** known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that he is the Chief Executive Officer of Aleutian Pribilof Island Community Development Association, that he has been authorized by said corporation to execute the foregoing instrument on its behalf, and that he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

STATE OF ALASKA
OFFICIAL SEAL
Rebecca Engen
NOTARY PUBLIC
My Commission Expires 08/30/2016

_____
Notary Public for Alaska
My commission expires: 08/30/2016

Aleutians East Borough

By: Rick S Gifford
Rick Gifford
Its: Administrator

STATE OF ALASKA)
) ss:
THIRD JUDICIAL DISTRICT)

THIS CERTIFIES that on this 26th day of June, 2013, before me, a Notary Public in and for the State of Alaska, personally appeared Rick Gifford, known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that s/he is the Administrator of the Aleutians East Borough, that s/he has been authorized by said municipal corporation to execute the foregoing instrument on its behalf, and that s/he executed the same freely and voluntarily as the free act and deed of said municipal corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

OFFICIAL SEAL
NOTARY PUBLIC
State of Alaska
ANNE BAILEY
My Commission Expires July 12, 2014

Anne Bailey
Notary Public for Alaska
My commission expires: July 12, 2014

Exhibit 1-Tidelands

2004-000307-0
Recording Dist: 305 - Aleutian Islands
6/8/2004 12:57 PM Pages: 1 of 3
ALASKA

State of Alaska

CC

Tidelands

Patent

No. 425

Know Ye By These Presents that the Grantor, the STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES, 550 West 7th Avenue, Suite 1050A, Anchorage, Alaska 99501-3579, pursuant to AS 38.05.825 and the regulations promulgated thereunder, for good and valuable consideration, grants and conveys to the Grantee, the ALEUTIANS EAST BOROUGH, whose mailing address of record is 3380 C Street, Suite 205, Anchorage, Alaska 99503, Grantee's successors and assigns, those tidelands lying seaward of the mean high tide line of Unimak Island situated in the Aleutian Islands Recording District, State of Alaska, and described as follows:

ALASKA TIDELAND SURVEY NO. 1611, CONTAINING 34.86 ACRES, MORE OR LESS, ACCORDING TO THE SURVEY PLAT RECORDED IN THE ALEUTIAN ISLANDS RECORDING DISTRICT ON APRIL 7, 2003, AS PLAT 2003-2.

Subject to valid existing rights, including reservations, easements, and exceptions in the U.S. Patent or other state or federal conveyance, and in acts authorizing the issue thereof; easements, rights-of-way, covenants, conditions, reservations, notes on the plat, and restrictions of record, if any.

Grantee may lease the land, but may not sell it.

Grantee takes title to the tidelands subject to the rights of the public under the Public Trust Doctrine.

Title to land conveyed under this authority reverts to the State upon dissolution of the municipality.

The Grantor hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

To Have And To Hold the said land, together with the tenements, hereditaments, and appurtenances thereunto appertaining, unto the said Grantee and Grantee's successors and assigns forever.

In Testimony Whereof the State of Alaska has caused these presents to be executed by the Director of the Division of Mining, Land and Water, Department of Natural Resources, State of Alaska, pursuant to delegated authority, this 2nd day of June, 2004.

By: Sandra J. Singer
For Bob Loeffler, Director
Division of Mining, Land and Water

State of Alaska)
) ss.
Third Judicial District)

This Is To Certify that on the 2nd day of June, 2004, appeared before me SANDRA J. SINGER, who is known to me to be the person who has been lawfully delegated the authority of Bob Loeffler, the Director of the Division of Mining, Land and Water, Department of Natural Resources, State of Alaska, to execute the foregoing document; that Sandra J. Singer executed said document under such legal authority and with knowledge of its contents; and that such act was performed freely and voluntarily upon the premises and for the purposes stated therein.

Witness my hand and official seal the day and year in this certificate first above written.

Celeste L. Kinser
Notary Public in and for the State of Alaska

My commission expires: April 4, 2005

OFFICIAL SEAL
STATE OF ALASKA
CELESTE L. KINSER
NOTARY PUBLIC

Return Recorded Document to:

ALEUTIANS EAST BOROUGH
3380 C Street, Suite 205
Anchorage, Alaska 99503

Certified Copy to:

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND & WATER-RADS
550 West 7th Avenue, Suite 1050
Anchorage, Alaska 99501-3579

Tidelands Patent No. 425
ADL No. 227852
Location Index:
T. 61 S., R. 94 W., S.M.
Sections 27 and 28

Exhibit 2

ALEUTIANS EAST BOROUGH, ALASKA

HARBOR MANAGEMENT AGREEMENT

This 15 day of April, 2005, the Aleutians East Borough, hereafter called the "Borough" whose address is P.O. Box 349, Sand Point, Alaska 99661, and the City of False Pass, Alaska, hereinafter called the "City," whose address is P.O. Box 50, False Pass, Alaska 99583 do enter this Harbor Management Agreement, hereinafter called "Agreement," of 15 pages, including signature pages, and agree as follows:

A. BASIC PROVISIONS

PREMISES

1. The City of False Pass and the Aleutians East Borough have identified economic needs in False Pass. They have cooperatively submitted and been approved for CDBG funds from the Alaska Department of Commerce, Community and Economic Development (DCCED) and grant funds from the federal Department of Commerce, Economic Development Administration (EDA) for the construction of a harbor to meet those needs.
2. The City is the recipient of CDBG funding and the Borough is the recipient of the EDA funds. Both parties agree to assume the ultimate responsibility for their grant funds including assuring compliance with all applicable laws and program regulations and performance of all work in accordance with the contract. The False Pass mayor will be the contact person for the CDBG and the Borough administrator for the EDA. Both parties and the DCCED and EDA will have access to all grant records and authority to monitor all activities. The City and Borough agree to cooperate in the implementation of the CDBG and EDA programs as approved by the granting agencies.
3. The City and Borough agree that the City will receive the usefulness, advantage and other economic and community benefits of the harbor for the residents of False Pass for at least twenty (20) years.
4. The City agrees to manage and operate the following described marine facilities owned by the Borough, known as the False Pass Small Boat Harbor and hereinafter referred to as the "Harbor" located at False Pass, Alaska, in the Aleutian Islands Recording District, Third Judicial District, Alaska:

   All that property consisting of a breakwater and certain docks, floats, approaches, and appurtenant marine facilities located in False Pass, Alaska, in the Aleutian Islands Recording District, State of Alaska.

TERM

5. The term of this Agreement is twenty (20) years from this agreement's last signature date through the last day of September, 2025.

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B. GENERAL COVENANTS

OPERATION AS PUBLIC FACILITIES

1. The City hereby agrees to manage and operate the harbor for the use and benefit of the public; to make all Harbor facilities and services available to all members of the public on the same basis and on fair and reasonable terms and without discrimination. Unless otherwise directed by the Borough or required by state and federal low, all state and federal or other publicly owned or operated vessels shall receive no special preference for berthing space at or use of the Harbor. Said vessels shall use the Harbor under the same conditions and at the same rates as those specified for the general public.

MAINTENANCE AND REPAIR

2. The City hereby agrees to continuously maintain the Harbor in a good state of repair, at no cost to the Borough. Provided, however, that all necessary "major repairs" not caused by any action, neglect or negligence of the City shall be undertaken and completed by the Borough, at Borough expense or with funds from the account established pursuant to paragraph 7(d) of this Agreement, subject to the appropriation of sufficient funds for that purpose. The City shall be responsible for all minor repairs and routine preventative maintenance.

   a. The term "major repair" as used herein is defined as any maintenance or repair having a cost for a single maintenance or repair operation which exceeds twenty-five thousand dollars ($25,000).

   b. The terms "minor repair and routine preventative maintenance" as used herein is defined as routine maintenance and repair having a cost for a single maintenance or repair operation of twenty-five thousand ($25,000) or less, and generally includes the following:

      (1) Replacement of damaged flotation material.

      (2) Replacement of damaged decking or other structural members.

      (3) Repair of electrical utilities and water and fuel systems.

      (4) Replacement of broken or damaged piling and fenders.

      (5) Replacement of eroded bank and breakwater protection or fill material.

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(6) Repair of all structural and non-structural damage caused through impact or collision by vessels using the facilities.

c. The Borough shall have the right to require the City to perform maintenance and repair in the event any inspection of the Harbor by the Borough reveals a failure by the City to adequately maintain Harbor facilities. Such corrective maintenance or repair work shall be accomplished by the City within a reasonable period of time as determined by the Borough. The City shall perform, at its own expense, all major repair or rehabilitation that could have been avoided but for the City deferring minor repairs or routine maintenance.

d. Notwithstanding the other provisions of this paragraph B2, the City shall not be required to spend more than $25,000 in any one City fiscal year for all minor repairs and routine preventative maintenance. Routine preventative maintenance includes only those activities that are for the purpose of preserving or restoring the condition of the Harbor. The City shall notify the Borough in a timely manner if the City anticipates that minor repair and routine preventative maintenance expenditures will exceed $25,000 during the remainder of any City fiscal year.

HARBOR UPKEEP

3. The City agrees to maintain the Harbor in a clean and orderly manner at all times. Derelict or abandoned vessels shall not be allowed to occupy moorage space. Oil drums, nets, fishing gear, skiffs, garbage cans or unsightly debris may not be stored on the Harbor.

LIABILITY

4. The City shall indemnify, defend, and hold the Borough, it's officers, employees and agents harmless from any liability, action, claim, suit, loss, property damage, or personal injury of whatever kind resulting from or arising out of any act of commission or omission by the City, it's agents, employees, or officers arising from the City's management, operation, maintenance or other activity with respect to the Harbor.

HARBOR ORDINANCES; HARBORMASTER

5. The City shall employ appropriate personnel and promulgate such ordinances, resolutions or regulations as may be necessary to provide safe, orderly operation and management of the Harbor. Ordinances, resolutions and regulations shall be in conformance with all of the terms and conditions contained herein, and shall be consistent with applicable ordinances and resolutions of the Borough. The applicable provisions of a Borough

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2013-000250-0

ordinance, resolution or regulation with respect to the Harbor shall supersede the provision of any ordinance, resolution or regulation of the City that is inconsistent therewith, notwithstanding the date the Borough ordinance is adopted.

HARBOR USE AGREEMENTS

6. The City may enter into such agreements for the berthing, use and management of the Harbor as are necessary and appropriate;

   a. provided, no agreement of any nature with respect to the Harbor is valid or binding upon the City of the Borough to the extent such agreement is contrary to this Agreement or to any ordinance or resolution of the City or the Borough adopted prior to the effective date of such agreement between the City and a third party. The authority of the City to enter into agreements with third parties with respect to the use of the Harbor is derived solely from this Agreement and any agreement of any nature between the City and a third party is subject to the terms, conditions and limitations of this Agreement; further, any agreement or the provisions thereof that are inconsistent or in conflict with or are prohibited under this Agreement are void able in the sole discretion of the Borough. The City shall be liable to the Borough for all damages or losses to the Borough arising out of agreements or provisions thereof between the City and a third party that are inconsistent, in conflict with, or prohibited by this Agreement.

   b. The Harbor was financed, in part, with the proceeds of a tax exempt bond issued by the Aleutians East Borough. Any management, Harbor use or other agreement that would, alone or in combination with one or more other agreements of the City with respect to the Harbor, adversely affect the tax exempt status of said bonds, is, to such extent, void *ab initio* and unenforceable. Further, if bond counsel to the Aleutians East Borough determines that any provision of this Agreement would adversely affect the tax exempt status of such bonds or that it permits or contemplates agreements between the City and third parties that would adversely affect the tax exempt status of such bonds, such minimum amendments to the agreement as may be necessary to preserve the tax exempt status of said bonds, as determined by bond counsel for the Aleutians East Borough, are deemed to have been made as if contained in this Agreement upon the date of execution of this Agreement. A lease of long term use agreement between the City and a third party user of the Harbor, and any lease or Harbor operating or management agreement between the City and third party is void and unenforceable unless in writing

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and approved by the Borough and the Borough bond counsel prior to its execution.

REVENUES, EXPENSES, FUNDS AND ACCOUNTS

7. The City shall establish a tariff, and shall collect a fee or charge, for all uses of the Harbor.

   a. The City shall include, but not be limited to, fees or charges for moorage, demurrage, wharfage, and services to a vessel. The tariff and all changes thereto shall be filled by the City if filing is required by state and federal law.

   b. The fees charged by the City shall be established at a level sufficient to:

      (1) Meet the expenses of adequate management and administration of the Harbor.

      (2) Satisfy all minor repair and routine maintenance requirements, present and future, as defined in Paragraph (2)b.

      (3) Provide for contingencies and emergencies.

      (4) Provide the funds required for the major rehabilitation and repair account.

      (5) Provide and maintain a harbormaster office, parking area improvements, and sanitary facilities unless any of the foregoing are waived by the Borough, and, as may be required by state or federal agencies, oily waste disposal tanks, connection to vessel pumpout stations for sewage disposal and other waste disposal facilities or services, and trash collection facilities.

   c. All fees, charges, rates, reimbursements, or other amounts received by the City for moorage within the Harbor shall be deposited in a special fund known as the Harbor Fund established by the City. Said fund shall be separate and distinct from other funds of the City (including those established for the operation of other City docks, harbors or other marine facilities) and shall be used exclusively for the administration, operation, maintenance, repair, rehabilitation, and improvement of the Harbor by the City, and to meet reserve requirements and Borough debt service, if any, secured by revenues of the Harbor. The City shall annually appropriate to such fund all

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anticipated and actual Harbor receipts and prior year Harbor Fund balances.

d. The City shall establish a major repair and rehabilitation account with the Harbor Fund established under Paragraph 7(c):

(1) For the purpose of this subparagraph 7(d), "year-end Harbor Fund balance" is the unreserved year-end balance of the Harbor Fund not appropriated for reasonable Harbor operating costs, including Borough debt service, if any, reserved and a reasonable contingency amount. The year-end Harbor Fund balance shall lapse to and be deposited in the major repair and rehabilitation account. It is the purpose of this subparagraph 7(d)(1) to ensure that all Harbor revenues that are not reasonably required for the operation, maintenance and minor repair of the Harbor be accumulated in the major repair and replacement account for use, as may be designated by the Borough, for major repairs or rehabilitation of the Harbor and the construction of additions or improvements to the Harbor. Provided, the Borough may release funds from this account to the City for Harbor operating expenses if the Assembly determines that such a release is necessary in order to meet unusual and unanticipated Harbor operating expenses incurred or to be incurred by the City.

(2) The City shall hold monies in the account, in trust for the Borough; provided, in order to ensure that such monies are immediately available for emergency or other needs, the City shall annually appropriate the anticipated maximum balance of the account (including the anticipated deposit of the year end Harbor Fund balance) as part of its annual budget appropriation. The City shall make major repairs or improvements to the Harbor from the funds in the major repair and rehabilitation account only when specifically directed by the Borough or shall pay over to the Borough from said account so much as the Borough determines is required to perform major repairs, rehabilitation or improvements on the Harbor. Upon authorization by the Borough, the City may accomplish, by contract or with it's own forces, such major repair, rehabilitation or improvements as are required and may withdraw from said account amounts up to a maximum specifically authorized by the Borough for such work. Upon termination of this agreement, the City shall promptly pay over to the Borough all funds held in trust in said account for the Borough.

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e. The City shall keep complete financial records in accordance with generally accepted accounting practices, reflecting all revenue derived by the City from the Harbor as well as all funds expended by the City for the maintenance and operation of the Harbor. The right is hereby reserved to the Borough to examine said financial records at any time during normal business hours. In addition, the right is hereby reserved to the Borough to require the City to submit an annual audit or summary of Harbor Fund income and expenses (including reserves).

PROHIBITED MOORAGE

8. The City shall not permit moorage of vessels which might overstress or otherwise damage the Harbor facilities.

IMPROVEMENTS

9. Any permanent improvement, development or structure proposed by the City or a third party to be constructed or placed within the Harbor, whether upon or separate from an existing facility or improvement in the Harbor, must be approved in writing by the Borough prior to construction or placement.

OWNERSHIP OF IMPROVEMENTS

10. All improvements made in or to the Harbor and all fixtures added to and incorporated into the use of the Harbor shall become the property of the Borough upon their construction, addition to or incorporation into the Harbor unless the City and the Borough agree otherwise in writing.

OPERATOR PROVIDED UTILITIES AND WATER SYSTEM

11. Where electrical facilities or electrical, fuel or water distribution systems are not provided by the Borough, the City may install with its own personnel with prior approval of the Borough, or have installed by a competent contractor, adequate lighting and power, fuel and water distribution systems. Under no circumstances may the City alter or modify existing Harbor facilities for the purpose of installing electrical utilities, fuel or water systems without first obtaining specific written approval from the Borough. The Borough will either furnish or approve minimum design standards to accomplish the work. Prior to the installation of any power in or to the Harbor, whether to power permanent fixtures or equipment or for distribution to vessels, the City shall provide for the design of the system by an engineer with recognized experience in the design of electrical systems for marinas and docks that may be affected by electrolysis. The Borough may require a review of the design by a second engineer or a consultant before approving the project.

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FUEL AND HAZARDOUS MATERIAL HANDLING

12. If fuel or any other hazardous materials are handled in the Harbor, the City shall insure that only properly trained personnel handle such fuel or materials and that adequate procedures are followed for safely storing, dispensing, and otherwise handling fuel or hazardous materials in accordance with the most current edition of the National Fire Protection Code and all applicable federal, state, and local laws and regulations, in particular, applicable United States Coast Guard regulations. The City shall ensure that all necessary permits, operations manuals, and other authorizations are issued and are in place before permitting the handling of fuel or other hazardous materials and may require the shipper or handler to obtain such permits and authorizations and to bear all or any part of the expense of obtaining such permits or authorizations and any additions or changes to the Harbor facilities that are needed to comply. Such additions or changes to the Harbor facilities must be approved by the City and the Borough.

ENVIRONMENTAL POLLUTION

13. In the event of a spill or the discharge of a petroleum product or hazardous material at the Harbor, the City shall immediately report the spill or discharge to the appropriate authorities and to the Borough, act promptly to contain the spill or discharge, repair any damage, remove the petroleum product or hazardous material and clean up the affected area, restore the Harbor and affected waters to a safe condition and otherwise comply with the applicable provisions of state and federal law.

TERMINATION OF AGREEMENT

14. The Borough may cancel this Agreement by giving the City ninety (90) days advance written notice upon the failure of the City to perform, keep and observe any of the terms, covenants, and conditions contained in this Agreement, provided;

    a. The deficiency is not cured by the City within said ninety (90) day period.

    b. The City may terminate this Agreement at any time by notifying the Borough in writing at least six (6) months prior to the effective date of such termination.

    c. The Borough may terminate this Agreement at any time by notifying the City in writing at least twelve (12) months prior to the effective date of such termination.

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d. Upon termination or cancellation of this Agreement for any reason, the City shall, on the effective date of such termination or cancellation, transmit all amounts received that would have been required by paragraph 7.c. of the Agreement to be deposited in the Harbor Fund; provided, if, for the fiscal year in which the termination or cancellation occurs, the City has contributed to the Harbor Fund from unrestricted other local revenues, the City may retain a portion of such other revenues prorated for time from the beginning of the year. The cancellation or termination of this Agreement for any reason shall constitute and shall have the effect of an assignment to the Borough of all accounts receivable and causes of action of the City with respect to the Harbor and its operation effective on the effective date of the termination or cancellation. All reasonable obligations of the City incurred with respect to the Harbor and its operation prior to the effective date of the termination or cancellation shall be reimbursed by the Borough upon demand and proof of payment by the City, provided, the Borough may assume direct liability for City obligations specifically identified in writing by the Borough for such treatment.

e. Upon termination or cancellation of this Agreement, the City shall immediately turn over to the Borough all plans, records, agreements, and other documents relating to the Harbor and its operation under this Agreement and shall make available to the Borough and it agents all records of the City that may directly or indirectly affect or reveal the financing of the Harbor operation by the City.

f. Termination or cancellation of this Agreement does not affect the undischarged obligation of one party to this Agreement to the other.

RENEWAL

15. The City may renew this Agreement by filing a written renewal application with the Borough at least sixty (60) days before the expiration of this Agreement. This filing of an application that fully conforms to the requirements stated herein will operate to extend the term of this Agreement on a month to month basis until the earlier of the date;

a. A new agreement is executed by both parties, or

b. The application is rejected by the Borough in writing, stating the reasons for the rejection.

DISCRIMINATION

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16. The City covenants and agrees that discrimination on the basis of race, color, religion, national origin, ancestry, age, or sex will not be permitted against any patron, employee, applicant for employment, or other person or group of persons in any manner prohibited by federal or state law. The City recognizes the right of the Borough to take any action necessary to enforce this covenant, including actions required pursuant to any federal or state law.

EXISTING CONDITIONS

17. The City has examined the preliminary plans for the Harbor and acknowledges that the Borough has made no representation concerning final arrangement or layout of the Harbor nor the completion date of any phase or part of the Harbor.

SUBJECT TO LAWS

18.

a. This agreement is issued subject to all the provisions and requirements of the agreement and the ordinances, resolutions and regulations of the Borough relating to the use and management of Borough owned marine facilities.

b. The City shall conduct all operations or the Harbor in compliance with all federal, state, and local laws, ordinances, rules and regulations now or hereafter in force, which may be applicable to such operations.

INSURANCE

19.

a. The City shall maintain harbor keepers liability insurance in an amount not less than $2,250,000 per occurrence and shall name the Borough as an additional insured, provided, the Borough, its employees, agents and officers may not be disabled from recovering under said policy for otherwise covered acts of the City.

b. Unless a lesser coverage is authorized by the Borough, the City shall maintain property damage insurance on the Harbor in an amount of $100,000 with a deductible of not more that $5,000. The policy shall name the Borough as owner of the Harbor and shall be for the benefit of the Borough.

c. The City shall provide the Borough with a copy of each policy or a certificate of insurance satisfactory to the Borough showing the amounts and type of insurance provided. The certificate shall state the

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coverage provided to the Borough and shall provide that no policy may be terminated, cancelled, or permitted to expire with respect to coverage provided to the Borough except upon at least thirty (30) days written notice actually delivered or mailed to the Borough.

d. The City shall provide and maintain, for all employees and contractors of the City engaged in work on or with respect to the Harbor, Workers' Compensation Insurance as required by AS 23.30, shall promptly make all employer contributions required by AS 23.20, and shall provide insurance coverage for employees covered by the U.S. Longshore and Harbor Workers' Compensation Act (33 U.S.C. 901 et. seq.). The City shall indemnify the Borough for all costs, expenses, and liability of the Borough arising in any manner from the failure of the City to provide the insurance or make the contributions identified in the preceding sentence.

LIENS

20. The City shall keep the Harbor free of all liens, pay all costs for labor and materials arising out of any construction, improvements or repairs by the City or a third party on the Harbor, and hold the Borough harmless from liability for any such liens, including costs and attorney fees.

NO WAIVER

21. The failure of the Borough to insist in any one or more instances upon the strict performance by the City of any provision or covenant in this agreement may not be considered a waiver or relinquishment for the future, but the provision or covenant will continue in full force. The waiver by the Borough of any provision or covenant in this agreement cannot be enforced or relied upon unless the waiver is in writing signed on behalf of the Borough.

MODIFICATION

22. The Borough may modify this agreement to meet the revised requirements of federal or state grants or to conform to the requirements of any bond covenant to which the Borough is party. Provided, that except as provided in paragraph 6.c., a modification may not reduce the rights granted the City by this agreement nor cause the City financial loss to its general fund.

VALIDITY OF PARTS

23. If any provision or covenant of this agreement is declared to be invalid by a court of competent jurisdiction, the remaining covenants and provisions will continue in full force.

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INTERRELATIONSHIP OF PROVISIONS

24. The basic provisions, general covenants, special covenants, supplements, addenda, and drawings attached as exhibits are essential parts of this agreement and are intended to be cooperative and to describe the respective rights and obligations of the parties to this Agreement. In case of a discrepancy, figured dimensions govern over scaled dimensions unless obviously incorrect. Special covenants govern over basic provisions, both of which govern over general covenants.

NATURAL DISASTERS

25. In the event any cause which is not due to the fault or negligence of either the City or the Borough renders the Harbor unusable and makes the performance of this Agreement impossible, this Agreement may be terminated by either party upon written notice to the other party. Causes include, but are not limited to, acts of God or the public enemy, acts of the United States or the State of Alaska, fires, floods, or strikes.

NOTICES

26. Any notice required by this agreement must be hand delivered or sent by registered or certified mail to the appropriate party at the address set forth on page one of this Agreement or to any other address that the parties subsequently designate in writing.

INTEGRATION, MERGER AND AMENDMENT

27. This Agreement sets forth all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the Harbor whether oral or written. Except as otherwise specifically provided in this Agreement no modification or amendment of this Agreement is effective unless in writing and signed by both parties.

NATIONAL OR STATE EMERGENCY

28. In case of any national emergency declared by the federal government, or any state emergency declared by the State of Alaska, the City may not hold the Borough liable for any inability to perform any part of this Agreement as a result of the national or state emergency.

APPROVAL BY BOROUGH

29. Any approvals required of the Borough by this Agreement will not be unreasonably withheld.

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INGRESS, EGRESS, INSPECTION

30. The Borough reserves the right of ingress to and egress from the Harbor and the right to enter any part of the Harbor, including all improvements thereon, for the purpose of inspection at any reasonable time.. Except in the case of an emergency, all inspections will be coordinated with the City.

C. SPECIAL COVENANTS

1. This Agreement becomes effective on the date set out in paragraph A2; provided, no term of the Agreement except this paragraph C1 creates and enforceable right in either party until the Borough has provided written notice to the City that the Harbor, including the docks and other facilities and improvements, are substantially complete and available for use. All revenues arising out of the rental or use of property constructed or improved with the proceeds of the Borough's general obligation bond under the Project Cooperation Agreement between the Borough and U.S. Department of the Army for the construction of breakwaters and the dredging of the new harbor in the City are revenues of the City under this agreement and, if paid to the Borough, will be received and held by the Borough in trust for the City.

2. The City and the Borough enter into this Agreement in the contemplation of

   a. the completion of the new harbor to be constructed under the Project Cooperation Agreement between the Borough and U.S. Department of Army, and

   b. the separate and subsequent construction by the Borough of docks, floats and other marine facilities and improvements (the Docks and Floats) within the new harbor.

If the Borough constructs the Docks and Floats from revenues other than borrowed funds, then this Agreement remains in full force and effect in accordance with its terms. If the Borough borrows all or part of the funds necessary to finance the construction of the Dock and Floats, and it is necessary for the Borough to pledge the revenues of the Docks and Floats to secure the loan, then the following provisions of this Paragraph C2 shall be in effect and shall supersede and govern to the extent such following provisions are in conflict with any other provisions of this Agreement:

   c. The Borough shall have the authority to establish all tariffs, fees, and other charges for use of the Docks and Floats. The Borough shall consult with the City to determine the rates necessary to meet the City operating and other expenses of the Harbor plus the revenues required to meet debt service payments on the Borough loan and such other reserve and coverage requirements as are set out in the

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loan agreement, bond and other documents governing the loan to the Borough (the Loan Documents) for the construction of the Docks and Floats. The tariffs, fees and charges established by the Borough, may not be less, individually, than the amount requested by the City, but may be more than the amount requested by the City if the Borough determines that the estimated revenues from all tariffs, fees and charges for Docks and Float use will not be sufficient to meet the requirements of the Loan Documents and all other revenue needs of the Harbor. If the Borough determines that revenues from the Docks Floats must be increased to meet to the requirements of the Loan Documents, the Borough will give substantial consideration to the preferences of the City for the distribution of the increase among the Harbor tariffs, fees, and other charges.

d. The will continue to bill, collect and enforce the harbor tariffs, fees and charges; provided, however, it shall establish a Docks and Floats debt service trust account (the Debt Service Trust Account) into which it shall deposit so much of the revenues from the Docks and Floats operation as are required under the terms of the Loan Documents. The funds required to be deposited to the Debt Service Trust Account are funds of the Borough immediately upon their receipt by the City and shall be paid over to the Borough from said account immediately upon request of the Borough or shall be paid over to the Borough at such regularly scheduled times as the Borough or the Loan Documents require. If the Borough's lender, either as a condition of the loan, or upon determining after making the loan that the collection rate of the City is inadequate with respect to Harbor accounts, the Borough may assume all or any part of the billing and collection function for the Harbor accounts and shall, monthly, pay over to the City the revenues collected less amounts required for billing and collection administration, debt service, reserves and coverage required by the Loan Documents. If the City fails to fully and timely pay over to the Borough the funds required to be paid from the Debt Service Trust Account, the Borough may immediately terminate this Agreement. The Borough may pledge and assign to its lender the Borough's rights to funds required to be deposited in the Debt Service Trust Account.

e. The City shall vigorously pursue the collection of tariffs, fees and other charges arising out of use of the Docks and Floats in order to ensure timely funding of the amounts to be paid into the Debt Service Trust Account.

f. If the Borough's lender requires fiscal or operational provisions that cannot be made within the scope of the authority reserved to the Borough under this Paragraph C2, and the City is unwilling to agree

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to the required new or different provisions, either party to this Agreement may immediately terminate the Agreement.

3. It is the intent of the parties that upon the termination of this Agreement pursuant to Paragraph A2, or upon the discharge of the 2003 Series E general obligation bonds issued for the construction of the new harbor, any bonds issued to refund the 2003 Series E bonds, and any bonds or other Borough obligations issued to fund any part of the cost of the Docks and Floats, the City and the Borough will explore the transfer of the Harbor to the City.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year stated in the acknowledgments below.

(SEAL)

CITY OF False Pass, AK.

By: [signature]
Title: Mayor

ALEUTIANS EAST BOROUGH

By: [signature]
Title: Mayor

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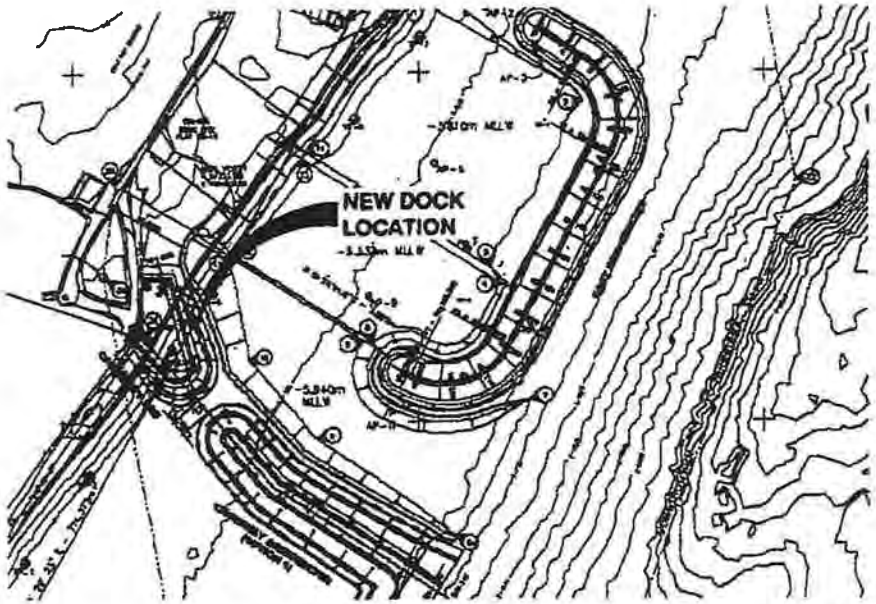
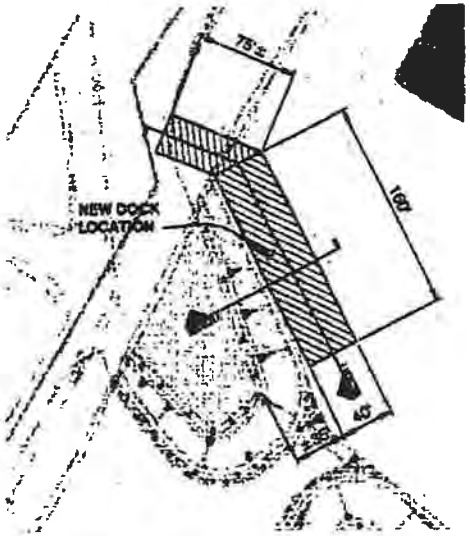
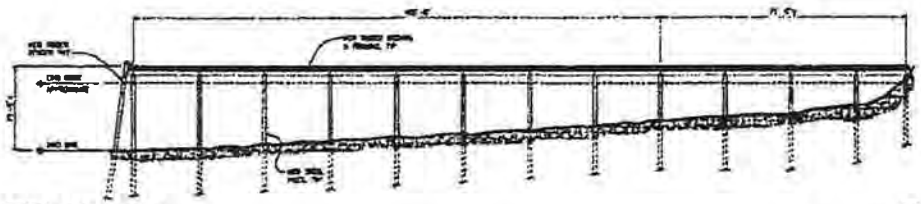
Exhibit 3



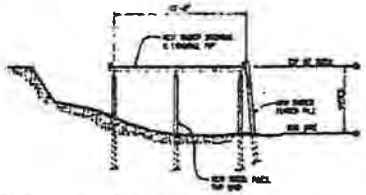
SITE PLAN



DOCK LOCATION PLAN



SECTION LOOKING SOUTH



SECTION LOOKING WEST

APICDA
FALSE PASS UPGRADES
DOCK ADDITION
FALSE PASS, ALASKA

SITE PLAN

C.1.1

DRAFT

DOCK TIDELANDS LEASE ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT

THIS DOCK TIDELANDS LEASE ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT (this "***Assignment***") is entered into as of the Effective Date, set forth below and is by and among Aleutians East Borough ("***Lessor***"), Bering Pacific Seafoods, LLC, an Alaska limited liability company ("***Assignor***") and False Pass Seafoods, LLC, an Alaska limited liability company ("***Assignee***").

RECITALS

A. Lessor is the owner of that certain tidelands described in the Dock Tidelands Lease associated with the dock located in False Pass, Alaska between Lessor and Assignor, dated June 1, 2013, a copy of which is attached hereto as Exhibit A (the "Dock Tidelands Lease").

B. Assignor and Assignee are limited liability companies that are currently wholly owned and operated by APICDA Joint Ventures, Inc., an Alaska corporation that is wholly owned by APICDA.

C. Assignee is a limited liability company set up to hold the assets of Assignor as part of a transaction in which a portion of the Membership and Percentage Interest in the Assignee will be sold to Trident Seafoods, Corp. The Trident acquisition of the interests in Assignee has not yet occurred.

D. Assignor wishes to transfer its interest in the Dock Tidelands Lease to Assignee as provided in this Assignment.

E. Assignee wishes to accept, without reservation, the obligations and benefits of Assignor as provided in this Assignment.

F. Lessor wishes to provide written consent to the assignment and assumption of the Tidelands Lease as provided in this Assignment.

AGREEMENT

NOW, THEREFORE, for the exchange of promises and other good and sufficient consideration, the sufficiency of which is expressly agreed, the parties to this Assignment agree as follows:

1. **Assignment and Assumption**. Effective as of the Effective Date of this Assignment:

1.1. Assignment. Assignor hereby irrevocably assigns, transfers and sets over to Assignee, its successors and assigns, all of Assignor's right, title and interest in, to and under

the Dock Tidelands Lease, and delegates to Assignee all of its duties and responsibilities under the Dock Tidelands Lease performable and first arising from and after the Effective Date to the same extent as if Assignee had been the original tenant under the Lease, and to be liable to Lessor for the full performance of all such obligations under the Dock Tidelands Lease.

1.2. Assumption. Assignee hereby accepts the foregoing assignment and acknowledges and agrees to be bound by the provisions of the Dock Tidelands Lease. By such acceptance of this Assignment, Assignee hereby agrees that it will promptly keep and perform each of Assignor's obligations under the Dock Tidelands Lease which arise from and after the Effective Date to the same extent as if Assignee had been the original tenant under the Dock Tidelands Lease, and to be liable to Landlord for the full performance of all such obligations under the Dock Tidelands Lease.

2. **Consent**. Lessor, by its signature hereto, expressly and without reservation, consents to the assignment and assumption of the Dock Tidelands Lease as provided in this Assignment. Lessor represents that it has obtained any consents, authorizations and satisfied all requirements that it may be required to obtain to authorize the transaction outlined in this Assignment.

3. **Lease Update.** The parties hereto acknowledge that the "Facility" as defined in Section B of the Dock Tidelands Lease has been constructed, but the "as-built" survey referenced in Section A of the Dock Tidelands Lease has not yet been utilized to update the Dock Tidelands Lease and define the "legal description" which will constitute the leased area for the balance of the Term of the Dock Tidelands Lease. Lessor, Assignor and Assignee agree to work promptly and cooperatively to complete the survey and identify "as-built" area and execute such documents as are reasonably necessary to define the "legal description" and amend the Dock Tidelands Lease.

4. **Entire Agreement**. This Assignment shall constitute the entire agreement of the parties with respect to the subject matter contained herein, and this Assignment may not be modified except in a writing signed by the parties.

5. **Time is of Essence**. Time is of the essence of each provision of this Assignment.

6. **Successors and Assigns**. This Assignment and all provisions hereof shall extend to and be obligatory upon and inure to the benefit of the respective heirs, legatees, legal representatives, successors and assigns of the parties hereto.

7. **Governing Law**. This Assignment shall be governed by and construed in accordance with the internal laws of the State of Alaska. If any of the provisions of this Assignment are deemed to be invalid or unenforceable, the remainder of this Assignment shall not be affected.

DRAFT

8. **Lease Otherwise Unmodified**. Except as expressly set forth herein, the Lease remains unmodified and in full force and effect.

9. Further Documents. The parties agree that they shall promptly execute and deliver such additional documents and take actions which are reasonable and necessary to complete the transactions contemplate by this Agreement.

10. **Recordation**. The parties hereto agree to promptly draft, execute and record a memorandum of the Lease and this assignment. Any party hereto may cause the memorandum of the Lease and this Assignment to be recorded.

11. **Counterparts and Facsimile**. This Assignment may be executed in counterparts and by facsimile, with copies effective for all purposes.

THIS ASSIGNMENT shall be effective as of January ___, 2018 (the "Effective Date").

LESSOR:

Aleutians East Borough

By: _____

Name: _____

Its: _____

ACKNOWLEDGEMENT

STATE OF ALASKA)

THIRD JUDICIAL DISTRICT)

On _____, personally appeared _____, and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity on behalf of which the person(s) acted, executed the instrument.

Dated: January ____, 2018

DRAFT

_____

_____
(print notary's name)
Notary Public in and for the State of _____.
residing at _____.
My commission expires: _____.

DRAFT

ASSIGNOR:

Bering Pacific Seafoods, LLC
an Alaska limited liability company.

By: _____

Name: _____

Its: _____

ACKNOWLEDGEMENT

STATE OF ALASKA)

_____ JUDICIAL DISTRICT)

On January ___, 2018, Lawrence Cotter, CEO of APICDA JV, Inc., the sole member and manager of Bering Pacific Seafoods, LLC, personally appeared and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the entity on the behalf of which he acted, executed the instrument.

Dated: January ____, 2018

_____

_____
(print notary's name)
Notary Public in and for the State of Alaska
residing at _____.
My commission expires: _____.

DRAFT

ASSIGNEE:

False Pass Seafoods, LLC
an Alaska limited liability company.

By: _____

Name: _____

Its: _____

ACKNOWLEDGEMENT

STATE OF ALASKA)

THIRD JUDICIAL DISCTRICT)

On January ___, 2018, Lawrence Cotter, CEO of APICDA JV, Inc., the sole member and manager of False Pass Seafoods, LLC, personally appeared and personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the entity upn behalf of which he acted, executed the instrument.

Dated: January ____, 2018

_____

_____
(print notary's name)
Notary Public in and for the State of Alaska
residing at _____.
My commission expires: _____.

DRAFT

EXHIBIT A

Attached is a true and correct copy of the Tidelands Lease between Aleutians East Borough and Bering Pacific Seafoods, LLC dated June 1, 2013.

AKUTAN • COLD BAY • NELSON LAGOON

ALEUTIANS EAST

BOROUGH

FALSE PASS • KING COVE • SAND POINT

ORDINANCE SERIAL NO. 18-08

AN ORDINANCE AUTHORIZING THE MAYOR TO NEGOTIATE AND EXECUTE A TIDELANDS LEASE FOR FALSE PASS SEAFOODS, LLC FOR THE OUTFALL LINE TO BE USED TO CONTRACT A FALSE PASS FISH PROCESSING FACILTY.

WHEREAS, False Pass Seafoods, LLC, ("FPS") has requested that the Aleutians East Borough ("Borough") lease approximately 6,720 square feet of the Borough's tidelands within Alaska Tidelands Survey No. 1611, at False Pass Harbor, as generally depicted on the attached Exhibit "A"; and

WHEREAS, the Borough previously leased these Tidelands to Bering Pacific Seafoods, LLC, however no Ordinance is available regarding the lease; and

WHEREAS, the State of Alaska granted to the Borough Tidelands Patent No. 425, which conveyed to the Borough those tidelands lying seaward of the mean high tide line of Unimak Island, situated in the Aleutians Islands Recording District on June 2, 2004; and

WHEREAS, the tidelands are legally described as: ALASKA TIDELAND SURVEY NO. 1611, CONTAINING 34.86 ACRES, MORE OR LESS, ACCORDING TO THE SURVEY PLAT RECORDED IN THE ALEUTIANS ISLANDS RECORDING DISTRICT ON APRIL 7, 2003, AS PLAT 2003-2; and

WHEREAS, FPS has expressed its desire to enter an agreement with the Borough for the lease of part of these tidelands for the purpose of constructing, operating and maintaining of a dock and related marine activities; and

WHEREAS, AEBMC Sec. 50.10.060 provides that "[d]isposal of real property may be by sealed bids, outcry auction, lottery, first-come, first-served, negotiation, or such other method as the assembly may provide in the resolution authorizing the disposal"; and

WHEREAS, AEBMC 50.10.100(7) provides that "Real Property" includes interests in real property as well as rights to real property, and includes, but is not limited to, leases, easements, security interests, licenses, permits and options; and

WHEREAS, AEBMC Sec. 50.10.050 provides for the disposal of real property owned by the Borough mandating that the disposal of real property not covered by other sections within chapter 50.10 "must be authorized by ordinance and must contain" the following:

(1) a description of the property,
(2) a finding and the facts that supports the finding that the property or interest is no longer required for a public purpose if the property or interest is or was used for a government purpose,
(3) the type of interest to be disposed of if less than a fee interest,
(4) conditions and reservations that are to be imposed upon the property,
(5) the fair market value of the property,
(6) the minimum disposal price of the real property,
(7) the method of disposal, including time, place and dates when relevant,
(8) special conditions for the disposal, including, when relevant, special qualifications of purchasers and purchase terms, and
(9) a finding and the facts supporting the finding of the public benefits to be derived if the disposal is to be for less than market value; and

WHEREAS, AEBMC Sec. 50.10.070(a) provides that "[u]nless otherwise provided in the resolution authorizing the disposal, the disposal shall be at not less than the fair market value as determined by a fee appraisal, by the borough's assessor's valuation, or by such reasonable estimates as the mayor or assembly, as appropriate, finds to be reliable or appropriate under the circumstances; and

WHEREAS, AEBMC Sec. 50.10.070(c) provides that "[u]ses and purposes that may justify a disposal at less that market value include, but are not limited to" . . . "(3) use that promotes economic development"; and

WHEREAS, the Assembly finds that the lease of the property to FPS is in the best interest of the Borough, and will promote economic development within the Borough; and

WHEREAS, AEBMC Sec. 2.16.020 provides that "[t]he Mayor shall... (A) Direct and supervise the business of the borough to assure that all ordinances and resolutions are executed; and

WHEREAS, AEBMC Sec. 50.10.090 provides that "[t]he mayor may establish procedures and forms for the processing of requests, applications and disposals under this chapter.

NOW THEREFORE, BE IT ENACTED:

Section 1. **Classification**. This is a non-code ordinance.

Section 2. **Authorization to Lease**. Based upon the above findings, the Mayor is authorized to negotiate and execute a lease of approximately 6,720 *square feet* of the tidelands located within Alaska Tidelands Survey No. 1611, Aleutian Islands Recording District, as generally depicted on Exhibit "A" with the final square footage to be established when the as-built survey and legal description of the leased property is submitted to and approved by the Borough.

Section 3. **Minimum Essential Terms and Conditions.** The lease is subject to the following minimum essential terms and conditions:

(a) The lease shall be subject to the terms and conditions of the Patent or Deed from the state of Alaska, and subject to any littoral rights and any rights of the public under the Public Trust Doctrine.

(b) The leased property shall be used for by FPS for the construction, operation, and maintenance of a dock and related marine activities. FPS is required to obtain approval of its construction plans from the Borough as well as meet any other state, federal, or other permit requirements prior to the start of any construction;

(c) FPS shall provide the Borough with an as-built survey showing the exact boundaries and a legal description of the leased property no later than 45 days after the completion of construction of the dock. Upon acceptance of the as-built and legal description by the Borough the survey and legal description shall replace the description of the leased property set out in Section 2 above and a new exhibit depicting the leased property shall be attached to the lease agreement, and the agreement shall be deemed amended accordingly;

(d) The lease shall be for an initial term of thirty-five years with one thirty- five year renewal option;

(e) The annual lease payment for the first five-year period of the lease term shall be $100.00 per year (based on $.20 per

square foot), plus tax; provided that this initial annual lease payment amount will be adjusted to reflect the final square footage of the leased property at the lease rate of $.50 per square foot or amount determined by the Mayor as per Section 2 of this Ordinance, as determined by the as-built survey and legal description required to be submitted to the Borough by FPS within 45 days after completion of construction as provided in subsection (c) of this section; this lease payment adjustment will be applied prospectively starting with the first annual lease payment to be made following the determination of the final square footage of the leased property;

(f) Beginning with the first year after the initial five-year period of the term of the lease, the Borough Administrator will re-evaluate and adjust the annual lease payment for the leased property for the next five-year period of the term, and then every five years thereafter. The new annual lease payment amount shall be paid retroactively to the beginning of the lease payment adjustment period. FPS shall pay all the appraisal costs associated with re-evaluating and making adjustments to the annual lease payment. See appendix A, Section 9.

(g) FPS shall be responsible for obtaining all necessary permits and approvals for its development of the lease property;

(h) FPS shall indemnify, defend, and hold harmless the Borough for any claims related to or arising out of the FPS development or use of the leased property; and

(i) The lease shall include all provisions of Borough Code of Ordinances not in conflict with this ordinance; and any other provisions that the Borough Administrator determines to be in the public interest.

Section 4. **Effectiveness**. This Ordinance shall take effect upon adoption by the Aleutians East Borough Assembly.

INTRODUCED: _____

ADOPTED: _____

_____
Alvin D. Osterback, Mayor

ATTEST:

_____
Tina Anderson, Borough Clerk

(SEAL)

APPENDIX A

STANDARD PROVISIONS

1. PATENT CONDITIONS.

This lease shall be subject to the terms and conditions of the patent or deed from the state of Alaska, and subject to any littoral rights and any rights of the public under the Public Trust Doctrine.

2. RESPONSIBILITY TO PROPERLY LOCATE ON LEASED PREMISES.

It shall be the responsibility of Lessee to properly locate Lessee's improvements on the Lease Premises and failure to so locate shall render Lessee liable as provided by law.

3. APPROVAL OF OTHER AUTHORITIES.

It is agreed upon and acknowledged that the issuance by Lessor of leases, including this lease, does not relieve Lessee of responsibility for obtaining licenses, permits, or approvals as may be required by duly authorized municipal, state or federal agencies.

4. LEASE UTILIZATION.

The Leased Premises shall be utilized only for the following purposes: _____, and the terms of the lease and in conformity with the provisions of relevant municipal code and applicable state and federal laws and regulations. Utilization or development of the Leased Premises for other than the allowed uses shall constitute a violation of the lease and subject to cancellation at any time.

5. LEASE PAYMENT ADJUSTMENT AND DISPUTE RESOLUTION.

Lessee agrees to a review and adjustment of the annual lease payment by the Borough Administrator not less often than every fifth year of the lease term beginning with the payment due after completion of the review period. Should the Lessee disagree with the lease payment adjustment proposed by the Borough Administrator, the Lessee shall pay for an appraisal of the leasehold. In the event the Borough Administrator disagrees with the appraisal, is unable to reach an agreement with the Lessee on the lease payment adjustment, the Lessor shall pay for a second appraisal. The Borough Administrator shall establish the lease payment adjustment based upon the second appraisal. In the event the Lessee disagrees with the lease rent adjustment, the Lessee may appeal to the Borough Assembly. The decision of the Assembly shall be final.

6. SUBLEASING.

Lessee may sublease Leased Premises or any part thereof leased to Lessee hereunder; provided that the proposed sub-lessee shall first obtain written approval from Lessor and further provided, that the improvements on the Leased Premises are the substantial reason for the sublease. Leases not having improvements thereon shall not be sublet. Subleases shall be in writing and be subject to the terms and conditions of the original lease; all terms, conditions, and covenants of the underlying lease that may be made to apply to the sublease are hereby incorporated into the sublease.

7. ASSIGNMENT.

Lessee may assign its rights and obligations under this lease; provided that the proposed assignment shall be approved in writing by Lessor prior to any assignment. The assignee shall be subject to all the provisions of the lease. All terms, conditions and covenants of the underlying lease that may be made applicable to the assignment are hereby incorporated into the assignment.

8. MODIFICATION.

The lease may be modified only by an agreement in writing signed by all parties in interest or their successor in interest.

9. CANCELLATION AND FORFEITURE.

(a) The lease, if in good standing, may be cancelled in whole or in part, at any time, upon mutual written agreement by the parties.

(b) Lessor may cancel the lease if it is used for any unlawful purpose.

(c) If Lessee shall default in the performance or observance of any of the lease terms, covenants or stipulations thereto, or of the regulations now or hereafter in force or service of written notice by the Lessor without remedy by Lessee of the conditions warranting default, Lessor may subject Lessee to appropriate legal action including, by not limited to, forfeiture of the lease. No improvements may be removed by Lessee or other person during any time Lessee is in default.

(d) Failure to make substantial use of the land, consistent with the proposed use, within one year shall in the discretion of the Lessor with approval of the Borough Assembly constitute grounds for default.

10. NOTICE OR DEMAND.

Any notice or demand, which under terms of a lease or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address of record. However, either party may designate in writing such new or other address to which the notice or demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed delivered when deposited in a United States general or branch post office enclosed in a registered or certified mail prepaid wrapper or envelope addressed as hereinbefore provided.

11. RIGHTS OF MORTGAGE OR LIENHOLDER.

In the event of cancellation or forfeiture of a lease for cause, the holder of a properly recorded mortgage, conditional assignment or collateral assignment will have the option to acquire the lease for the unexpired term thereof, subject to the same terms and conditions as in the original lease.

12. ENTRY AND REENTRY.

In the event that the lease should be terminated as hereinbefore provided, or by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by Lessee during the term, Lessor or its agents, servants, or representative, may, immediately or any time thereafter, reenter and resume possession of lands or such thereof, and remove all personals and property there from either by summary proceedings or by a suitable action or proceeding at law without being liable for any damages therefore. No reentry by Lessor shall be deemed an acceptance of a surrender of the lease.

13. RE-LEASE.

In the event that the lease should be terminated as herein provided, or by summary proceedings, or otherwise, Lessor may offer the lands for lease or other appropriate disposal pursuant to the provisions of the Borough Code.

14. FORFETURE OF LEASE PAYMENT.

In the event that the lease should be terminated because of any breach by Lessee, as herein provided, the annual rental payment last made by Lessee shall be forfeited and retained by Lessor as partial or total damages for the breach.

15. WRITTEN WAIVER.

The receipt of lease payment by Lessor with knowledge of any breach of the lease by Lessee or of any default on the part of Lessee in observance or performance of

any of the conditions or covenants of the lease shall not be deemed a waiver of any provision of the lease. No failure on the part of the Lessor to enforce any covenant or provision therein contained, nor any waiver of any right thereunder by Lessor unless in writing, shall discharge or invalidate such covenants or provisions or affect the right of the Lessor to enforce the same in the event of any subsequent breach or default. The receipt, by Lessor, or any lease payments or any other sum of money after the termination, in any manner, of the term demised, or extent the resultant term therein demised, or destroy, or in any manner impair the efficacy of any such notice or termination as may have been given thereunder by Lessor to Lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by Lessor.

16. EXPIRATION OF LEASE.

Unless the lease is renewed or sooner terminated as provided herein, Lessee shall peaceably and quietly leave, surrender and yield up the Lessor all the leased land on the last day of the term of the lease.

17. RENEWAL PRFERENCE.

Any renewal preference granted Lessee is a privilege, and is neither a right nor bargained for consideration. The lease renewal procedure and renewal preference shall be that provided by ordinance in effect on the date the application for renewal is received by the Borough Administrator.

18. REMOVAL OR REVERSION OF IMPROVEMENT UPON TERMINATION OF LEASE.

Improvements owned by Lessee shall within sixty calendar days after the termination of the lease be removed by Lessee; provided, such removal with not cause injury or damage to the lands or improvements demised; and further provided, that Lessor may extend the time for removing such improvements in cases where hardship is proven. Improvements owned by Lessee may, with the consent of the Lessor, be sold to the succeeding Lessee. All periods of time granted Lessee to remove improvements are subject to Lessee's paying the Lessor pro rata lease payments for the period.

(a) If any improvements and/or chattels not owned by Lessor and having an appraised value in excess of five thousand dollars as determined by an assessor are not removed within the time allowed, such improvements and/or chattels on the lands, after deducting for Lessor lease payments due and owing and expenses incurred in making such sale. Such rights to proceeds of the sale shall expire one year from the date of such sale. If no bids

acceptable to the Borough Administrator are received, title to such improvements and/or chattels shall vest in Lessor.

(b) If any improvements and/or chattels having an appraised value of five thousand dollars or less as determined by an assessor, are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in Lessor.

19. RENTAL FOR IMPROVEMENTS OR CHATTELS NOT REMOVED.

Any improvements and/or chattels belonging to Lessee or placed on the lease during Lessee's tenure with or without his permission and remaining upon the premises after the termination date of the lease shall entitle Lessor to charge Lessee a reasonable lease payment therefore.

20. COMPLIANCE WITH REGULATIONS CODE.

Lessee shall comply with all regulations, rules, and the code of the Aleutians East Borough, and with all state and federal regulations, rules and laws as the code or any such rules, regulations or laws may affect the activity upon or associated with the leased land.

21. CONDITIONS OF PREMISES.

Lessee shall keep the premises of the lease in neat, clean, sanitary and safe condition and shall take all reasonable precautions to prevent, and take all necessary action to suppress destruction or uncontrolled grass, brush or other fire on the leased lands. Lessee shall not undertake any activity that causes or increases a sloughing off or loss of surface materials of the leased land.

22. INSPECTION.

Lessee shall allow an authorized representative of Lessor to enter the lease land for inspection at any reasonable time.

23. USE OF MATERIAL.

Lessee of the surface rights shall not sell or remove for use elsewhere any stone, gravel, peat moss, topsoils, or any other materials valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the Lessor.

24. RIGHTS-OF-WAY.

Lessor expressly reserves the right to grant easements or rights-of-way across leased land if it is determined in the best interest of the Lessor to do so.

25. WARRANTY.

Lessor does not warrant by its classification or leasing of land that the land is ideally suited for the use authorized under the classification or lease and no guaranty is given or implied that it shall be profitable to employ land to said use.

26. HOLDING OVER.

If Lessee holds over beyond the expiration of the term of this lease and the term has not been extended or renewed in writing, such holding over will be a tenancy from month-to-month only.

27. INTEREST ON LATE PAYMENTS.

Should any installment of rent or other charges provided for under the terms of this lease not be paid when due, the same shall bear interest at the rate established by ordinance for late payments or at the rate of 12 percent per annum, if no rate has been set by ordinance.

28. TAXES, ASSESSMENTS, AND LIENS.

During the term of this lease, Lessee shall pay, in addition to the rents, all taxes, assessments, rates, charges, and utility bills for the Leased Premises and Lessee shall promptly pay or otherwise cause to be discharged, any claim resulting or likely to result in a lien, against the Leased Premises or the improvements placed thereon.

29. EASEMENTS.

Lessee shall place no building or structure over any portion of the Leased Premises where the same has been set aside or reserved for easements.

30. ENCUMBRANCE OF PARCEL.

Lessee shall not encumber or cloud Lessor's title to the Leased Premises or enter into any lease, easement, or other obligation of Lessor's title without prior written consent of Lessor; and any such act or omission, without the prior written consent of Lessor, shall be void against Lessor and may be considered a breach of this lease.

31. VALID EXISTING RIGHTS.

This lease is entered into and made subject to all existing rights, including easements, rights-of-way, reservations, or other interests in land in existence, on the date of execution of this lease.

32. STATE DISCRIMINATION LAWS.

Lessee agrees, in using and operating the Leased Premises, to comply with applicable sections of Alaska law prohibiting discrimination, particularly Title 18 of the Alaska Statutes, Chapter 80, Article 4 (Discriminatory Practices Prohibited). In the event Lessee's failure to comply with any of the above non-discrimination covenants, Lessor shall have the right to terminate this lease.

33. UNSAFE USE.

Lessee shall not do anything in or upon the Leased Premises, nor bring or keep anything therein, which will unreasonably increase or tend to increase the risk of fire or cause a safety hazard to persons or obstruct or interfere with the rights of any other tenant(s) or in any way injure or annoy them or which violates or causes violation of any applicable health, fire, environmental or other regulation by any level of government.

34. HOLD HARMLESS.

Lessee agrees to defend, indemnify, and save Lessor, its employees, volunteers, consultants and insurers, with respect to any action, claim, or lawsuit arising out of or related to the use and occupancy of the Leased Premises by Lessee. This agreement to defend, indemnify, and hold harmless is without limitation as to the amount of fees, costs, expense, or damages resulting from settlement, judgment or verdict, and includes the award of any costs and attorney's fees even if in excess of Alaska Civil Rules 79 or 82. This indemnification agreement applies to the fullest extent permitted by law and is in full force and effect whenever and wherever any action, claim, or lawsuit is initiated, filed, or otherwise brought against Lessor relating to this lease. The obligations of Lessee arise immediately upon actual or constructive notice of any action, claim, or lawsuit. Lessor shall notify Lessee in a timely manner of the need for indemnification, but such notice is not a condition precedent to Lessee's obligations and may be waived where the Lessee has actual notice.

35. SUCCESSORS.

This lease shall be binding on the successors, administrators, executors, heirs, and assigns of Lessee and Lessor.

36. CHOICE OF LAW; VENUE.

This lease shall be governed by the law of the State of Alaska. Venue shall be in the State of Alaska, Third Judicial District at Anchorage.

Exhibit A

UNOCCUPIED
Unimak Island
ATS 1611
Lot 5
Section 27
Lot 70
Lot 2C
Lot 2B
Lot 2A
Coast Pet Storage Site
Plat No. 92 29
Council Dock Site
Plat No. 90 16
ATS 1428
Plat No. 93 14
30' PUBLIC ACCESS EASEMENT
(A.S. 38.05.127)
Detail A
Scale 1" = 3'
Detail B
Scale 1" = 3'
See Detail A
See Detail B
BASIS OF BEARING
BASIS OF COORDINATES
Unimak Pass
Bechevin Bay
VICINITY MAP
1" = 1 mile
Magnetic Declination 23°40' E.
N
LEGEND
CERTIFICATE OF OWNERSHIP AND DEDICATION
NOTARY'S ACKNOWLEDGEMENT
APPLICANT CERTIFICATE
NOTARY'S ACKNOWLEDGEMENT
PLAT APPROVAL
TAX CERTIFICATE
NOTES
SCALE
SURVEYOR'S CERTIFICATE
TIDAL INFORMATION
LINE TABLE
2003-2
STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER
ALASKA TIDELAND SURVEY No. 1611
ATS 1611

DRAFT

TIDELANDS LEASE

This Lease is entered into on _____2018, between the Aleutians East Borough ("Lessor") and False Pass Seafoods, LLC ("FPS" or "Lessee").

Recitals

A. Lessor is the owner of the tidelands as shown in Exhibit 1 hereto, described as: Section 28, T. 61 S., R. 94W., Seward Meridian, USGS Quad Map False Pass D-5; latitude 54.8626 deg. N., longitude 163.4142 deg. W., in False Pass Alaska. The easement requested is in the southeast comer of section 28. A section of the tidelands, approximately 500 feet in length and 20 feet in width will be required as easement for the outfall line. Upon completion of the installation of the outfall, an "as-built" survey will be performed. · Once completed, the "as-built survey will be utilized as the legal description of the tideland easement.

B. Lessee, on jts own or through its affiliate, plan to construct a fish processing facility ("Facility") in False Pass Alaska. The parties contemplate that Lessee may, from time to time during the life of this Lease, replace or expand the Facility as it is planned at execution of this Lease.

C. Use of the Tidelands for an outfall line will facilitate construction and operation of the fish processing facility.

D. Lessee desires to lease the Tidelands from Lessor, and Lessor desires to lease the Tidelands to Lessee.

E. To facilitate the mutual goals of Lessor and Lessee, they hereby enter into this Lease to document the terms and conditions under which Lessor will lease the Tidelands to Lessee.

Terms and Conditions

1. **Premises**. Lessor leases to Lessee the Tidelands.

2. **Term**. The Term of this Lease shall be 30 years, beginning on _____, 2018, and ending on _____, 2037, subject to renewal or earlier termination as described below.

3. **Rent**. Lessee shall pay rent to Lessor at the rate of $100.00 per year, due and payable on the date of full execution of this Lease and on the first day of each calendar year thereafter.

4. **Renewal**. The parties intend that this Lease will last for a maximum 50 years including the 30-year Term and up to two 10-year renewals. In the event Lessor or does not receive written notice of non-renewal from Lessee not less than 365 days before the end of the Term or the first renewal thereof, this Lease shall be renewed for an additional period of 10 years, subject to the terms and conditions contained in this Lease as the parties may, from time to time, agree to amend.

5. **Termination**. Lessor may terminate this Lease upon Lessee's default, as defined in Article 13 hereof, upon 90 days' written notice of termination. No such termination shall be sent unless Lessor has given Lessee written notice of default and an opportunity to cure in accordance with Article 13. Lessee may terminate this Lease upon 90 days' written notice to Lessor.

6. **Regulatory compliance.** Lessee shall be responsible for obtaining all required State

and Federal permits. A copy of all such permits is attached hereto as Exhibit 2.

7. **Use**. The Tidelands are leased to Lessee to use as Lessee deems necessary or desirable to achieve Lessee's business objectives in constructing and operating the Facility, as it may from time to time be expanded or replaced. Lessee shall at all times comply with all applicable laws, ordinances and regulations of duly constituted authorities now or hereafter in effect, with respect to Lessee's use of the Tidelands.

Lessee agrees that nothing in this Article or in this Lease shall create any third-party beneficiary rights or relationship in Lessee or in any other entity.

8. **Return of Premises**. Lessee agrees to return the Tidelands to Lessor, without further demand, at the expiration or sooner termination of the Term or any renewal thereof including alterations, improvements or modifications. Lessee agrees that holding over its occupancy at the expiration or sooner termination of this Lease will result in the creation of a month-to-month tenancy at the prorated rental rate in effect at the time.

9. **Possession**. Upon execution of this Lease and payment of the first rental payment, Lessee shall have the right to possession of the Tidelands.

10. **Taxes**. Lessee shall be responsible for any and all property taxes assessed during the term of this Lease against any leasehold interest. Lessee shall pay any sales or other tax levied on the rent.

11. **Insurance**. Lessee shall maintain in force during the term of this Lease a commercial comprehensive general liability insurance policy ("Policy"), written on an occurrence basis, covering the Tidelands. The Policy shall have a coverage limit of at least $1,000,000 for injury to or death of any one per on $2.000,000 for the injury to or death of more than one person arising out of any accident or occurrence and $1,000,000 for damage to property. The Policy shall name Lessor as an additional insured and loss payee. Such insurance shall be primary with any insurance carried by Lessor. Lessee shall provide Lessor a copy of the Policy or other satisfactory evidence of coverage. The Policy or a separate agreement between Lessee and the insurance company shall provide that the insurance company shall give Lessor at least 30 days' prior written notice before cancellation or termination of coverage. The requirement of insurance coverage does not relieve Lessee of any other obligation under this Lease.

Lessor and Lessee shall review the policy coverage limits as set out in this Article every 10 years while this Lease remains in effect, to ensure that the limits remain adequate for their purposes. In the event that Lessor concludes in good faith that coverage limits should be increased, Lessee shall purchase and maintain such increased coverage.

12. **Inspection by Lessor**. Lessee permits Lessor to enter the Tidelands to inspect, or to enforce or carry out any provision of this Lease. In the event of an emergency, Lessor may enter without notice. In the event no emergency exists, Lessor will endeavor to give Lessee 24 hours' notice before entering.

13. **Default**. The occurrence of any or more of the following evens shall constitute a material default in breach of this Lease by Lessee.

a. failure to make any payment required under this Lease as and when due, where such failure shall continue for a period of 30 days after Lessee's receipt of written notice from Lessor

b. failure to observe or perform any of the covenants, conditions, rules, or any other nonfinancial provision of this Lease, where the failure shall continue for a period of 30 days after Lessee's receipt of written notice of the failure from Lessor; and/or

c. filing of a petition in insolvency or bankruptcy, or a statement of insolvency.

In the event of any default by Lessee under this Lease, in addition to any other remedy, Lessor shall have the right, with or without terminating this Lease, to reenter and relet the Tidelands. Lessee hereby agrees to pay Lessor the cost of recovering possession of the Tidelands, including attorney's fees, paralegal fees, and costs· the expenses of reletting; and any other cost or damage arising out of Lessee's default. Lessee hereby waives all rights of notice to quit in the event it abandons the Tidelands.

14. Limitation on assignment. Lessee may assign its rights and obligations under this Lease only to an entity:

a. owned wholly or in part by the Aleutian Pribilof Community Development Association; and

b. engaged in fisheries processing.

15. Miscellaneous.

a. Entire Agreement. This Lease constitutes the entire agreement between the parties as to the subject matter hereof. Any prior understanding or representation of any kind preceding the date of this Lease shall not be binding upon either party.

b. Amendment. The parties may amend this Lease. Any such amendment shall be effective only if it is in writing and signed by both parties hereto.

c. Timeliness. Time is of the essence of this Lease.

d. Construction. Lessee and Lessor both have had the opp01tunity to have lawyers review and negotiate the terms of this Lease. The rule of construction that ambiguity is construed against the drafter will not apply.

e. Headings. Headings in this Lease are intended for information only, and not as terms or conditions of the Lease.

f. Signatures. This Lease may be signed in counterparts; a facsimile signature is as valid as an original signature.

g. Notices. Any notice, request, or other communication required or permitted to be given or made under this Lease shall be made when hand delivered, or mailed, by registered or certified mail, and addressed as follows:

If to Lessee:
False Pass Seafoods, LLC

Phone:

If to Lessor:
Aleutians East Borough
3380 C Street, Suite 205
Anchorage, AK 99503
Phone: 907-274-7555

IN WTNESS WHEREOF, the parties have executed this Lease the day and year first above written.

False Pass Seafoods, LLC	Aleutians East Borough
By: _____	By: _____
Its: _____	Its: _____

DRAFT

STATE OF ALASKA)
) ss
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this _____ Day of _____, 2018, before me, a Notary Public in and for the State of Alaska, personally appeared _____, known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that s/he is the _____, of False Pass Seafoods, LLC, that s/he has been authorized by said municipal corporation to execute the foregoing instrument on its behalf, and s/he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official on this day and year in this certificate first written above.

_____

Notary Public for Alaska
My Commission Expires: _____

STATE OF ALASKA)
) ss
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this _____ Day of _____, 2018, before me, a Notary Public in and for the State of Alaska, personally appeared _____, known to me to be the person whose name is subscribed on the foregoing instrument and, duly sworn, stated to me under oath that s/he is the _____, of the Aleutians East Borough, that s/he has been authorized by said municipal corporation to execute the foregoing instrument on its behalf, and s/he executed the same freely and voluntarily as the free act and deed of said corporation.

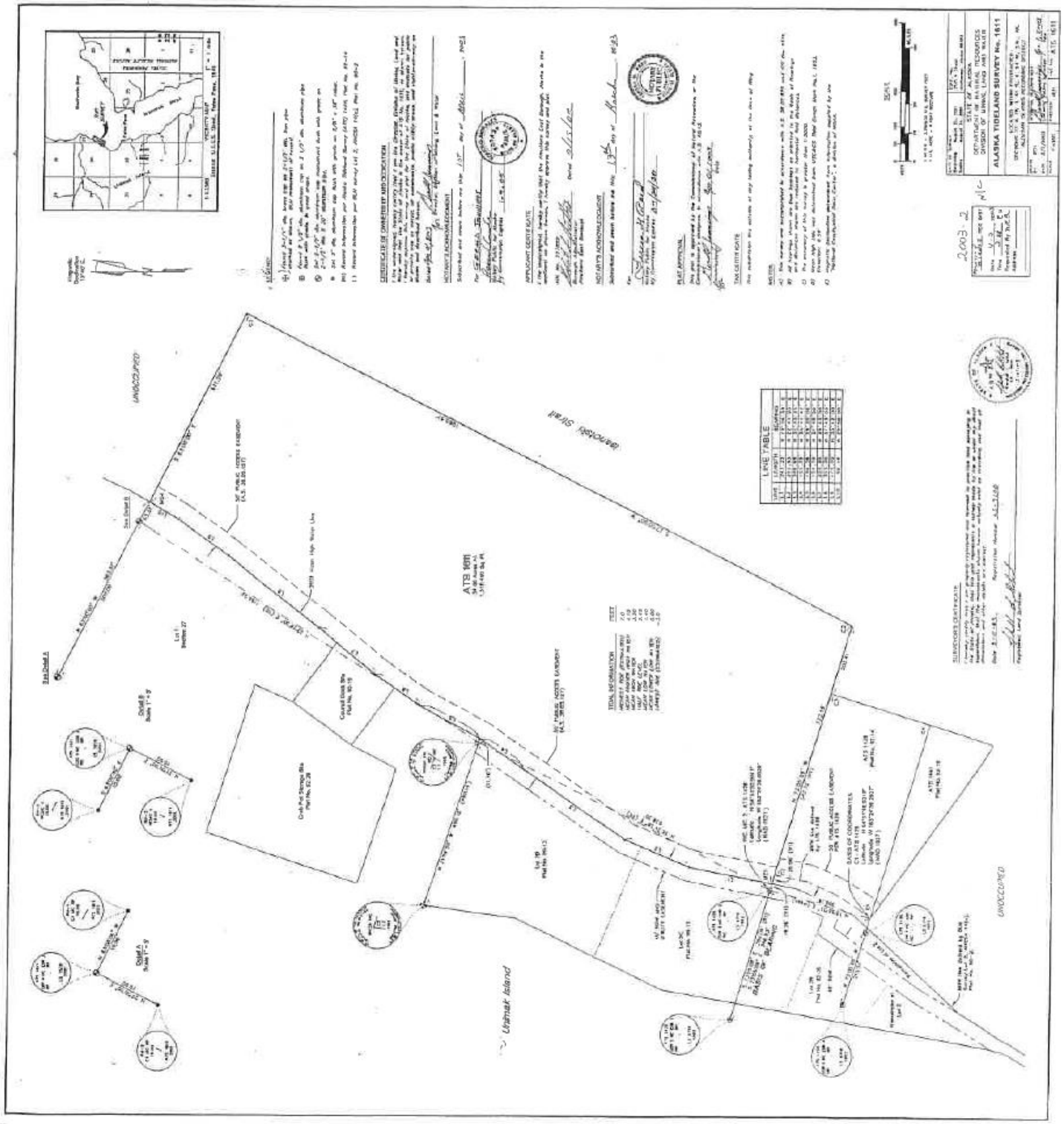
WITNESS my hand and official on this day and year in this certificate first written above.

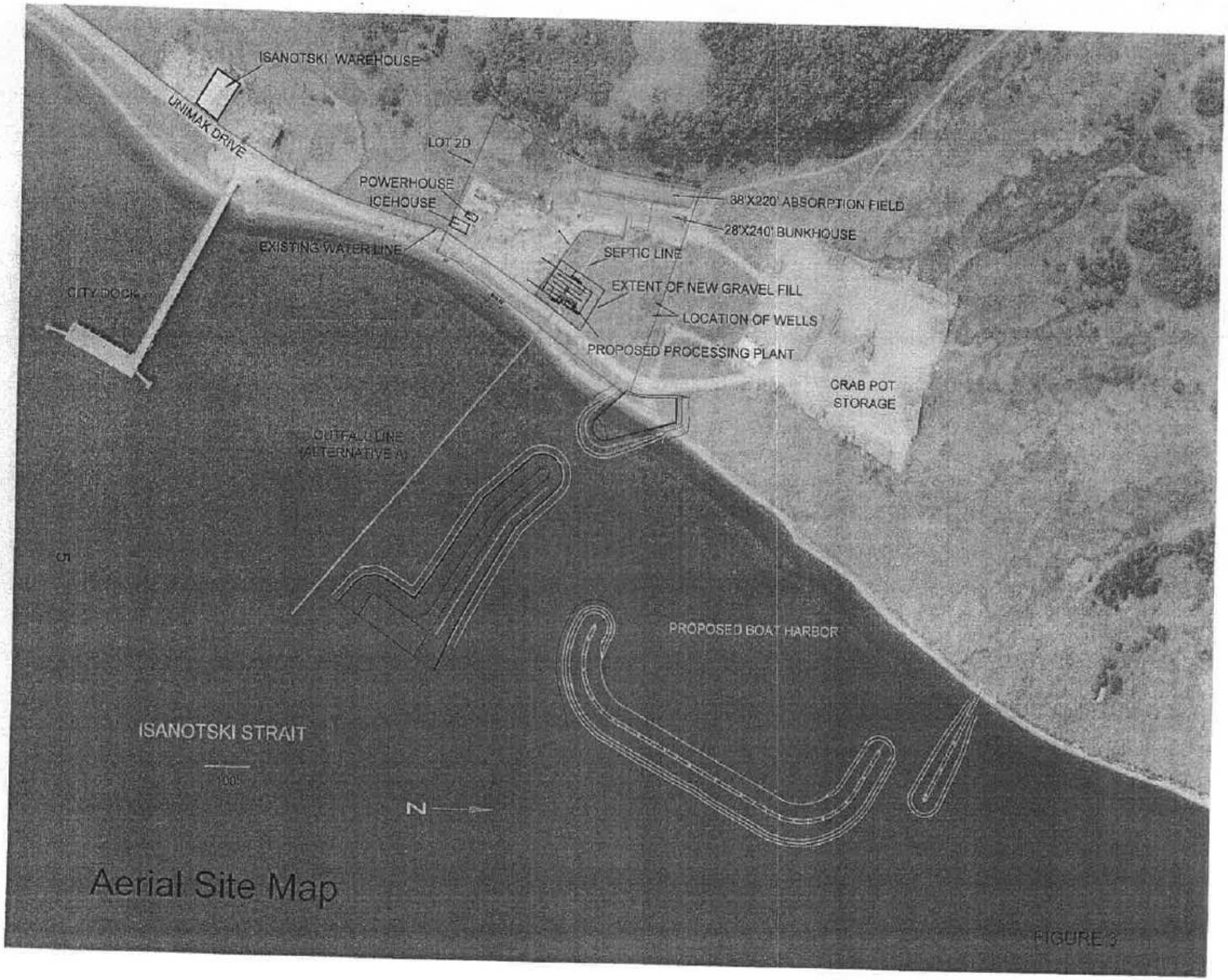
_____

Notary Public for Alaska
My Commission Expires: _____

DRAFT

EXHIBIT 1

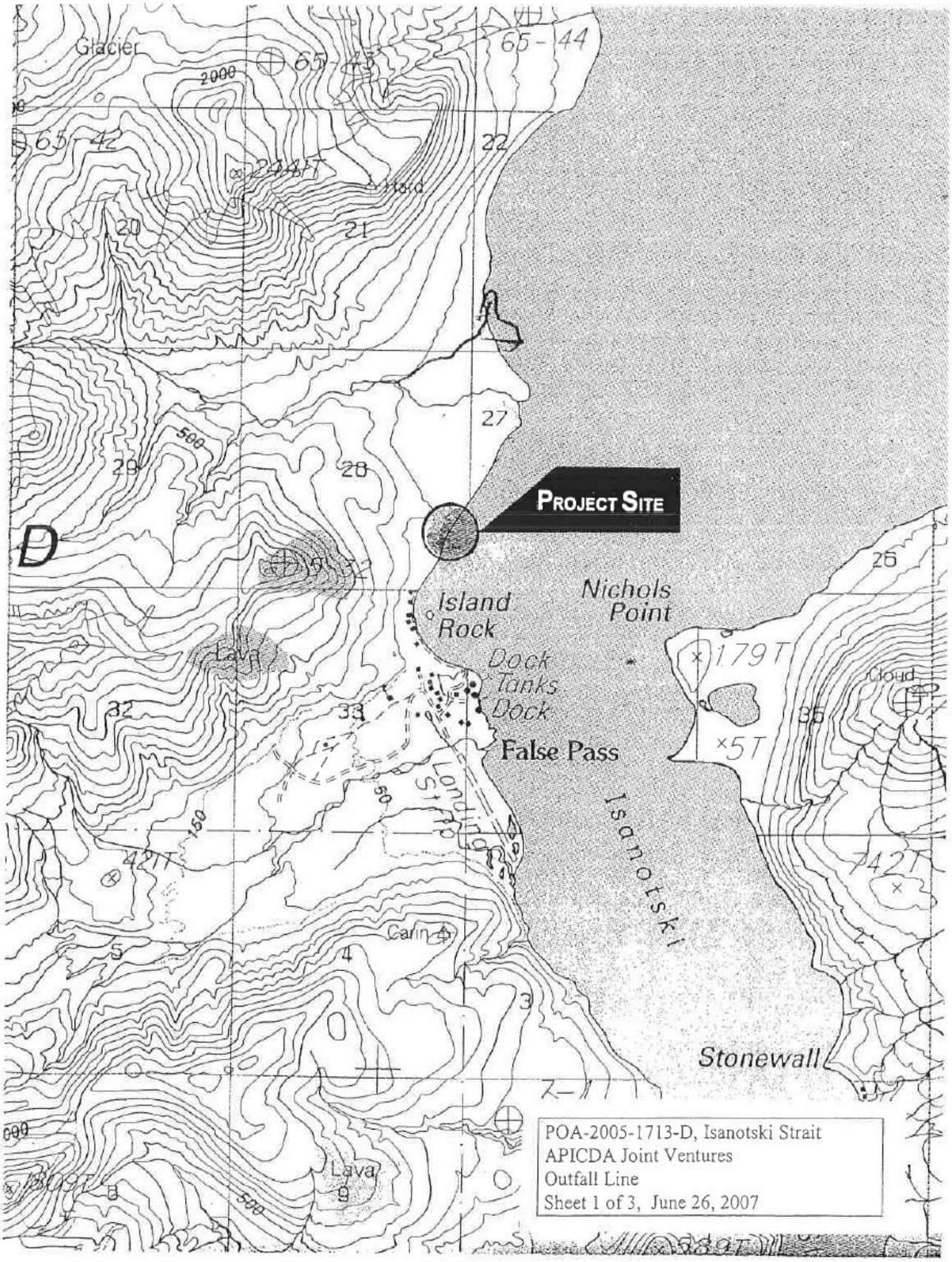



ISANOTSKI WAREHOUSE
UNIMAK DRIVE
LOT 2D
POWERHOUSE
ICEHOUSE
EXISTING WATERLINE
CITY DOCK
38'X220' ABSORPTION FIELD
28'X240' BUNKHOUSE
SEPTIC LINE
EXTENT OF NEW GRAVEL FILL
LOCATION OF WELLS
PROPOSED PROCESSING PLANT
CRAB POT
STORAGE
OUTFALL LINE
(ALTERNATIVE A)
PROPOSED BOAT HARBOR
ISANOTSKI STRAIT
100'
N
Aerial Site Map
FIGURE 3

DRAFT

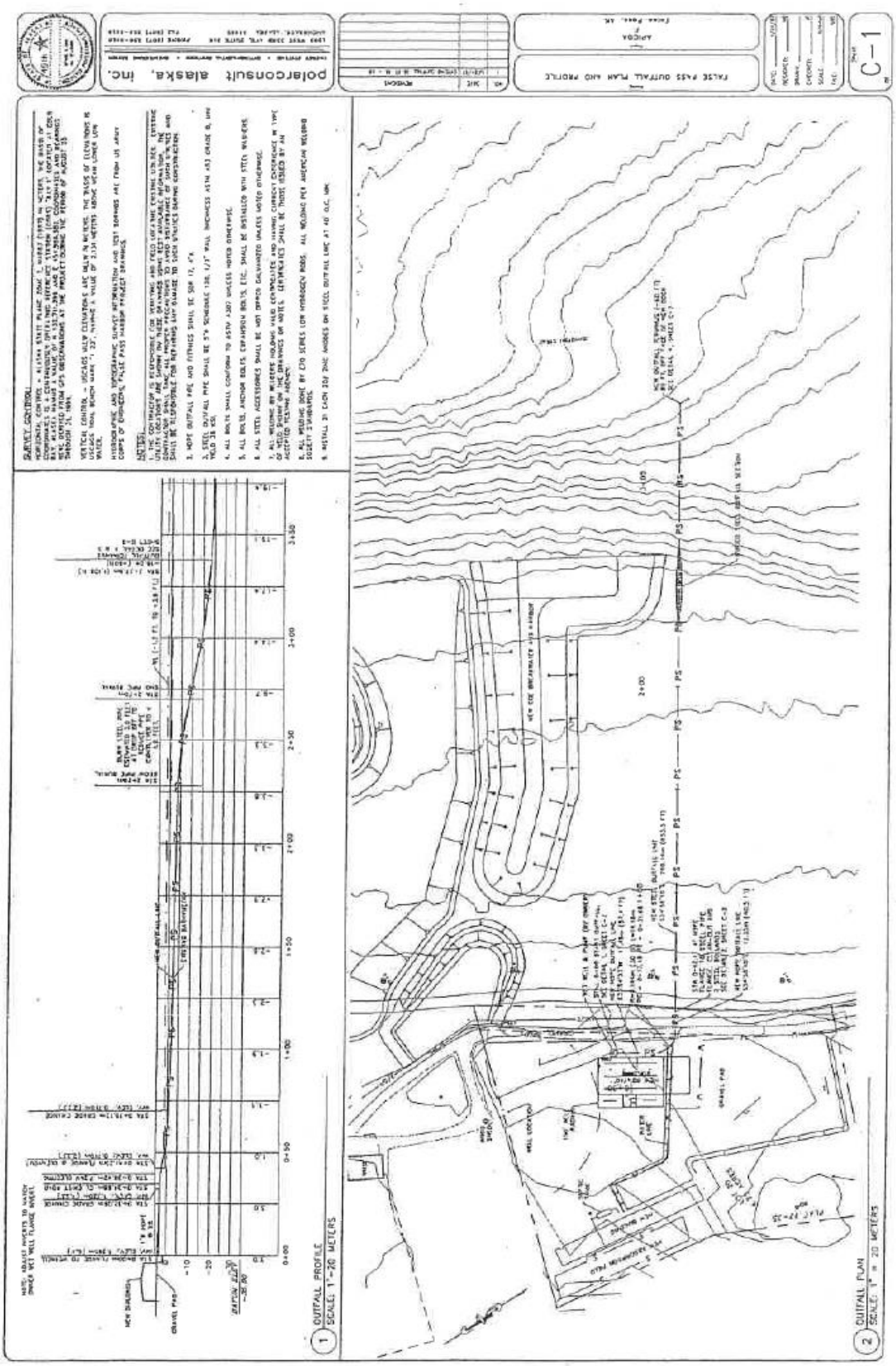
EXHIBIT 2

REQUIRED STATE AND FEDERAL PERMITS

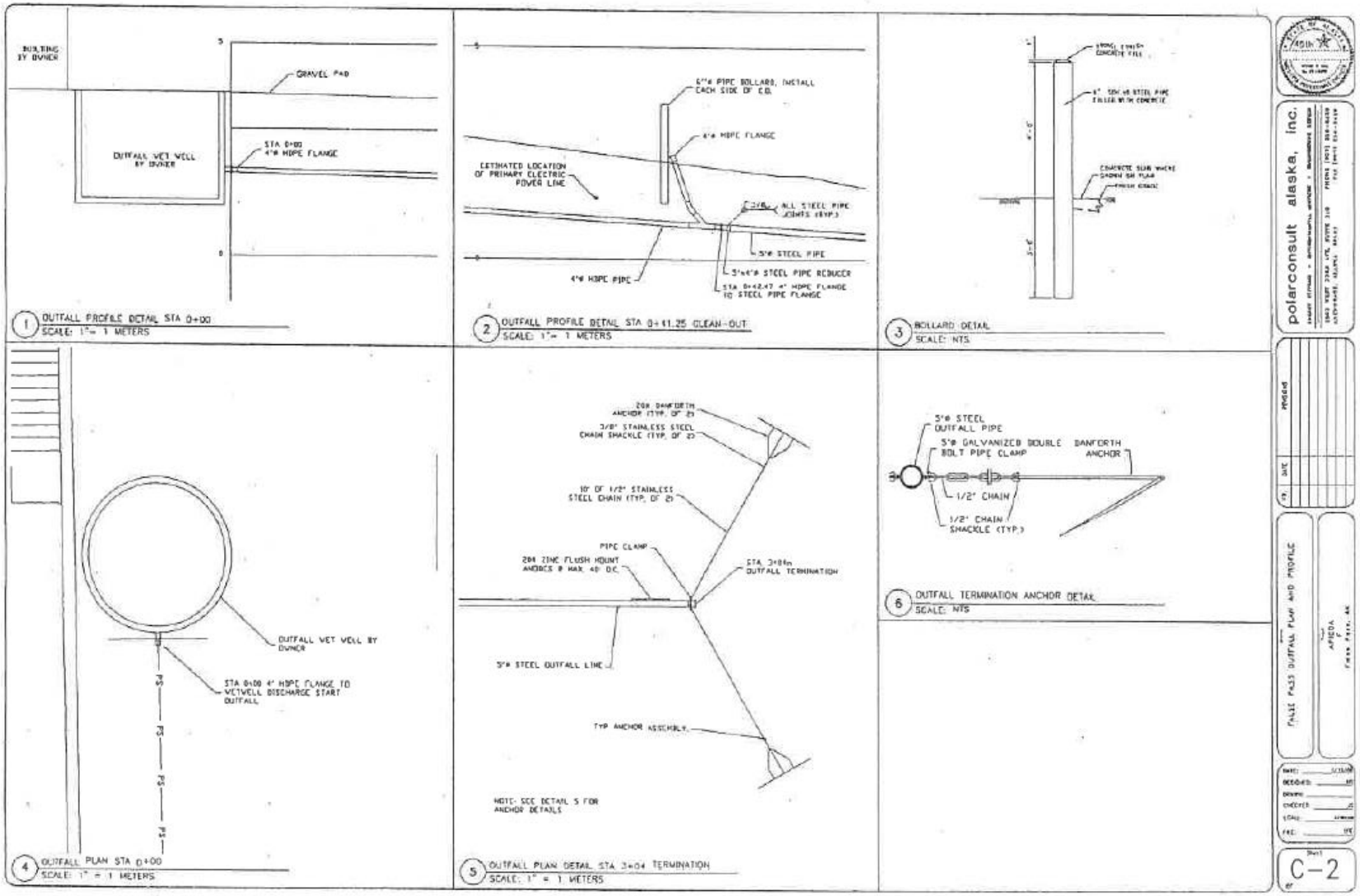


POA-2005-1713-D, Isanotski Strait
APICDA Joint Ventures
Outfall Line
Sheet 1 of 3, June 26, 2007

DRAFT



POA-2005-1713-D, Isanotski Strait
APICDA Joint Ventures
Outfall Line
Sheet 2 of 3, June 26, 2007



POA-2005-1713-D, Isanotski Strait
APICDA Joint Ventures
Outfall Line
Sheet 3 of 3, June 26, 2007

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MARSH

CERTIFICATE OF INSURANCE

CERTIFICATE NUMBER
SEA-001039731-02

PRODUCER
Marsh USA Inc.
1031 W. 4th Avenue
Suite 400
Anchorage, AK 99501

101242-nh-GL-0708

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER OTHER THAN THOSE PROVIDED IN THE POLICY. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES DESCRIBED HEREIN.

COMPANIES AFFORDING COVERAGE

COMPANY A SCOTTSDALE INSURANCE COMPANY

COMPANY B ALASKA NATIONAL INSURANCE CO

COMPANY C

COMPANY D

INSURED
Bering Pacific Seafoods, LLC
234 Gold Street
Juneau, AK 99801

COVERAGES This certificate supersedes and replaces any previously issued certificate for the policy period noted below. 1

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE DESCRIBED HEREIN HAVE BEEN ISSUED TO THE INSURED NAMED HEREIN FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	**GENERAL LIABILITY**	CLS1376654	07/09/07	07/09/08	GENERAL AGGREGATE	$ 2,000,000
	X COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG	$ 2,000,000
	CLAIMS MADE X OCCUR				PERSONAL & ADV INJURY	$ 1,000,000
	OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE	$ 1,000,000
					FIRE DAMAGE (Any one fire)	$ 100,000
					MED EXP (Any one person)	$ 5,000
	AUTOMOBILE LIABILITY				COMBINED SINGLE LIMIT	$
	ANY AUTO				BODILY INJURY (Per person)	$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS				BODILY INJURY (Per accident)	$
	HIRED AUTOS					
	NON-OWNED AUTOS				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY:	
					EACH ACCIDENT	$
					AGGREGATE	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	UMBRELLA FORM				AGGREGATE	$
	OTHER THAN UMBRELLA FORM					$
B	**WORKERS COMPENSATION AND EMPLOYERS' LIABILITY**				X WC STATUTORY LIMITS / OTHER	
	THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: INCL / EXCL				EL EACH ACCIDENT	$ 500,000
					EL DISEASE-POLICY LIMIT	$ 500,000
					EL DISEASE-EACH EMPLOYEE	$ 500,000
	OTHER					

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

RE: Land Use Permit, Seafood processing outfall line
Where required by contract, Certificate Holder is an Additional Insured on the General Liability liability policy , subject to the terms, conditions and limitations of said policy and the additional insured endorsement. Waiver of Subrogation applies per Form CG2404

CERTIFICATE HOLDER

State of Alaska
Department of Natural Resources
550 West 7th Avenue
Suite 900 D
Anchorage, AK 99501

CANCELLATION

SHOULD ANY OF THE POLICIES DESCRIBED HEREIN BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES, OR THE ISSUER OF THIS CERTIFICATE.

MARSH USA INC.
BY: Judy Chadwick

MM1(3/02) VALID AS OF: 09/25/07

Ordinances

NONE

Resolutions

Agenda Statement

Date: February 23rd, 2018

To: Mayor Osterback and Assembly

From: Mary Tesche, Assistant Administrator

Re: Resolution 18-29 authorizing the Mayor to negotiate and execute a services agreement with BDO USA LLP to provide professional auditing services to the Aleutians East Borough for Fiscal Year 2018, in an amount not to exceed $65,500.

On January 29th, 2018, the Borough issued a Request for Proposals (RFP) from qualified audit firms to audit the Borough's financial statements for FY 18 and FY 19**,** with the option continuing the contract for the next three subsequent fiscal years. RFP responses were due on February 13th, 2018.

We received three proposals from qualified firms. Proposals were each given scores, out of a possible 100 points, based on the scoring guidelines from the RFP. A panel consisting of the Administrator, Assistant Administrator, and Finance Director met on February 20th, 2018 to discuss the overall score for each proposal. Criteria for scoring included firm expertise, personnel experience, organization experience, and cost. BDO held the highest overall score. A Notice of Intent to Award Contract was sent to BDO on February 20th, 2018.

BDO's base bid for FY 18 audit work was $55,500, which excluded travel expenses, out of pocket costs, and any unexpected work that may be needed due to any audit findings. An additional $10,000 has been added to the base bid to allow for those costs, totaling $65,500 as the not-to-exceed amount for the FY 18 contract.

BDO anticipates that preliminary FY 18 audit work will begin in April with a planning meeting, followed by three to four months of work that may include travel to King Cove. This schedule is subject to change.

Attached is BDO's FY 18 services agreement for your review. FY 19 audit work will require a new services agreement and resolution, which will be presented for Assembly at that time.

RECOMMENDATION

Administration recommends approval of Resolution 18-29 authorizing the Mayor to negotiate and execute a services agreement with BDO USA LLP to provide professional auditing services to the Aleutians East Borough for Fiscal Year 2018, in an amount not to exceed $65,500.

Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

February 22, 2018

Anne Bailey, Borough Administrator
Aleutians East Borough
3380 C Street, Suite 205
Anchorage, Alaska 99503

Dear Ms. Bailey:

Agreement to Provide Services

This agreement to provide services (the "Agreement") is intended to describe the nature and scope of our services.

Objective and Scope of the Audit

As agreed, BDO USA, LLP ("BDO" or "we") will audit the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Aleutians East Borough, Alaska (the "Borough" or "you") as of and for the year ending June 30, 2018.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate context. As part of our engagement, we will apply certain limited procedures to the Borough's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will consist of inquiries of management regarding 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 obtain during our audit of the basic financial statements. We will 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. The following RSI is required and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Budgetary Comparison Schedules for the General Fund and each major Special Revenue Fund
3. Public Employee's Retirement System Pension Liability and Contribution Schedules

Also, the supplementary information accompanying the basic financial statements, as listed below, will be subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the basic financial statements as a whole.

1. Schedule of expenditures of federal awards
2. Schedule of state financial assistance
3. Nonmajor combining fund statements

Responsibilities of BDO

We will conduct our audit in accordance with GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the financial statements and, therefore, will not include a detailed check of all of the Borough's transactions for the period. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our audit will also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance or UG); and the State of Alaska Single Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide) and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and the State Audit Guide, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The Uniform Guidance and State Audit Guide require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal statutes, regulations, and the terms and conditions of the federal and state awards that may have a direct and material effect on each of its major programs. Our procedures will consist of the applicable procedures described in the Office of Management and Budget's (OMB) Compliance Supplement and the State Audit Guide for the types of compliance requirements that could have a direct and material effect on each of the Borough's major programs. As required by the Uniform Guidance and State Audit Guide, our audit will include tests of transactions related to major federal and state award programs for compliance with applicable federal and state statutes, regulations, and the terms and conditions of federal awards. The purpose of these procedures will be to express an opinion on the Borough's compliance with requirements applicable to major programs in our report on compliance issued pursuant to the Uniform Guidance and the State Audit Guide.

Also, an audit is not designed to detect errors or fraud or violations of federal statutes and regulations that are immaterial to the financial statements or major programs. However, we will inform you of any material errors or fraud that come to our attention. We will also inform you of possible illegal acts that come to our attention unless they are clearly inconsequential. We will also include such matters in the reports required for an audit performed under the Uniform Guidance and State Audit Guide. In addition, during the course of our audit, financial statement misstatements relating to accounts or disclosures may be identified, either through our audit procedures or through communication by your employees to us, and we will bring these misstatements to your attention as proposed adjustments. At the conclusion of our audit we will communicate to those charged with governance (as defined below) all uncorrected misstatements. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

The term "those charged with governance" is defined as the person(s) with responsibility for overseeing the strategic direction of the Borough and obligations related to the accountability of the Borough, including overseeing the financial reporting process. For the Borough, we agree that the Borough Assembly meets that definition.

In making our risk assessments, we consider internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances and to evaluate compliance with each direct and material compliance requirement applicable to each major program, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we will communicate to you and those charged with governance in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during our audit. We will also inform you of other matters involving internal control, if any, as required by the Uniform Guidance and the State Audit Guide.

The objective of our audit is the expression of an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the third paragraph of this letter when considered in relation to the basic financial statements as a whole. The objective also includes reporting on the Borough's:

- Internal control related to the financial statements and compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and issuance of an opinion on whether the Borough complied with federal statutes, regulations, and the terms and conditions of the federal awards that could have a direct and material effect on each major program in accordance with the Uniform Guidance and State Audit Guide.

We will perform test of controls, as required by the Uniform Guidance and State Audit Guide, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with each direct and material compliance requirement applicable to each of the Borough's major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and State Audit Guide.

We are also responsible for communicating with those charged with governance what our responsibilities are under GAAS, an overview of the planned scope and timing of the audit, and significant findings from the audit.

Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that you and those charged with governance acknowledge and understand that you and those charged with governance have responsibility (1) for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (2) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and relevant to federal award programs that are free from material misstatement, whether due to error or fraud; (3) for identifying and ensuring that the Borough complies with the laws and regulations applicable to its activities; and (4) to provide us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, additional information we may request for the purpose of the audit, and unrestricted access to persons within the Borough from whom the auditor determines it is necessary to obtain audit evidence.

Management is also responsible for preparation of the schedule of federal expenditures of federal awards and the schedule of state financial assistance, including the notes, noncash assistance received and other required information, in accordance with the requirements of the Uniform Guidance and the State Audit Guide. Management is responsible for identifying all federal awards expended during the period including federal awards and funding increments received prior to December 26, 2014, and those received subsequent to December 26, 2014 in accordance with the audit requirements of the Uniform Guidance. You acknowledge and understand your responsibility for the preparation of all supplementary information, including the schedule of expenditures of federal awards, in accordance with the applicable criteria. Management is responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements, in accordance with the Uniform Guidance and State Audit Guide. Management is also responsible for (1) establishing and maintaining effective internal control, including internal control over compliance and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, (2) compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards, (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements, and (4) ensuring that management and financial information is

reliable and properly reported. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Management's responsibilities also include identifying and informing us of significant contractor relationships in which the contractor is responsible for program compliance and for the accuracy and completeness of that information.

Management is responsible for adjusting the financial statements to correct material misstatements relating to accounts or disclosures, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Borough's files; or otherwise concluding and confirming in a representation letter (as further described below) provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. Additionally, as required by the Uniform Guidance and the State Audit Guide, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

As required by GAAS, we will request certain written representations from management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Because of the importance of management's representations to an effective audit, the Borough agrees, subject to prevailing laws and regulations, to release and indemnify BDO and its partners, employees, contractors, agents, and Permitted Assignees (as defined herein under "Assignment") (collectively, the "BDO Group") from and against any and all liability and costs relating to our services rendered under this Agreement attributable to any knowing misrepresentations by management.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Borough involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a direct and material effect on the financial statements and/or schedule of expenditures of federal awards, and/or schedule of state financial assistance. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Borough received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Borough complies with applicable federal and state statutes, regulations, and the terms and conditions of the federal and state awards. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of federal and state statutes, regulations and the terms and conditions of the federal and state awards, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us, previous financial audit attestation engagements, performance audits, or other studies related to our audit objectives. This responsibility includes communicating to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

At the conclusion of the engagement, we will complete the appropriate sections of and electronically certify the Data Collection Form that summarizes our audit findings. We will provide a final copy of our reports in a PDF file to the Borough; however, it is management's responsibility to upload the PDF version of the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) and complete the appropriate sections of the Data Collection Form. Management is responsible for electronically certifying the Data Collection Form and electronically submitting the completed Data Collection Form to the Federal Audit Clearinghouse (FAC). The financial reporting package must be text searchable, unencrypted, and unlocked to be accepted by the FAC. The Data Collection Form and the reporting package must be submitted electronically within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the oversight agency for audit. Both BDO and management are responsible for ensuring that in their respective parts of the reporting package there is no protected personally identifiable information. We understand that we must make copies of the Data Collection Form and reporting package available for public inspection.

Expected Form and Content of the Auditor's Report

At the conclusion of our audit, we will submit to you a report based on our audit and the report of the component auditors, containing our opinion as to whether the financial statements, taken as a whole, are fairly presented based on accounting principles generally accepted in the United States of America. If, during the course of our work, it appears for any reason that we will not be in a position to render an unmodified opinion on the financial statements or the Uniform Guidance compliance, or that our report will require an Emphasis of Matter or Other Matter paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

The reports on internal control and compliance will each include a statement that the purpose of these reports is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of *Government Auditing Standards* (GAS) and the Uniform Guidance and are not suitable for any other purpose.

Termination

Upon notice to the Borough, BDO may terminate this Agreement if BDO reasonably determines that it is unable to perform the services described in this Agreement in accordance with applicable professional standards, laws, or regulations. If we elect to terminate our services for any reason provided for in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. If the Agreement is terminated, the Borough agrees to compensate BDO for the services performed and expenses incurred through the effective date of termination.

Client Acceptance Matters

BDO is accepting the Borough as a client in reliance on information obtained during the course of our client acceptance procedures. Lia Patton has been assigned the role of engagement partner and is responsible for directing the engagement and issuing the appropriate report on the Borough's financial statements.

Email Communication

BDO disclaims and waives, and you release BDO from, any and all liability for the interception or unintentional disclosure of email transmissions or for the unauthorized use or failed delivery of emails transmitted or received by BDO in connection with the services we are being engaged to perform under this Agreement.

External Computing Options

If, at your request, BDO agrees to use certain external commercial services, including but not limited to services for cloud storage, remote control, and/or file sharing options (collectively "External Computing Options"), that are outside of BDO's standard security protocol, you acknowledge that such External Computing Options may be associated with heightened security and privacy risks. Accordingly, BDO disclaims and waives, and you release BDO from, any and all liability arising out of or related to the use of such External Computing Options.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of BDO, constitute confidential information, and will be retained by us in accordance with BDO's policies and procedures.

However, pursuant to authority given by law or regulation, we may be requested to make certain working papers available to the Borough's oversight agency, or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such working papers will be provided under the supervision of BDO personnel and at a location designated by BDO. Furthermore, upon request, we may provide photocopies of selected working papers

to the aforementioned parties. These parties may intend or decide to distribute the photocopies of information contained therein to others, including other governmental agencies.

Reproduction of Audit Report

If the Borough plans any reproduction or publication of a document that includes our report, or any portion of it, and that is assembled differently from any paper or electronic version that we may have assembled and provided to you (e.g., by the addition of financial statements and/or accompanying information that you have produced), a copy of the entire document in its final form should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Financial Statements on Your Website

You agree that, if you plan to post an electronic version of the financial statements and audit report on your website, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your website and the signed version of the financial statements and audit report provided to management by BDO. You also agree to indemnify the BDO Group from any and all claims that may arise from any differences between the electronic and signed versions.

Review of Documents In Connection With Offering of Sale of Debt

The audited financial statements and our report thereon should not be provided or otherwise made available to lenders, other financial institutions or sources of financing, or others (including advisors to such parties) in connection with any document to be used in the process of obtaining capital, including, without limitation, by means of the sale of securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold or condition our written approval.

Communications with Predecessor Auditors

GAAS requires that we contact Newhouse & Vogler to review their working papers and discuss their audit of prior years' financial statements. It will be necessary that you authorize in writing Newhouse & Vogler to communicate with us for that purpose.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, your personnel during the course of the engagement.

You also agree to ensure that any third-party valuation reports that you provide to us to support amounts or disclosures in the financial statements (a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and (b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to Borough employees and/or customers should be provided to us. In addition, we ask that you provide high-speed Internet access to our engagement team, if practicable, while working on the Borough's premises. This assistance will serve to facilitate the progress of our work and minimize costs to you.

Peer Review Reports

Government Auditing Standards requires that we provide you with a copy of our most recent quality control review report. Our latest peer review report accompanies this letter.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the Borough. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend governing board meetings.

In addition to the audit services described above, you have requested that we provide the following non-attest services:

We will assist the Borough in preparing the financial statements and related footnote disclosures for the year ended June 30, 2018, based on the Borough's accounting records and other information that comes to our attention during the course of our engagement. We will also assist the Borough in preparing and submitting the required Form SF-SAC Data Collection Form.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the Borough in the performance of our services. Any discussions that you have with personnel of BDO regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

In order for us to remain independent, professional standards require us to maintain certain respective roles and relationships with you with respect to the non-attest services described

above. Prior to performing such services in conjunction with our audit, management must acknowledge its acceptance of certain responsibilities.

We will not perform management functions or make management decisions on behalf of the Borough. However, we will provide advice and recommendations to assist management of the Borough in performing its functions and fulfilling its responsibilities.

The Borough agrees to perform the following functions in connection with our performance of the preparation of the financial statements and related footnote disclosures and preparing and submitting the required Form SF-SAC Data Collection Form:

a. Make all management decisions and perform all management functions with respect to the preparation of the financial statements and data collection from provided by us.
b. Assign Roxann Newman, Finance Director, to oversee the preparation of the financial statements and data collection form and evaluate the adequacy and results of the services.
c. Accept responsibility for the results of the preparation of the financial statements and data collection form.

The services are limited to those outlined above. We, in our professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as making management decisions or performing management functions. The Borough must make all decisions with regard to our recommendations. By signing this Agreement, you acknowledge your acceptance of these responsibilities.

We will prepare a draft of the financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing those services.

Limitation of Liability

Except to the extent finally determined to have resulted from the fraud or intentional misconduct of any member of the BDO Group, the BDO Group's liability to the Borough for any claims arising under this Agreement shall not exceed the aggregate amount of fees paid by the Borough to BDO during the 12 months preceding the date of the claim for the services giving rise to the claim, regardless of whether such liability arises in contract, statute, tort (including the negligence of any member of the BDO Group), or otherwise. In no event shall the BDO Group be liable for consequential, special, indirect, incidental, punitive, or exemplary losses or damages relating to this Agreement.

Dispute Resolution Procedure

Any dispute or claim between you and BDO arising out of or relating to the Agreement or a breach of the Agreement, including, without limitation, claims for breach of contract, professional negligence, breach of fiduciary duty, misrepresentation, fraud and disputes regarding attorney fees and/or costs charged under this Agreement (except to the extent provided below) shall be submitted to binding arbitration before the American Arbitration Association, and subject to the Commercial Arbitration Rules. The arbitration proceeding shall take place in the Borough in which the BDO office providing the majority of the services involved under this Agreement is located, unless the parties agree in writing to a different location. The arbitration shall be governed by the provisions of the laws of the State of New York (except if there is no applicable state law providing for such arbitration, then the Federal Arbitration Act shall apply) and the substantive law of such state shall be applied without reference to conflicts of law rules. The parties shall bear their own legal fees and costs for all claims. The arbitration proceedings shall be confidential.

You acknowledge that by agreeing to this Arbitration provision, you are giving up the right to litigate claims against BDO, and important rights that would be available in litigation, including the right to trial by judge or jury, to extensive discovery and to appeal an adverse decision. You acknowledge that you have read and understand this arbitration provision, and that you voluntarily agree to binding arbitration.

No claim or action arising out of or relating to this Agreement or the services provided under this Agreement may be brought by either party hereto more than one (1) year following the completion of the services provided under this Agreement to which the claim relates. This paragraph will shorten, but in no event extend, any otherwise legally applicable period of limitations on such claims.

Fees

Our charges to the Borough for the services described above are $55,500. The fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We also will bill you for our out-of-pocket expenses and our internal charges for certain support activities, which at this time approximates $8.00 per hour of professional time incurred with respect to each engagement. Our internal charges include certain flat-rate amounts that reflect an allocation of estimated costs associated with general office services such as computer usage, telephone charges, facsimile transmissions, postage, and photocopying. We leverage our size to achieve cost savings for our clients in all areas of expense, including those covered by internal charges, and use this system of allocation to minimize total costs.

This engagement includes only those services specifically described in this Agreement; any additional services not specified herein will be agreed to in a separate letter. In the event you request us to object to or respond to, or we receive and respond to, a validly issued third party subpoena, court order, government regulatory inquiry, or other similar request or legal

process against the Borough or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, you agree to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs (including outside lawyer fees) that we incur.

Our fees and costs will be billed periodically, and invoices are payable upon receipt. If we do not receive any written notice of dispute within 10 days of your receipt of the invoice, we will conclude that you have seen the invoice and find it acceptable. Invoices that are unpaid 30 days past the invoice date are deemed delinquent and we reserve the right to charge interest on the past due amount at the lesser of (a) 1.0% per month or (b) the maximum amount permissible by applicable law. Interest shall accrue from the date the invoice is delinquent. We reserve the right to suspend our services, withhold delivery of any deliverables, or withdraw from this engagement entirely if any of our invoices are delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation, attorneys' fees.

Assignment

BDO shall have the right to assign its rights to perform a portion of the services described above to any of its independent Alliance members, affiliates (including, where applicable, member firms of the international BDO network), agents, or contractors (a "Permitted Assignee") without the Borough's prior consent. If such assignment is made, the Borough agrees that, unless it enters into an engagement letter directly with the Permitted Assignee, all of the applicable terms and conditions of this Agreement shall apply to the Permitted Assignee. We agree that we shall not permit the Permitted Assignee to perform any work until it agrees to be bound by the applicable terms and conditions of this Agreement. We further agree that we will remain primarily responsible for the services described above, unless we and the Borough agree otherwise, and we will properly supervise the work of the Permitted Assignee to ensure that all such services are performed in accordance with applicable professional standards. From time to time, and depending on the circumstances, Permitted Assignees located in other countries may participate in the services we provide to the Borough. In some cases, we may transfer information to or from the United States or another country. Although applicable privacy laws may vary depending on the jurisdiction, and may provide less or different protection than those of the Borough's home country, we require that all Permitted Assignees enter into contractual agreements to maintain the confidentiality of the Borough's information and observe our policies concerning any confidential client information that we provide to them.

Third-Party Use

BDO will perform the professional services provided in connection with this engagement solely for the benefit and use of the Borough. BDO does not anticipate and does not authorize reliance by any other party on its professional services. Any amendment to this provision must be made through a written document signed by the Borough and BDO.

Miscellaneous

This Agreement is intended to cover only the services specified herein, although we look forward to many more years of pleasant association with the Borough. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the Borough hereby authorizes BDO to participate in this electronic confirmation process through the third party's website (e.g., by entering the Borough's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that BDO shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, professional standards, or related published interpretations (including, without limitation, the independence rules of the American Institute of Certified Public Accountants, Securities and Exchange Commission, Public Company Accounting Oversight Board, and Government Auditing Standards), but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, professional standards, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

* * * * *

We believe the foregoing correctly sets forth our understanding; however, if you have any questions, please let us know. If you find the foregoing arrangements acceptable, please acknowledge this by signing and returning to us a copy of this Agreement and retaining a copy for your files.

Very truly yours,

BDO USA, LLP

Acknowledged:

ALEUTIANS EAST BOROUGH

By: _____ Date: _____
Anne Bailey, Borough Administrator

BAKER TILLY

Baker Tilly Virchow Krause, LLP
225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
tel 612 876 4500
fax 612 238 8900
bakertilly.com

SYSTEM REVIEW REPORT

To the Partners of BDO USA, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards,* audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations (Service Organization Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. BDO USA, LLP has received a peer review rating of pass.

Baker Tilly Virchow Krause LLP

Minneapolis, Minnesota
December 2, 2015

RESOLUTION 18-29

A RE SOLUTION OF TH E A LEUTIANS EA ST BOROUGH A SSEMBLY AUTHORIZING T HE M AYOR T O NE GOTIATE AND E XECUTE A SERVICES AGREEMENT W ITH B DO US A L LP T O P ROVIDE PROFESSIONAL AUDI TING SERVICES TO THE ALEUTIANS EAST BOROUGH FOR FISCAL YEAR 2018, IN AN AMOUNT NOT TO EXCEED $65,500.

WHEREAS, on January 29th, 2018, the Aleutians East Borough (Borough) issued a Request for Proposals (RFP) from qualified audit firms to audit the Borough's financial statements for FY 18 and FY 19, with the option of auditing the Borough's financial statements for the next three (3) subsequent fiscal years; and

WHEREAS, addendums to the RFP were issued on February 2nd, 2018, and February 7th, 2018; and

WHEREAS, proposals were due on February 13th, 2018; and

WHEREAS, three proposals were received prior to the due date; and

WHEREAS, on February 20th, 2018, the Borough reviewed the three proposals and determined that BDO USA LLP (BDO) was the most responsive proposer; and

WHEREAS, a Notice of Intent to Award Contract was issued on February 20th, 2018; and

WHEREAS, the Borough requests the Assembly's authorization for the Mayor or his designee to negotiate and execute a Services Agreement with BDO to provide professional auditing services for Fiscal Year 2018, in an amount not to exceed $65,500, which includes BDO's base bid offer of $55,500 and $10,000 for anticipated travel expenses and additional work performed if required by the audit findings.

NOW THEREFORE, BE IT RESOLVED, the Aleutians East Borough Assembly authorizes the Mayor or his designee to negotiate and execute a Services Agreement with BDO to provide professional auditing services for Fiscal Year 2018, in an amount not to exceed $65,500.

PASSED AND ADOPTED by the Aleutians East Borough on this ___ day of _____, 2018.

_____

Alvin D. Osterback, Mayor

ATTEST:

_____

Tina Anderson, Clerk

OLD BUSINESS

None

New Business

ALEUTIANS EAST BOROUGH, ALASKA

Letter to the Governing Body

June 30, 2017

DRAFT

NEWHOUSE & VOGLER
Certified Public Accountants

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Newhouse & Vogler
Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
(907) 258-7582 Fax

Date XX, 2017

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Ladies and Gentlemen:

We have audited the financial statements of Aleutians East Borough, Alaska (the Borough) as of June 30, 2017, and have issued our report thereon dated Date XX, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 18, 2017, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Borough solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated Date XX, 2017.

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Compliance with All Ethics Requirements Regarding Independence
The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices
Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the accounting policies adopted by the Borough are described in note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2017.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is depreciation of capital assets.

We reviewed management's estimate of the depreciable lives of furniture, equipment, and leasehold improvements determined that amounts recorded were reasonable in relation to the financial statements of the Borough taken as a whole.

Identified or Suspected Fraud
We have not identified or obtained information that indicates fraud may have occurred.

Significant Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing our audit.

Uncorrected and Corrected Misstatements
For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified material misstatements.

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In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: adjustments to record capitalized assets purchased in prior years, remove sold and disposed assets, and remove assets which are not owned by the Borough; report activity for the investment in Southwest Governments, LLC; and to properly record pension liabilities, deferred inflows, and deferred outflows in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Borough's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management
We have requested certain written representations from management, which are included in the management representation letter dated Date XX, 2017.

Management's Consultation with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues
In the normal course of our professional association with the Borough, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Borough's auditors.

Material Written Communication
Copies of the Management Representation Letter have been provided to management.

****

This information is presented solely for the use of the Assembly members and management and is not intended to be and should not be used by anyone other than these specified parties.

Anchorage, Alaska
Date XX, 2017

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ALEUTIANS EAST BOROUGH, ALASKA

Basic Financial Statements,
Required Supplementary Information,
and Compliance Reports

Year ended June 30, 2017

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NEWHOUSE & VOGLER
Certified Public Accountants

ALEUTIANS EAST BOROUGH, ALASKA

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ALEUTIANS EAST BOROUGH, ALASKA

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Newhouse & Vogler
Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
(907) 258-7582 Fax

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Aleutians East Borough, Alaska (the Borough) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Aleutians East Borough School District. 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 Aleutians East Borough School District is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, fiduciary activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules of the Boroughs proportionate share of the net pension liability and contributions on pages 4 through 12, 43 through 46, and 47 through 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not part of the basic financial statements. The accompanying schedule of State financial assistance is presented for purposes of additional analysis as required by *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated Date XX, 2017 on our consideration of the Borough's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

Anchorage, Alaska
Date XX, 2017

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ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis

Year Ended June 30, 2017

As the management of Aleutians East Borough, Alaska (the Borough), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities of the Borough for the fiscal year ended June 30, 2017. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Borough's financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- Assets of the Borough exceeded liabilities at the close of the fiscal year by $104,214,323 (net position).
- The Borough's total net position increased by $2,549,522, primarily due to investment earnings, State funding sources, and Fish Taxes collected during the year.
- Governmental funds reported combined ending fund balances of $55,042,796, an increase of $2,669,577 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $6,295,612, or 40 percent of total general fund balance for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Borough through use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Borough.

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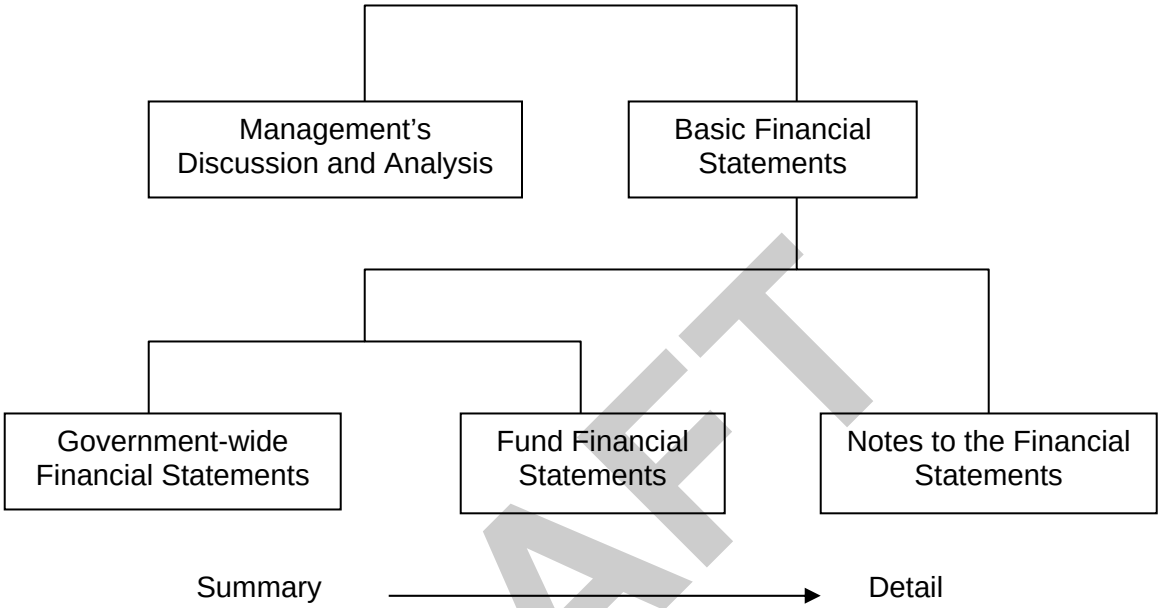
OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Required Components of Annual Financial Report
Figure 1



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Basic Financial Statements

The first two statements (Exhibits A-1 and A-2) in the basic financial statements are government-wide financial statements. They provide both short- and long-term information about the Borough's financial status.

The next statements (Exhibits B-1 through B-5) are fund financial statements. These statements focus on activities of the individual parts of the Borough's government. These statements provide more detail than government-wide statements. There are two parts to fund financial statements: governmental funds statements and budgetary comparison statements.

The next section of the basic financial statements is notes. Notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Borough's individual funds. Budgetary information can also be found in this part of the statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide the reader with a broad overview of the Borough's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short- and long-term information about the Borough's financial status as a whole.

The two government-wide statements report the Borough's net position and how they have changed. Net position is the difference between the Borough's total assets and total liabilities. Measuring net position is one way to gauge the Borough's financial condition.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued
Government-wide Financial Statements, continued
Government-wide statements are divided into three categories: governmental activities, business-type activites, and component units. Governmental activities include the Borough's basic services such as natural resource management, capital projects management, and general administration. State and federal grant funds finance most of these activities. The component unit includes the Aleutians East Borough School District. The District's activities include Instruction, Support Services, Student Transportation, and Food Services, among others. These activities are supported by local, State, and federal financial aid.

Government-wide financial statements are Exhibits A-1 and A-2 of this report.

Fund Financial Statements
Fund financial statements (see Figure 2) provide a more detailed look at the Borough's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All funds of the Borough are included within three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Borough's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Borough's programs. The relationship between government activities (reported in the statement of net position and statement of activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Fund Financial Statements, continued
The Borough adopts an annual budget for its general fund. The budget is a legally adopted document that incorporates input from the management of the Borough and decisions of the Assembly about which services to provide and how to pay for them. It also authorizes the Borough to obtain funds from identified sources to finance these current-period activities. The budgetary statement provided for the general fund demonstrates how well the Borough complied with the budget and whether or not the Borough succeeded in providing services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Assembly; 2) the final budget as amended by the Assembly; 3) actual resources, charges to appropriations, and ending balances in the general fund; and 4) the difference or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and modified accrual basis, a reconciliation showing differences in reported activities is shown at the end of the budgetary statement.

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OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. Notes to the financial statements are on pages 24 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Assets of the Borough exceeded liabilities by $104,214,323 as of June 30, 2017. The Borough's net position increased by $2,549,522 for the fiscal year ended June 30, 2017. However, the largest portion reflects the Borough's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt still outstanding that was issued to acquire those items. The Borough uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of any outstanding related debt, resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities.

Comparative Net Position
Figure 2

	2017	2016
Current and other assets	$ 60,410,762	56,902,768
Capital assets	76,339,238	78,089,491
Total assets	136,750,000	134,992,259
Deferred outflows	425,575	231,614
Total assets and deferred outflows	$ 137,175,575	270,216,132
Liabilities	$ 32,935,932	34,030,830
Deferred inflows	25,320	210,574
Net position:		
Net investment in capital assets	50,422,083	50,762,460
Restricted		
Construction	280,770	1,287,711
Permanent fund	41,321,234	38,879,060
Unreserved:		
Undesignated	12,190,236	598,130
Total net position	104,214,323	91,527,361
Total Liabilities, deferred inflows, and net position	$ 137,175,575	125,768,765

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GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Governmental Activities

Governmental activities increased the Borough's net position by $2,842,062, thereby accounting for 111 percent of total change in net position of the Borough (see Figure 3). Key elements of this change are as follows:

- Investment earnings increased
- Increased state funding
- Increased local grants
- Decreases in interest expense

Comparative Changes in Net Position
Figure 2

	2017	2016
Revenues:		
Program:		
Operating grants and contributions	1,390,352	1,269,557
Capital grants and contributions	2,102,757	1,127,652
General:		
Borough fish tax	4,714,403	4,675,160
Unrestricted investment earnings	11,616	7,742
Restricted investment earnings	3,865,691	1,320,374
Local contributions	750,000	415,267
State grants and entitlements	2,117,674	2,362,682
Payment in lieu of taxes	596,828	531,133
Gain on sale of assets	-	43,093
PERS - on behalf	42,279	53,246
Miscellaneous	687,077	1,758,824
Total revenues	16,278,677	13,564,730
Expenses:		
General government	4,557,047	6,393,090
Infrastructure	4,533,025	295,494
Interest on long-term debt	2,993,843	1,348,533
Total expenses	12,083,915	8,037,117
Transfers to business type activities	(1,352,700)	(9,621,908)
Increase in net position	2,842,062	(4,094,295)
Net position, beginning of year	90,390,143	94,136,330
Prior period adjustment	664,607	348,108
Net position, beginning of year, restated	91,054,750	94,484,438
Net position, end of year	$ 93,896,812	90,390,143

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FINANCIAL ANALYSIS OF THE BOROUGH'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 usable resources. Such information is useful in assessing the Borough's financing requirements. Specifically, the unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of $16,236,398 and expenditures of $12,243,800. The net change in fund balances after transfers and prior period adjustments was an increase of $3,257,247

At June 30, 2017, governmental funds of the Borough reported a combined fund balance of $55,042,796 a 6 percent increase over the last year.

Budgetary Highlights

General fund budgets are prepared according to Alaska law and are based on a modified accrual basis of accounting. The most significant budgeted fund is the general fund.

Actual revenues in the general fund were $566,890 more than anticipated. This variance was related primarily to the state bond rebates and the Borough school district refunds being higher than anticipated,

Actual revenues in capital improvements were $1,485,904 more than anticipated. This variance was primarily due to unanticipated local contributions, and increased state funding.

Actual expenditures in capital improvements were $3,106,599 more than anticipated. This variance was due to unanticipated funding for construction projects, leading to additional construction projects.

Actual revenues in the trust fund were $3,802,154 greater than anticipated. This variance was due to investments performing better than anticipated.

Total Expenditures in the debt service fund were $358,763 greater than anticipated. This variance was due to higher interest costs than budgeted.

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FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS, continued
Budgetary Highlights

Actual revenues in the maintenance reserve fund were $2,757,050 less than anticipated. This variance was due to less funds needed due to lower capital outlays than expected.

Actual expenditures in the maintenance reserve fund were $1,408,435 less than anticipated. This variance was due to less capital outlays than expected.

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, 2017 were $40,127,984 and $10,294,099 respectively (net of accumulated depreciation and debt payable).

Major capital asset transactions during the year include the following (see Figure 4):

- Additions due to Infrastructure Improvements totaled $4,114,635.
- Additions due to Building Improvements totaled $1,292,065
- Decreases due to sales of Vehicles totaled $17,725
- Current year depreciation of $2,990,119.

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CAPITAL ASSET AND DEBT ADMINISTRATION, continued
Capital Assets, continued

Capital Assets
Figure 4

	Capital Assets, Not Depreciated - Land	Capital Assets, Depreciated						Totals
		Buildings	Infrastructure	Furniture and Equipment	Vehicles	Infrastructure Construction in Process	Access Road Construction in Process	
Primary government -								
Governmental activities:								
Balance, June 30, 2016	$ 5,323,074	45,323,390	62,245,095	759,258	468,333	16,460,148	-	130,579,298
Increases	-	2,896,136	14,932,943	-	-	919,860	-	18,748,939
Decreases	-	-	-	(514,960)	(63,312)	(17,380,008)	-	(17,958,280)
Balance, June 30, 2017	5,323,074	48,219,526	77,178,038	244,298	405,021	-	-	131,369,957
Accumulated depreciation -								
Balance, June 30, 2017	-	(38,231,279)	(26,587,964)	(223,368)	(282,207)	-	-	(65,324,818)
Capital assets, net	5,323,074	9,988,247	50,590,074	20,930	122,814	-	-	66,045,139
Total governmental activities:	$ 5,323,074	9,988,247	50,590,074	20,930	122,814	-	-	66,045,139
Business-type activities:								
Balance, June 30, 2016	$ -	7,403,571	-	5,138,915	-	-	-	12,542,486
Decreases	-	-	-	(41,359)	-	-	-	(41,359)
Balance, June 30, 2017	-	7,403,571	-	5,097,556	-	-	-	12,501,127
Accumulated depreciation -								
Balance, June 30, 2017	-	(2,141,991)	-	(65,037)	-	-	-	(2,207,028)
Capital assets, net	-	5,261,580	-	5,032,519	-	-	-	10,294,099
Total business-type activities:	-	5,261,580	-	5,032,519	-	-	-	10,294,099
Total primary government:	$ 5,323,074	15,249,827	50,590,074	5,053,449	122,814	-	-	76,339,238
Component units:								
Balance, June 30, 2016	$ -	-	-	907,283	-	-	-	907,283
Decreases	-	-	-	(32,929)	-	-	-	(32,929)
Balance, June 30, 2017	-	-	-	874,354	-	-	-	874,354
Accumulated depreciation -								
Balance, June 30, 2017	-	-	-	(643,234)	-	-	-	(643,234)
Capital assets, net	-	-	-	231,120	-	-	-	231,120
Total component unit:	$ -	-	-	231,120	-	-	-	231,120
Total government-wide activity:	$ 10,646,148	25,238,074	101,180,148	5,305,499	245,628	-	-	142,615,497

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Long-term Debt

Additional information on the Borough's capital assets can be found in the notes to the basic financial statements.

As of June 30, 2017, the Borough had the following outstanding debt:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 27,275,000	17,155,000	(21,155,000)	23,275,000	1,375,000
Plus deferred amounts:					
For issuance of premiums	-	2,757,075	(114,920)	2,642,155	239,395
Total bonds payable	$ 27,275,000	19,912,075	(21,269,920)	25,917,155	1,614,395

Additional information on the Borough's outstanding debt can be found in the notes to the basic financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Borough's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Finance Director, PO Box 49, King Cove, AK 99612.

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ALEUTIANS EAST BOROUGH, ALASKA

Statement of Net Position

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School District
Assets				
Equity in central treasury	57,244,260	-	57,244,260	3,657,381
Investment in Southwest Governments, LLC	407,835	-	407,835	-
Deposits	-	-	-	-
Prepaids	-	30,542	30,542	104,896
Due From Component Unit	314,255	-	314,255	-
Due from primary government	-	-	-	-
Inventory	-	-	-	42,764
Receivables, net:				
State of Alaska	747,605	-	747,605	-
Federal	2,159	-	2,159	-
School	48,895	-	48,895	-
Accrued interest	108,893	-	108,893	-
Other	1,063,228	5,694	1,068,922	34,290
Total receivables	1,970,780	5,694	1,976,474	34,290
Internal balances	12,640	(12,640)	-	-
Capital assets:				
Assets held for sale	-	5,000,000	5,000,000	-
Land and construction in progress	5,323,074	-	5,323,074	-
Other capital assets, net of depreciation	60,722,065	5,294,099	66,016,164	231,120
Total capital assets	66,045,139	10,294,099	76,339,238	231,120
Deferred outflows				
Pension related	425,575	-	425,575	1,256,710
Deferred charge on refunding	437,396	-	437,396	-
Total deferred outflows	862,971	-	862,971	1,256,710
	$ 126,857,880	10,317,695	137,175,575	5,327,161
Liabilities				
Current:				
Accounts payable	$ 4,906,974	184	4,907,158	98,968
Accrued payroll and taxes	-	-	-	84,423
Accrued vacation	71,522	-	71,522	32,193
Unearned revenue	-	-	-	14,735
Due to component unit	-	-	-	-
Due to primary government	-	-	-	314,255
Debt payable, current	1,614,395	-	1,614,395	-
Total current liabilities	6,592,891	184	6,593,075	544,574
Noncurrent				
Debt payable, noncurrent	24,302,760	-	24,302,760	-
Net pension liability	2,040,097	-	2,040,097	4,690,011
Total noncurrent liabilities	26,342,857	-	26,342,857	4,690,011
Total liabilities	32,935,748	184	32,935,932	5,234,585
Deferred inflows - pension related	25,320	-	25,320	575,296
Net Position				
Net investment in capital assets	40,127,984	10,294,099	50,422,083	231,120
Restricted:				-
Construction	280,770	-	280,770	-
Permanent fund	41,321,234	-	41,321,234	-
Unrestricted	12,166,824	23,412	12,190,236	(713,840)
Total net position	93,896,812	10,317,511	104,214,323	(482,720)
	$ 126,857,880	10,317,695	137,175,575	5,327,161

See accompanying notes to financial statements.

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Exhibit A-2

ALEUTIANS EAST BOROUGH, ALASKA

Government-wide Statement of Activities

Year Ended June 30, 2017

		Program Revenues			Net Revenue (Expense) and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School District
Primary government								
Governmental activities:								
General government	$ 4,557,047	-	1,390,352	-	(3,166,695)	-	(3,166,695)	-
Infrastructure	4,533,025	-	-	2,102,757	(2,430,268)	-	(2,430,268)	-
Interest on long-term debt	2,993,843	-	-	-	(2,993,843)	-	(2,993,843)	-
Total governmental activities	12,083,915	-	1,390,352	2,102,757	(8,590,806)	-	(8,590,806)	-
Business-type activities:								
Hovercraft & Terminal	2,265,710	611,695	-	-	-	(1,654,015)	(1,654,015)	-
Total primary government	14,349,625	611,695	1,390,352	2,102,757	(8,590,806)	(1,654,015)	(10,244,821)	-
Component unit - School District	$ 9,720,899	91,065	267,268	-	-	-	-	(9,362,566)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School District
General revenues:				
Borough fish tax	$ 4,714,403	-	4,714,403	-
Unrestricted investment earnings	11,616	-	11,616	-
Restricted investment earnings	3,865,691	-	3,865,691	-
Local contributions	750,000	-	750,000	1,869,488
State grants and entitlements not restricted to specific program	2,117,674	-	2,117,674	4,925,074
Payment in lieu of taxes	596,828	-	596,828	-
Federal sources	-	-	-	2,179,287
PERS - on behalf	42,279	-	42,279	-
Gain on sale of asset	-	8,775	8,775	-
Miscellaneous	687,077	-	687,077	51,859
Total general revenues	12,785,568	8,775	12,794,343	9,025,708
Operating transfers in (out)	(1,352,700)	1,352,700	-	-
Change in net position	2,842,062	(292,540)	2,549,522	(336,858)
Net position, beginning of year	90,390,143	10,592,326	100,982,469	(145,862)
Prior period adjustment	664,607	17,725	682,332	-
Net position, beginning of year, restated	91,054,750	10,610,051	101,664,801	(145,862)
Net position, end of year	$ 93,896,812	10,317,511	104,214,323	(482,720)

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Governmental Funds

Balance Sheet

June 30, 2017

	Major Funds						Nonmajor Fund	Total
	General	Capital Improvements	Trust Fund	Debt Service	Bond Construction	Maintenance Reserve	King Cove Access Project	Governmental Funds
Assets								
Cash and investments in central treasury	$ 5,621,093	1,301,744	43,283,470	-	7,037,953	-	-	57,244,260
Investment in Southwest Governments, LLC	-	-	407,835	-	-	-	-	407,835
Receivables, net:								
State of Alaska	609,332	138,273	-	-	-	-	-	747,605
Federal	-	2,159	-	-	-	-	-	2,159
School	-	-	-	-	-	48,895	-	48,895
Accrued interest	4,261	-	90,119	-	14,513	-	-	108,893
Other	1,058,265	4,963	-	-	-	-	-	1,063,228
Total receivables	1,671,858	145,395	90,119	-	14,513	48,895	-	1,970,780
Due from Component Unit	314,255	-	-	-	-	-	-	314,255
Due from other funds	8,119,158	-	-	-	-	-	280,770	8,399,928
	$ 15,726,364	1,447,139	43,781,424	-	7,052,466	48,895	280,770	68,337,058
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 7,338	527,840	-	-	4,371,796	-	-	4,906,974
Due to other funds	-	2,380,071	2,460,190	-	3,309,342	237,685	-	8,387,288
Total liabilities	7,338	2,907,911	2,460,190	-	7,681,138	237,685	-	13,294,262
Fund balances:								
Nonspendable	-	-	41,321,234	-	-	-	-	41,321,234
Committed:								
Construction	-	-	-	-	-	-	280,770	280,770
Assigned:								
Forward funding	9,423,414	-	-	-	-	-	-	9,423,414
Unassigned	6,295,612	(1,460,772)	-	-	(628,672)	(188,790)	-	4,017,378
Total fund balances (deficits)	15,719,026	(1,460,772)	41,321,234	-	(628,672)	(188,790)	280,770	55,042,796
	$ 15,726,364	1,447,139	43,781,424	-	7,052,466	48,895	280,770	68,337,058

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Governmental Funds

Reconciliation of Fund Balance to Net Position

June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - All governmental funds	$ 55,042,796
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,045,139
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds:	
Pension related	425,575
Deferred charge on refunding	437,396
Total deferred outflows	862,971
General long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Compensated absences	(71,522)
Issuance premiums	(2,642,155)
Bonds payable	(23,275,000)
Net pension liability	(2,040,097)
Total long-term labilities	(28,028,774)
Pension related deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Total deferred inflows	(25,320)
Net position of governmental activities	$ 93,896,812

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See accompanying notes to financial statements.

Exhibit B-3

ALEUTIANS EAST BOROUGH, ALASKA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	Major Funds						Nonmajor Fund	Total
	General Fund	Capital Improvements	Trust Fund	Debt Service	Bond Construction	Maintenance Reserve	King Cove Access Project	Governmental Funds
Revenues:								
Federal government	$ 596,828	95,309	-	-	-	-	-	692,137
State of Alaska	3,508,026	2,007,448	-	-	-	-	-	5,515,474
Borough raw fish tax	4,714,403	-	-	-	-	-	-	4,714,403
Investment income	11,616	1,147	3,837,154	-	27,390	-	-	3,877,307
Contributions	-	750,000	-	-	-	-	-	750,000
Other	592,541	-	-	-	66,586	27,950	-	687,077
Total revenues	9,423,414	2,853,904	3,837,154	-	93,976	27,950	-	16,236,398
Expenditures:								
Current:								
General government	3,776,718	-	-	-	-	-	-	3,776,718
Infrastructure	-	2,118,532	39,569	-	39,568	84,500	-	2,282,169
Debt service	-	-	-	2,528,763	-	-	-	2,528,763
Capital outlays	-	2,356,067	-	-	8,018	1,292,065	-	3,656,150
Total expenditures	3,776,718	4,474,599	39,569	2,528,763	47,586	1,376,565	-	12,243,800
Excess of revenues over (under) expenditures	5,646,696	(1,620,695)	3,797,585	(2,528,763)	46,390	(1,348,615)	-	3,992,598
Other financing sources (uses):								
Proceeds from refunding bonds	-	-	-	20,027,744	-	-	-	20,027,744
Payment to refunding escrow	-	-	-	(19,998,065)	-	-	-	(19,998,065)
Transfers (to) from other funds	(3,916,717)	-	(1,355,411)	2,564,017	-	1,355,411	-	(1,352,700)
Total other financing sources (uses)	(3,916,717)	-	(1,355,411)	2,593,696	-	1,355,411	-	(1,323,021)
Net change in fund balances	1,729,979	(1,620,695)	2,442,174	64,933	46,390	6,796	-	2,669,577
Fund balances (deficits), beginning of year	13,401,377	159,923	38,879,060	(64,933)	(675,062)	(195,586)	280,770	51,785,549
Prior period adjustment	587,670	-	-	-	-	-	-	587,670
Fund balances (deficit), beginning of year, restated	13,989,047	159,923	38,879,060	(64,933)	(675,062)	(195,586)	280,770	52,373,219
Fund balances (deficits), end of year	$ 15,719,026	(1,460,772)	41,321,234	-	(628,672)	(188,790)	280,770	55,042,796

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - All governmental funds	$ 2,669,577
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. This is the amount by which capitalized outlays of $3,658,932 exceeded depreciation of $2,923,714 in the current period.	735,218
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Principal payments on debt	1,710,000
Bond premium	(2,872,745)
Bond refunding cost	553,066
Amortization of bond premium	114,920
	(494,759)
Governmental funds do not report PERS on-behalf payments from the State of Alaska, however, these payments are recognized as revenues on the statement of activity. Total on-behalf payments during the year were $42,279.	42,279
Governmental funds report compensated absences when taken; however, in the statement of activities, the cost of absences are expensed when earned. The amount of compensated absences earned and outstanding at the end of the year decreased from $71,816 to $71,522.	294
Governmental funds do not report expenditures related to PERS, however, PERS related expenses are recognized on the government-wide financial statements. The total PERS expense was $110,547.	(110,547)
Total change in net position of governmental activities	$ 2,842,062

See accompanying notes to financial statements.

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ALEUTIANS EAST BOROUGH, ALASKA

Exhibit C-1

Proprietary Funds - Enterprise Funds

Statement of Net Position

June 30, 2017

	Hovercraft	Terminal	Helicopter	Total
Assets				
Current:				
Prepaids	$ 30,542	-	-	30,542
Receivables, net	-	5,694	-	5,694
Due from other funds	21,777	22,292	-	44,069
Assets held for sale	5,000,000	-	-	5,000,000
Total current assets	5,052,319	27,986	-	5,080,305
Non-Current:				
Equipment, net of accumulated depreciation	-	5,261,580	32,519	5,294,099
Total assets	$ 5,052,319	5,289,566	32,519	10,374,404
Liabilities				
Current:				
Accounts payable	$ -	-	184	184
Due to other funds	-	-	56,709	56,709
Total liabilities	-	-	56,893	56,893
Net Position				
Net investment in capital assets	5,000,000	5,261,580	32,519	10,294,099
Unrestricted	52,319	27,986	(56,893)	23,412
Total net position	5,052,319	5,289,566	(24,374)	10,317,511
	$ 5,052,319	5,289,566	32,519	10,374,404

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See accompanying notes to financial statements.

Exhibit C-2

ALEUTIANS EAST BOROUGH, ALASKA

Proprietary Funds - Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

	Hovercraft	Terminal	Helicopter	Total
Revenues	$ -	141,507	470,188	611,695
Operating expenses:				
Salaries and benefits	-	30,256	176,612	206,868
Professional services	-	33,363	1,437,420	1,470,783
Travel and per diem	-	-	800	800
Telephone	-	4,355	2,072	6,427
Supplies	-	14,215	101,505	115,720
Rent	-	5,335	24,610	29,945
Utilities	-	5,576	1,350	6,926
Insurance	-	-	14,246	14,246
Fuel	-	20,421	121,166	141,587
Depreciation	-	252,897	19,511	272,408
Total operating expenses	-	366,418	1,899,292	2,265,710
Operating income (loss)	-	(224,911)	(1,429,104)	(1,654,015)
Nonoperating expenses:				
Gain on sale of assets	8,775	-	-	8,775
Total nonoperating expenses	8,775	-	-	8,775
Transfers in from (out to) governmental activities	-	-	1,352,700	1,352,700
Net change in net position	8,775	(224,911)	(76,404)	(292,540)
Net position, beginning of year	5,025,819	5,514,477	52,030	10,592,326
Prior period adjustment	17,725	-	-	17,725
Net position, beginning of year, restated	5,043,544	5,514,477	52,030	10,610,051
Net positon, end of year	$ 5,052,319	5,289,566	(24,374)	10,317,511

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Proprietary Funds - Enterprise Funds

Statements of Cash Flows

Year Ended June 30, 2017

	Hovercraft	Terminal	Helicopter	Total
Cash flows from operating activities:				
Cash payments from customers	$ -	135,813	470,188	606,001
Cash payments from other sources	-	-	56,709	56,709
Cash payments for goods and services	(4,723)	(105,557)	(1,702,985)	(1,813,265)
Cash payments for salaries and benefits	-	(30,256)	(176,612)	(206,868)
Net cash flows from operating activities	(4,723)	-	(1,352,700)	(1,357,423)
Noncapital financing activities				
Transfers (to) from general fund	(21,777)	-	1,352,700	1,330,923
Total cash flows from Noncapital financing activities	(21,777)	-	1,352,700	1,330,923
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	26,500	-	-	26,500
Total cash flows from capital and related financing activities	26,500	-	-	26,500
Net increase (decrease) in cash	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	-	-
Cash and cash equivalents, end of year	$ -	-	-	-
Reconciliation of operating loss to net cash flows from operating activities:				
Operating loss	$ -	(224,911)	(1,429,104)	(1,654,015)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	-	252,897	19,511	272,408
Decrease (increase) in current assets:				
Receivables, net	2,555	(5,694)	-	(3,139)
Deposits	-	-	-	-
Due from other funds	-	(22,292)	-	(22,292)
Increase (decrease) in current liabilities:				
Accounts payable	(7,278)	-	184	(7,094)
Due to other funds	-	-	56,709	56,709
Net cash flows from operating activities	$ (4,723)	-	(1,352,700)	(1,357,423)

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit D-1

Fiduciary Fund - Deferred Compensation Agency Fund

Statement of Fiduciary Net Position

June 30, 2017

Assets	
Property and rights held under deferred compensation plan	$ 701,845
Net Position	
Net position restricted for pensions	$ 701,845

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit D-2

Fiduciary Fund - Deferred Compensation Agency Fund

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2017

Additions:	
Contributions:	
Plan members	$ 26,290
Total contributions	26,290
Investment earnings:	
Net increase in fair value of investments	53,185
Less investment expense	175
Net investment earnings	53,010
Total additions	79,300
Change in net position	79,300
Net position restricted for pensions	
Beginning of year	622,545
End of year	$ 701,845

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See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Aleutians East Borough (Borough) was incorporated October 23, 1987, under the laws of the State of Alaska as a second-class Borough. All significant activities with which the Borough exercises oversight responsibilities have been included in the Borough's general purpose financial statements.

The accompanying financial statements include all activities of the Borough and The Aleutians East Borough School District (School District). The Borough Assembly, as the oversight authority, approves the total annual budget of the School District and also makes annual contributions to it. Based on financial interdependence, budget approval, responsibility for debt, and accountability and control of fiscal matters, The School District is a component unit of the Borough. The School District's audited financial statements may be obtained from The School District.

No other entities exist over which the Borough has oversight responsibility.

Component Unit

The School District is a component unit of the Borough. The School District was formed July 1, 1988, as a result of the formation of the Borough on the same date. The School District was formed by incorporating King Cove City School District and Sand Point City School District. In addition, the following locations were added from Aleutian Region School District: Cold Bay, False Pass, Nelson Lagoon, and Akutan.

As the School District is organized as a government, its financial statements are prepared using accounting principles generally accepted in the United States of America as related to government organizations. As such, the financial statements are prepared using the current financial resources measurement focus and accrual method of accounting.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information in all nonfiduciary activities of the Borough. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental fund types. Major individual governmental funds are reported in separate columns in the fund financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Government-wide and Fund Financial Statements, continued
The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Measurement Focus, Basis of Accounting, and Basis of Presentation
The financial statements of the Borough are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Borough's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Assembly (FASB) pronouncements and Accounting Principles Assembly (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Borough's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and accrual basis of accounting includes reclassification or elimination of internal activity (between or within funds). Financial statements of Borough component units also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements report used the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds
The Borough reports the following major governmental funds:

- General Fund - Reports as the primary fund of the Borough. This fund is used to account for all financial resources not reported in other funds.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
Fund Types and Major Funds, continued

- Capital Improvements – Capital Project Fund – Accounts for all revenue received and expenditures made for the development and administration of capital projects.

- Trust Fund – Permanent fund – Accounts for all investment activity, deposits and disbursements related to the permanent fund established by the assembly. The Borough Assembly may, in any fiscal year, appropriate an amount not to exceed eight percent (8%) of the five-year average fund market value, to be computed using the five prior calendar years market value, additional income is added to the fund. The fund corpus is to be held in perpetuity except in circumstances of natural disaster or financial emergency.

- Debt Service – Debt Service Fund – Accounts for all expenditures made for the retirement of and interest on debt.

- Bond Construction – Capital Project Fund – Accounts for all expenditures made on projects funded by bond proceeds.

The Borough reports the following major proprietary funds:

- Hovercraft fund – Accounts for all activity associated with the operations and maintenance of the hovercraft.

- Terminal fund – Accounts for all activity associated with construction, operation, and maintenance of the airport terminal located in Cold Bay.

- Helicopter fund – Accounts for all activity associated with helicopter operations in Akutan.

The Borough reports the following major fiduciary fund:

- Deferred compensation agency fund – Accounts for the Borough's employee retirement plan.

Assets, Liabilities, and Equity
Deposits and Investments - The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition.

Receivables and Payables - All outstanding balances between funds are reported as "due to/from other funds." These balances represent the numerous transactions that occur during the course of operations between individual funds for goods provided or services rendered. The direct write-off method is used for estimated uncollectible accounts receivable.

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

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets - The Borough's property, plant, equipment, and infrastructure with useful lives of more than 1 year are stated at historical cost and comprehensively reported in government-wide financial statements. The Borough maintains infrastructure asset records consistent with all other capital assets. Component unit capital assets are also reported in their respective fund and combining component unit financial statements. Donated assets are stated at fair value on the date donated. The Borough generally capitalizes assets with a cost of $5,000 or more as purchase and construction outlays occur.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives in years for depreciable assets are as follows:

Buildings	25
Infrastructure	30
Furniture, Vehicles and equipment	3 to 7

Compensated Absences - It is the Borough's policy to permit employees to accumulate earned but unused annual leave. Compensated absences are reported as accrued in government-wide and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees and are included in wages and benefits payable.

Unearned Revenue - Amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met are recorded as deferred revenue.

Long-term Debt - In government-wide and component unit financial statements, outstanding debt is reported as liabilities. Governmental fund financial statements recognize proceeds of debt and premiums as other financing sources of the current period.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows – For the purpose of pension recording, changes within the net pension liability due to revisions in actuarial predictions, are amortized over the remaining service life rather than fully expended in the year of change. In addition contribution to the pension plan are deferred to the following fiscal year to ensure matching with the Pension's measurement period.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – Reflects funds with externally imposed constraints placed on them by either creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Assembly. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed amounts cannot be used for any other purpose unless the Borough Assembly removes the constraint through a subsequent formal modification or rescinding action.

Assigned fund balance - This classification reflects the amounts constrained by the Borough's assembly members "intent" to be used for specific purposes, but are neither restricted nor committed. When Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When restricted, committed or assigned resources as well as unassigned resources are available for use, it is the Borough's policy to use restricted, committed, or assigned resources first, then unassigned resources as needed.

Net Position - In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as needed.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Borough Assembly is required to approve an annual budget before the start of the new fiscal year. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. Budgets are prepared and presented on the modified accrual basis of accounting. Any revisions to the budget must be approved by passage of an ordinance by the Assembly. The Borough Assembly authorizes formal budget revisions several times each year to adjust revenues and expenditures to available resources and program needs. The final revised and approved budget is presented in these financial statements.

Beginning in fiscal year 2003, the Borough is forward funding its general fund expenditures and reserving general fund balance to the extent of current-year general fund revenue except coastal management and LEPC grants.

NOTE 3 - CASH AND INVESTMENTS

The Borough's investment policy authorizes the Borough to invest in U.S. Treasury securities; obligations guaranteed by the U.S. government or its agencies or instrumentalities; repurchase agreements; certificates of deposit; bonds and notes which are issued by any state or political subdivision thereof which are graded "A" or higher by Moody's Investor's Service, Inc.; prime commercial paper graded "A1" or higher by Moody's Investor's Service, Inc.; banks and savings and loan associations to the extent that deposits are insured by Federal Depository Insurance Corporation or Federal Savings and Loan Insurance Corporation; obligations of corporations, provided the obligations are graded "Baa" or higher by Moody's Investor's Service Inc., or Standard and Poor's Corporation and issued in the United States and denominated in US dollars, not more than 15% of the fixed income portfolio may be held in Baa rated securities; The Alaska Municipal League Investment Pool, Inc.; and income producing real estate investments. Additionally, the policy authorizes the Borough to invest permanent fund assets to maintain safety of principal while maximizing the total return. Investments shall be diversified to minimize the risk of loss resulting from a concentration of investments in a specific maturity, issuer, class of security, financial institution, or with respect to equity investments, in a specific company, industry or investment sector. Fund assets may be invested in the instruments and securities set out in the following securities:

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NOTE 3 - CASH AND INVESTMENTS, continued

Domestic Equities, which taken as a whole, attempt to replicate the Standard and Poor's 500 Index, including both mutual funds and exchange traded funds (ETFs); International Equities, which taken as a whole, attempt to replicate the Morgan Stanley Europe, Australiasia, Far East (EAFE) Index, including both mutual funds and ETFs; Equities, which take as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the S&P REIT index or the Cohen and Steers Realty Majors Portfolio Index, including both mutual funds and ETFs; and Domestic Equities, which taken as a whole, attempt to replicate the Standard and Poor's 400 Midcap Index, including both mutual funds and ETFs.

The permanent fund may invest up to 35 percent of total invested permanent funds in common and preferred stock listed on a recognized exchange and a mutual fund designed to replicate the Standard and Poor's 500 Index. The permanent fund may also invest in international equities up to a maximum of 5 percent of the total permanent fund. Performance measurement for the Fixed Income Allocation will be measured against the Target weighting using the Lehman Intermediate Gov/Credit Index for the Benchmark.

The duration of the Fixed Income Allocation should be maintained between 80% and 120% of the duration of the Benchmark.

Statutes require that the Borough's deposits in excess of FDIC or FSLIC limits be collateralized by government securities. At year end the Borough funds were fully collateralized. Cash resources for some of the various funds are maintained in a central treasury represented by a sweep checking account and certificate of deposit. Cash is swept and commingled with the School District's moneys within Borough accounts on a daily basis.

The Borough participates in the Alaska Municipal League Investment Pool (AMLIP). This investment pool consists of governmental investors within the State of Alaska. AMLIP does not carry its own institutional insurance or collateralization for funds it invests. The organizing document does state that certificates of deposit must be collateralized or covered by federal insurance by the issuing entity. The carrying amount and market value at June 30, 2017, was $51,098.

Cash and investment balances are as follows:

	Bank Balance	Book Balance
Cash and cash equivalents per Primary government	$ 5,886,467	7,115,436
Cash and cash equivalents per Component Unit	3,657,381	3,657,381
Investments, at fair market value	51,357,793	51,357,793
	$ 60,901,641	62,130,610

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NOTE 3 - CASH AND INVESTMENTS, continued

Components of investment activity for the year ended June 30, 2017 were as follows:

Interest	$	387,482
SW Governments, LLC		21,252
Dividends		738,635
Fees		(18,346)
Realized gains		2,735,380
Unrealized gains		60,504
Return of Capital Distribution		(47,600)
	$	3,877,307

Investment income affected the following funds at June 30, 2017:

General Fund	$	11,616
Capital Improvements		1,147
Trust Fund		3,837,154
Bond Construction		27,390
	$	3,877,307

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NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017, follows:

	June 30, 2016	Additions	Retirements	June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 5,323,074	-	-	5,323,074
Construction in process	16,460,148	919,860	(17,380,008)	-
Total capital assets not being depreciated	21,783,222	919,860	(17,380,008)	5,323,074
Capital assets, being depreciated:				
Buildings and improvements	45,323,390	2,896,136	-	48,219,526
Infrastructure	62,245,095	14,932,943	-	77,178,038
Furniture and equipment	759,258	-	(514,960)	244,298
Vehicles	468,333	-	(63,312)	405,021
Total capital assets being depreciated	108,796,076	17,829,079	(578,272)	126,046,883
Less accumulated depreciation	(62,979,376)	(2,923,714)	578,272	(65,324,818)
Total capital assets, being depreciated, net	45,816,700	14,905,365	-	60,722,065
Total governmental activities, net	$ 67,599,922	15,825,225	(17,380,008)	66,045,139
Business-type activities:				
Hovercraft	$ 5,041,359	-	(41,359)	5,000,000
Terminal	7,403,571	-	-	7,403,571
Helicopter	97,556	-	-	97,556
Total	12,542,486	-	(41,359)	12,501,127
Less accumulated depreciation	(1,958,254)	(272,408)	23,635	(2,207,027)
Total Business-type activities, net	$ 10,584,232	(272,408)	(17,724)	10,294,100

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NOTE 4 – CAPITAL ASSETS, continued

Depreciation expense of $670,076 was charged to the general government and $2,253,638 was charged to infrastructure. Depreciation expense of $272,409 was charged to the enterprise funds, and was allocated to the Terminal and Helicopter funds in the amount of $252,897 and $19,512, respectively. The Borough disposed of assets totaling $578,272, which were fully depreciated at the date of disposal.

Construction in process is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in process until such time as the relevant assets are completed and put into use. All construction in process was completed and put into use at June 30, 2017.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are shown as “due to” and “due from” in each individual fund within the governmental fund financial statements. These balances represent short-term interfund borrowings at June 30, 2017, and were as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds:		
Major funds:		
General Fund	$ 8,119,158	-
Capital Improvements	-	2,380,071
Trust Fund	-	2,460,190
Bond Construction	-	3,309,342
Maintenance Reserve	-	237,685
Total major funds	8,119,158	8,387,288
Nonmajor funds:		
King Cove Access Project	280,770	-
Total nonmajor funds	280,770	-
Total governmental funds	8,399,928	8,387,288
Enterprise funds:		
Hovercraft	21,777	-
Terminal	22,292	-
Helicopter	-	56,709
Total enterprise funds	44,069	56,709
Total	$ 8,443,997	8,443,997

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NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES, continued

Interfund transfers for the year were as follows:

	Transfers out		
	General Fund	Trust Fund	Total
Transfers in:			
Debt Service	$ 2,564,017	-	2,564,017
Maintenance Reserve	-	1,355,411	1,355,411
Helicopter	1,352,700	-	1,352,700
	$ 3,916,717	1,355,411	5,272,128

NOTE 6 - LONG-TERM DEBT

Following is a summary of general obligation bond transactions of the Borough for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 27,275,000	17,155,000	(21,155,000)	23,275,000	1,375,000
Plus deferred amounts:					
For issuance of premiums	-	2,757,075	(114,920)	2,642,155	239,395
Total bonds payable	$ 27,275,000	19,912,075	(21,269,920)	25,917,155	1,614,395

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NOTE 6 - LONG-TERM DEBT, continued

General obligation bonds payable at June 30, 2017, are comprised of the following:

$5,000,000 - 2010 Series A&B for Akutan Airport and King Cove Access Project, due in annual installments ranging from $175,000 to $1,560,000 through October 1, 2031; interest rate is variable from 2.0 to 5.4 percent	$ 3,745,000
$3,460,000 - 2011 Refunding series three for Aleutians East Borough bonds, due in annual installments ranging from $65,000 to $905,000 through September 2021; interest rate is variable from 2.0 to 5.0 percent	1,020,000
$2,205,000 - 2015 Refunding series one for Aleutians East Borough bonds, due in annual installments ranging from $2,375 to $383,123 through October 1, 2025; interest rate is variable from 2.0 to 5.0 percent	1,620,000
$17,155,000 - 2016 Refunding series three for refinancing of 2007 refunding bonds, due in annual installments ranging from $265,000 to $2,155,000 through December 1, 2028; interest rate is variable from 3.75 to 5.0 percent	16,890,000
Total bonds payable	$ 23,275,000

Annual required installments on all Borough general obligation bonds as of June 30th are as follows:

Year ending	Principal	Interest	Total
2018	$ 1,375,000	1,072,903	2,447,903
2019	1,450,000	1,022,203	2,472,203
2020	1,520,000	962,415	2,482,415
2021	1,595,000	897,492	2,492,492
2022	1,685,000	825,301	2,510,301
2023-2027	10,220,000	2,719,110	12,939,110
2028-2032	5,430,000	348,274	5,778,274
	$ 23,275,000	7,847,698	31,122,698

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NOTE 7 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds for the current year were:

	Budget	Actual Expenditures	Over (Under) Budget
General Fund	$ 3,778,945	3,776,718	(2,227)
Capital Improvements Fund	1,368,000	4,474,599	3,106,599
Trust Fund	35,000	39,569	4,569
	$ 1,403,000	4,514,168	3,111,168

NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN

Description of Plans

As of June 30, 2017, all regular employees of the Borough who work more than thirty hours per week participate in the Alaska Public Employees' Retirement System (PERS). PERS administers the State of Alaska Public Employees' Retirement System Defined Benefit Retirement Plan which includes both pension and Post employment Healthcare Benefit Plans for all employees hired prior to July 1, 2006. The defined benefit plan was an agent multiple-employer, statewide plan until July 1, 2008, when Senate Bill 125 converted the plan to a multiple-employer cost-sharing plan.

PERS also administers the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan which includes both pension and Post employment Healthcare Benefit Plans for all employees hired on or after July 1, 2006.

PERS is administered by the State. Benefits and contributions provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. Amendments do not affect existing employees.

PERS audited financial statements and related information is available at www.doa.alaska.gov/drb.

Defined Benefit Pension and Post employment Healthcare Benefit Plan *(Employees hired prior to July 1, 2006)*

Employee Benefits:

The Plan provides for retirement, death and disability, and Post Employment Healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the DB pension plans, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees.

The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

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NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN, continued

This plan was closed to new entrants as of June 30, 2006. Employees hired after that date participate in the PERS Defined Contribution Plan described later in these notes.

Funding Policy:
Under State law, covered employees are required to contribute 6.75% of their annual covered salary to the pension plan and are not required to contribute to the Post employment Healthcare Benefit Plan.

Under State law the Borough is required to contribute 22% of annual covered salary. For fiscal year 2017, 14.96% of covered salary is for the pension plan and 7.04% of covered salary is for the Post employment Healthcare Benefit Plan.

Under AS 39.35.255, the difference between the actuarial required contribution of 26.14% for fiscal year 2017 and the employer rate of 22% is funded by the State.

The Borough's contributions to the Post employment Healthcare Benefit Plan for the year ended June 30, 2017, totaled $55,132, and for the years ended June 30, 2016, and June 30, 2015, totaled $92,459 and $71,387, respectively.

Pension Liabilities:
At June 30, 2017, the Borough reported a liability for its proportionate share of the net pension liability in the amount of $2,040,097. This amount reflected State pension support provided to the Borough in the amount of $260,943. The total net pension liability associated with the Borough was $2,301,040.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the new pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016.

Pension Expense:
For the year ended June 30, 2017, the Borough recognized pension expense of $110,547 and revenue of $42,280 for support provided by the State.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:
At June 30, 2017, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN, continued

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 188	22,740
Changes in assumptions	9,409	-
Net difference between projected and actual earnings on pension plan investments	200,532	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,223	2,580
Employer contributions subsequent to the measurement date	117,153	-
Total	$ 425,505	25,320

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ending June 30,	
2018	$ 225,600
2019	39,671
2020	81,978
2021	52,936
2022	-
Thereafter	-

Actuarial Assumptions:
The total pension liability for fiscal year ended June 30, 2017, was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016. The valuation was prepared assuming an inflation rate of 3.12%. Salary increases were determined by grading by age and service to range from 4.34% to 9.66%. Investment rate of return was calculated at 8.00%, net of pension plan investment expenses, based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Mortality rates were based on the RP-2000 table, 2000 Base Year projected to 2018 with Projection scale BB.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

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NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Long-Term Expected Real Rate of Return
Broad domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

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

Sensitivity of the Borough's proportionate share of the net pension liability to changes in the discount rate:

The following presents the Borough's proportionate share of the net pension liability using the discount rate of 8% and what it would be if the discount was 1% (7%) lower or 1% higher (9%).

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NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN, continued

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	$ 2,627,542	2,040,097	1,544,615

Defined Contribution Pension and Post Employment Healthcare Plans *(Employees hired on or after July 1, 2006):*

Employee Benefits
There is no retirement age set, however taxes and penalties may apply if withdrawn prior to age 59 ½. Retirement benefits are equal to the Defined Contribution account balance plus interest. The employee may direct the investment of the account if so desired. The account balance is 100% of the employee's contribution plus 25% of the Borough's contribution after two years of service, 50% of the Borough's contribution after three years of service, 75% of the Borough's contribution after four years of service, and 100% of the Borough's contribution after 5 years of service. The plan pays a portion of the retiree medical plan premium if the retiree retires directly from the plan and is eligible for Medicare. The portion of premium paid by the plan is determined by years of service. Disability benefits are also provided.

Funding Policy
Under State law, covered employees are required to contribute 8% of their annual covered salary. For fiscal year 2017, the Borough is required to contribute 5% of the annual covered salary to the pension plan. The contributions to the pension plan for the year ended June 30, 2017, by the employees totaled $27,468 and by the Borough totaled $17,167.

Under State law, covered employees are not required to contribute to the Post employment Healthcare Benefit Plan. For fiscal year 2017, the Borough is required to contribute 1.18% of the annual covered salary plus an annual flat dollar amount of $2,049.36 for each covered employee. The Borough contributed $4,052 for retiree medical and $11,237 to a health reimbursement arrangement for the year ended June 30, 2017.

If the total amount that the Borough has contributed for the defined contribution pension and Post employment Healthcare Benefit Plans is less than 22% of covered payroll, the Borough must pay that additional amount. This additional amount is used to reduce the defined benefit plan's unfunded liability. For the year ended June 30, 2017, the Borough paid additional contributions of $42,497. These contributions equal $28,898 for the defined benefit pension and $13,599 for the defined benefit Post employment Healthcare Benefit Plans.

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NOTE 9 - DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Borough (without being restricted to provisions of benefits under the plan), subject only to claims of the Borough's general creditors. Participants' rights under the plan are equal to those of general creditors of the Borough in the amount equal to fair market value of the deferred account for each participant.

The Borough has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Borough believes it is unlikely it will use the assets to satisfy claims of general creditors in the future. Assets of the fund totaled $701,845 at June 30, 2017, and are accounted for in the deferred compensation agency fund.

NOTE 10 – CONTRIBUTION TO ALEUTIANS EAST BOROUGH SCHOOL DISTRICT

During the year ended June 30, 2017, the Borough contributed $985,662 to the Aleutians East Borough School District, which is a component unit of the Borough. Of this amount, $940,000 was for a local contribution, $25,662 was for scholarships, and $20,000 was for student travel.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Grants

The Borough participates in a number of federal and State grant programs. These programs are subject to program compliance audits by grantors or their representatives. The amount, if any, of expenditures that may be disallowed by granting agencies cannot be determined at this time, although the Borough expects such amounts, if any, to be immaterial.

Helicopter Transportation Contract

During fiscal year 2014, the Borough entered into a contract to transport people and mail from Akutan Airport to the City of Akutan. The contract was renewed during November of 2016 for an additional two years.

Litigation

A restitution payable by the Army Corps of Engineers of $20,650,253 was awarded on December 5, 2017 in regards to the claim from Kelly-Ryan, Inc, against the Army Corps of Engineers arising from a contract dispute relating to the construction of the False Pass Harbor. Since the project cooperation agreement between the Department of the Army and the Borough provides for cost sharing on the part of the Borough, the Borough is liable for part of the restitution awarded. As of Date XX, 2017, no agreement has been reached between the Borough and the Army Corps of Engineers as to the restitution payable by the Borough.

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NOTE 11 - COMMITMENTS AND CONTINGENCIES, continued

At the date of the financial statements, the amount of loss contingencies, if any, were not reasonably determinable, and deemed neither probable nor remote, hence no contingencies have been booked in the current year.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, the Borough has evaluated all other events and transactions for potential recognition or disclosure through Date XX, 2017, the date the financial statements were issued, and has concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE 13 – INVESTMENT IN SOUTHWEST GOVERNMENTS, LLC

The Borough has an interest in Southwest Governments, LLC. The partnership was formed by the City of Akutan (40%), the City of Sand Point (20%), the City of King cove (10%), and the Borough (30%). The Borough leases office space from the partnership. Total payments to the partnership for the year were $119,671. The partnership paid the Borough $30,006 in distributions during 2017. The balance of the Borough's ownership at June 30, 2017 was $407,829.

NOTE 14 – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

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

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

During 2017, the Borough recorded a prior period adjustment to net position comprised of an increase to net position of $664,607 to recognize capital assets of $76,937 purchased in prior years, and recognize PILT revenue of $587,670 received in the prior year, in addition, the Borough posted an increase of $17,725 to its enterprise fund to record assets which had not been capitalized during the year of purchase.

	Net Position, Begining of year	Prior Period Adjustments	Net position, begining of year, restated
Governmental funds:			
General fund	$ 13,401,377	587,670	13,989,047
Enterprise funds:			
Hovercraft	5,025,819	17,725	5,043,544
Primary government:			
Governmental activities	$ 90,390,143	664,607	91,054,750
Business-type activites	10,592,326	17,725	10,610,051
Total	$ 100,982,469	682,332	101,664,801

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REQUIRED SUPPLEMENTARY INFORMATION

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ALEUTIANS EAST BOROUGH, ALASKA

Exhibit E-1

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal government:				
Payment in lieu of taxes	$ 559,000	596,828	596,828	-
Total federal government	559,000	596,828	596,828	-
State of Alaska:				
Raw fish tax	2,067,181	1,606,523	1,606,523	-
State bond rebate	1,311,650	1,000,882	1,390,352	389,470
State fish landing tax	35,218	35,222	35,222	-
State extraterritorial fish tax	101,299	217,008	217,008	-
State revenue sharing	321,526	258,921	258,921	-
Total State of Alaska	3,836,874	3,118,556	3,508,026	389,470
Borough raw fish tax	3,200,779	4,714,403	4,714,403	-
Investment income	35,000	42,465	11,616	(30,849)
Other	71,256	384,272	592,541	208,269
Total revenues	7,702,909	8,856,524	9,423,414	566,890
Expenditures:				
Mayor's office:				
Salaries	80,044	80,044	80,044	-
Fringe benefits	28,592	40,441	40,440	1
Travel and per diem	36,000	28,218	28,218	-
Telephone	1,500	1,999	1,998	1
Supplies	1,000	880	879	1
Lobbying	120,600	117,600	117,600	-
Total mayor's office	267,736	269,182	269,179	3
Assembly:				
Salaries	25,000	23,700	23,700	-
Fringe benefits	80,000	116,786	116,786	-
Travel and per diem	40,000	50,100	50,100	-
Supplies	3,000	2,681	2,680	1
Total assembly	148,000	193,267	193,266	1

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ALEUTIANS EAST BOROUGH, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, continued

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, continued:				
Clerk and planning management:				
Salaries	$ 93,600	89,522	89,521	1
Fringe benefits	34,306	43,100	43,098	2
Travel and per diem	12,500	13,555	13,555	-
Telephone	7,500	5,351	5,350	1
Postage	500	728	727	1
Supplies	5,000	2,258	2,258	-
Utilities	20,000	17,101	17,100	1
Dues and fees	5,000	4,372	4,372	-
Elections	8,000	9,314	9,314	-
Planning Commission	55,500	-	-	-
Total clerk and planning management	241,906	185,301	185,295	6
Administration:				
Salaries	193,155	198,641	198,640	1
Fringe benefits	65,798	89,638	89,638	-
Engineering	25,000	330	330	-
Travel and per diem	25,000	13,136	13,135	1
Telephone	7,100	5,537	5,536	1
Postage	2,500	615	613	2
Supplies	15,000	11,715	11,715	-
Rent	23,404	25,240	25,239	1
Dues and fees	2,500	2,397	2,397	-
Total administration	359,457	347,249	347,243	6
Assistant administrator:				
Salaries	95,481	101,235	99,051	2,184
Fringe benefits	30,782	46,328	46,327	1
Travel and per diem	10,000	9,600	9,600	-
Telephone	1,000	1,824	1,824	-
Supplies	2,500	3,854	3,853	1
Rent	8,903	9,795	9,794	1
Total assistant administrator	148,666	172,636	170,449	2,187
Finance:				
Salaries	134,511	148,748	148,747	1
Fringe benefits	52,725	67,000	67,000	-
Travel and per diem	7,000	5,106	5,106	-

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ALEUTIANS EAST BOROUGH, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, continued

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, continued:				
Finance, continued:				
Telephone	$ 5,000	9,486	9,485	1
Postage	1,000	1,029	1,028	1
Supplies	7,500	13,830	13,829	1
Utilities	5,000	3,656	3,656	-
Audit	40,000	55,478	55,477	1
Total finance	252,736	304,333	304,328	5
Resource department:				
Salaries	92,202	92,300	92,300	-
Fringe benefits	30,822	44,160	44,160	-
Travel and per diem	20,000	10,597	10,596	1
Meetings	30,000	-	-	-
Telephone	1,500	918	918	-
NPFMC	15,000	9,613	9,613	-
Supplies	2,500	2,218	2,218	-
Rent	8,903	9,926	9,926	-
Total resource department	200,927	169,732	169,731	1
Communications Manager:				
Salaries	98,579	100,633	100,632	1
Fringe benefits	33,518	32,923	32,922	1
Travel and per diem	15,000	7,195	7,194	1
Telephone	2,400	2,467	2,466	1
Supplies	2,500	990	989	1
Rent	10,016	10,177	10,177	-
Advertising	15,000	12,190	12,189	1
Total communications manager	177,013	166,575	166,569	6
Public works:				
Salaries	64,375	84,633	84,632	1
Fringe benefits	30,384	31,333	31,333	-
Travel and per diem	11,000	26,840	26,839	1
Telephone	1,000	1,108	1,107	1
Supplies	3,000	22,608	22,608	-
Utilities	2,000	950	949	1
Total public works	111,759	167,472	167,468	4

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ALEUTIANS EAST BOROUGH, ALASKA

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, continued

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, continued:				
King Cove Access Project				
Salary	$ 2,500	-	-	-
Fringe benefits	5,000	39,461	39,461	-
Travel & per diem	4,000	-	-	-
Supplies	1,000	2,510	2,510	-
Maintenance	100,000	99,000	99,000	-
Total special assistant	112,500	140,971	140,971	-
Other:				
Local school contribution	$ 940,000	940,000	940,000	-
Student scholarship	25,000	25,663	25,662	1
Student travel	20,000	20,000	20,000	-
Repairs	5,000	822	822	-
Utilities	25,000	18,565	18,564	1
Equipment	35,000	13,880	13,879	1
Legal	100,000	63,023	63,022	1
Insurance	150,000	157,754	157,754	-
Bank fees	7,500	19,561	19,561	-
Contribution to Eastern Aleutians Tribes	150,000	150,000	150,000	-
Revenue sharing - Nelson Lagoon	32,000	12,900	12,900	-
Aleutian Crab	58,522	107,117	107,117	-
Donations	23,500	16,500	16,500	-
Web service	30,000	24,371	24,371	-
Miscellaneous expense	96,000	92,071	92,067	4
Total other	1,697,522	1,662,227	1,662,219	8
Total expenditures	3,718,222	3,778,945	3,776,718	2,227
Excess of revenues over expenditures	3,984,687	5,077,579	5,646,696	569,117
Other financing uses - Operating transfers:				
Debt service fund	-	-	(2,564,017)	2,564,017
Enterprise funds	-	-	(1,352,700)	1,352,700
Total other financing uses	-	-	(3,916,717)	3,916,717
Net change in fund balance	$ 3,984,687	5,077,579	1,729,979	4,485,834
Prior Period Adjustment			587,670	
Fund balance, beginning of year			13,401,377	
Fund balance, end of year			$ 15,719,026	

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ALEUTIANS EAST BOROUGH, ALASKA

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Borough's proportion of the net pension liability	0.03650%	0.03284%	0.02858%	0.02855%	*	*	*	*	*	*
Borough's proportionate share of the net pension liability	$ 2,040,097	1,592,614	1,332,935	1,499,404	*	*	*	*	*	*
State of Alaska proportionate share of the net pension liability	260,943	426,877	782,704	889,275	*	*	*	*	*	*
Total net pension liability	2,301,040	2,019,491	2,115,639	2,388,679	*	*	*	*	*	*
Borough's covered-employee payroll	$ 616,773	576,627	498,241	447,473	*	*	*	*	*	*
Borough's proportionate share of the net pension liability as a percentage of covered-employee payroll	331%	276%	268%	335%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.55%	63.96%	62.37%	56.00%	*	*	*	*	*	*

* Information for these years is not available.

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ALEUTIANS EAST BOROUGH, ALASKA

Schedule of Required Contributions

June 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 117,153	135,690	126,858	109,613	98,444	*	*	*	*	*
Contributions in relation to the contractually required contribution	117,153	135,690	126,858	109,613	98,444	*	*	*	*	*
Contribution deficiency (excess)	-	-	-	-	-	*	*	*	*	*
Borough's covered-employee payroll	$ 532,514	616,773	576,627	498,241	447,473	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	22%	22%	22%	22%	22%	*	*	*	*	*

* Information for these years is not available.

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Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PERS Defined Benefit Pension Plan

Information in this table is presented based on the Plan measurement date. For June 30, 2017, the plan measurement date is June 30, 2016.

Schedule of Required Contributions – Public Employees Retirement System - PERS Defined Benefit Pension Plan

This table reports the Borough's pension contributions to PERS Defined Benefit Pension Plan during fiscal year 2017. These contributions are reported as a deferred outflow of resources on the June 30, 2017 basic financial statements.

The plan is reporting no changes in benefit terms from the prior measurement period.

The plan is reporting no changes in assumptions from the prior measurement period.

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SUPPLEMENTARY INFORMATION

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Exhibit G-1

ALEUTIANS EAST BOROUGH, ALASKA

General Fund and Annually Budgeted Other Major Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2017

	General Fund				Capital Improvements		
	Original	Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Revenues:							
Federal government	$ 559,000	596,828	596,828	-	-	95,309	95,309
State of Alaska	3,836,874	3,118,556	3,508,026	389,470	1,368,000	2,007,448	639,448
Borough raw fish tax	3,200,779	4,714,403	4,714,403	-	-	-	-
Investment income	35,000	42,465	11,616	(30,849)	-	1,147	1,147
Contributions	-	-	-	-	-	750,000	750,000
Other	71,256	384,272	592,541	208,269	-	-	-
Total revenues	7,702,909	8,856,524	9,423,414	566,890	1,368,000	2,853,904	1,485,904
Expenditures:							
Current:							
Mayor's office	267,736	269,182	269,179	3	-	-	-
Assembly	148,000	193,267	193,266	1	-	-	-
Clerk and planning management	241,906	185,301	185,295	6	-	-	-
Administration	359,457	347,249	347,243	6	-	-	-
Assistant administrator	148,666	172,636	170,449	2,187			
Finance	252,736	304,333	304,328	5	-	-	-
Resource department	200,927	169,732	169,731	1	-	-	-
Communication manager	177,013	166,575	166,569				
Public works	111,759	167,472	167,468	4	-	-	-
King Cove Access Project	112,500	140,971	140,971	-	-	-	-
Other	1,697,522	1,662,227	1,662,219	8	1,368,000	2,118,532	(750,532)
Capital outlays	-	-	-	-	-	2,356,067	(2,356,067)
Total expenditures	3,718,222	3,778,945	3,776,718	2,221	1,368,000	4,474,599	(3,106,599)
Excess of revenues over (under) expenditures	3,984,687	5,077,579	5,646,696	569,111	-	(1,620,695)	(1,620,695)
Other financing uses:							
Transfers (to) from other funds	-	-	(3,916,717)	3,916,717	-	-	-
Total other financing uses	-	-	(3,916,717)	3,916,717	-	-	-
Net change in fund balance	$ 3,984,687	5,077,579	1,729,979	4,485,828	-	(1,620,695)	(1,620,695)
Prior Period Adjustment			587,670			-	
Fund balances, beginning of year			13,401,377			159,923	
Fund balances (deficits), end of year			$ 15,719,026			(1,460,772)	

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

General Fund and Annually Budgeted Other Major Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, continued

	Trust fund			Debt Service Fund		
	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Revenues:						
Investment income	$ 35,000	3,837,154	3,802,154	-	-	-
Total revenues	35,000	3,837,154	3,802,154	-	-	-
Expenditures:						
Current:						
Other	35,000	39,569	(4,569)	-	-	-
Debt Service:						
Principal	-	-	-	1,710,000	1,710,000	-
Bond issuance costs	-	-	-	-	23,927	(23,927)
Interest	-	-	-	460,000	794,836	(334,836)
Total expenditures	35,000	39,569	(4,569)	2,170,000	2,528,763	(358,763)
Excess of revenues over (under) expenditures	-	3,797,585	3,797,585	(2,170,000)	(2,528,763)	(358,763)
Other financing sources (uses):						
Proceeds from refunding bonds	-	-	-	-	20,027,744	(20,027,744)
Payment to refunding escrow	-	-	-	-	(19,998,065)	19,998,065
Transfers (to) from other funds	-	(1,355,411)	(1,355,411)	-	2,564,017	(2,564,017)
Total other financing sources	-	(1,355,411)	(1,355,411)	-	2,593,696	(2,593,696)
Net Change in fund balance	$ -	2,442,174	2,442,174	(2,170,000)	64,933	(2,952,459)
Fund balances, beginning of year		38,879,060			(64,933)	
Fund balances, end of year		$ 41,321,234			-	

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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

General Fund and Annually Budgeted Other Major Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, continued

	Maintenance Reserve		
	Original/Final	Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
Revenues:			
Other	$ 2,785,000	27,950	(2,757,050)
Total revenues	2,785,000	27,950	(2,757,050)
Expenditures:			
Current:			
Other	-	84,500	(84,500)
Capital outlays	2,785,000	1,292,065	1,492,935
Total expenditures	2,785,000	1,376,565	1,408,435
Excess of revenues over (under) expenditures	-	(1,348,615)	(1,348,615)
Other financing sources:			
Transfers from other funds	-	1,355,411	1,355,411
Total other financing sources	-	1,355,411	1,355,411
Net change in fund balance	$ -	6,796	6,796
Fund balance, beginning of year		(195,586)	
Fund balance, end of year		$ (188,790)	

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See accompanying notes to financial statements.

Exhibit H-1

ALEUTIANS EAST BOROUGH, ALASKA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

	Major Funds						Nonmajor Fund	Total
	General Fund	Capital Improvements	Trust Fund	Debt Service	Bond Construction	Maintenance Reserve	King Cove Access Project	Governmental Funds
Revenues:								
Federal government	$ 596,828	95,309	-	-	-	-	-	692,137
State of Alaska	3,508,026	2,007,448	-	-	-	-	-	5,515,474
Borough raw fish tax	4,714,403	-	-	-	-	-	-	4,714,403
Investment income	11,616	1,147	3,837,154	-	27,390	-	-	3,877,307
Contributions	-	750,000	-	-	-	-	-	750,000
Other	592,541	-	-	-	66,586	27,950	-	687,077
Total revenues	9,423,414	2,853,904	3,837,154	-	93,976	27,950	-	16,236,398
Expenditures:								
Current:								
Mayor's office	269,179	-	-	-	-	-	-	269,179
Assembly	193,266	-	-	-	-	-	-	193,266
Clerk and planning management	185,295	-	-	-	-	-	-	185,295
Administration	347,243	-	-	-	-	-	-	347,243
Assistant administrator	170,449	-	-	-	-	-	-	170,449
Finance	304,328	-	-	-	-	-	-	304,328
Resource department	169,731	-	-	-	-	-	-	169,731
Communications Manager	166,569							166,569
Public works	167,468	-	-	-	-	-	-	167,468
King cove access project	140,971							140,971
Capital projects	-	2,118,532	-	-	-	84,500	-	2,203,032
Other	1,662,219	-	39,569	-	39,568	-	-	1,741,356
Capital outlays	-	2,356,067	-	-	8,018	1,292,065	-	3,656,150
Debt Service:								
Principal	-	-	-	1,710,000	-	-	-	1,710,000
Bond issuance costs	-	-	-	23,927	-	-	-	23,927
Interest	-	-	-	794,836	-	-	-	794,836
Total expenditures	3,776,718	4,474,599	39,569	2,528,763	47,586	1,376,565	-	12,243,800
Excess of revenues over (under) expenditures	5,646,696	(1,620,695)	3,797,585	(2,528,763)	46,390	(1,348,615)	-	3,992,598
Other financing sources (uses):								
Proceeds from refunding bonds	-	-	-	20,027,744	-	-	-	20,027,744
Payment to refunding escrow	-	-	-	(19,998,065)				(19,998,065)
Transfers (to) from other funds	(3,916,717)	-	(1,355,411)	2,564,017	-	1,355,411	-	(1,352,700)
Total other financing sources (uses)	(3,916,717)	-	(1,355,411)	2,593,696	-	1,355,411	-	(1,323,021)
Net change in fund balances	1,729,979	(1,620,695)	2,442,174	64,933	46,390	6,796	-	2,669,577
Fund balances (deficits), beginning of year	13,401,377	159,923	38,879,060	(64,933)	(675,062)	(195,586)	280,770	51,785,549
Prior period adjustment	587,670	-	-	-	-	-	-	587,670
Fund balances (deficit), beginning of year, restated	13,989,047	159,923	38,879,060	(64,933)	(675,062)	(195,586)	280,770	52,373,219
Fund balances (deficits), end of year	$ 15,719,026	(1,460,772)	41,321,234	-	(628,672)	(188,790)	280,770	55,042,796

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See accompanying notes to financial statements.

Exhibit I-1

ALEUTIANS EAST BOROUGH, ALASKA

Capital Improvements - Governmental Fund

Statement of Revenues, Expenditures,
and Changes in Fund Balance

Year Ended June 30, 2017

Revenues:	
Federal revenue	$ 95,309
State revenue	2,007,448
Investment income	1,147
Contributions	750,000
Total revenues	2,853,904
Expenditures:	
Salaries	43,834
Contractual	1,941,597
Repairs and maintenance	109,754
Supplies	843
Equipment	22,504
Capital outlays	2,356,067
Total expenditures	4,474,599
Net change in fund balance	(1,620,695)
Fund balance, beginning of year	159,923
Fund deficit, end of year	$ (1,460,772)

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Exhibit J-1

ALEUTIANS EAST BOROUGH, ALASKA

Trust Fund - Governmental Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

Revenues:	
Investment income	$ 3,837,154
Total revenues	3,837,154
Expenditures:	
Management fee	39,569
Total expenditures	39,569
Excess (deficiency) of revenues over expenditures	3,797,585
Other financing sources:	
Operating transfer to Maintenance Reserve Fund	(1,355,411)
Total other financing sources	(1,355,411)
Net change in fund balance	2,442,174
Fund balance, beginning of year	38,879,060
Fund balance, end of year	$ 41,321,234

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Exhibit K-1

ALEUTIANS EAST BOROUGH, ALASKA

Debt Service - Governmental Fund

Statement of Revenues, Expenditures,
and Changes in Fund Deficit

Year Ended June 30, 2017

Revenues:	-
Expenditures:	
Principal	1,710,000
Bond issuance costs	23,927
Interest	794,836
Total expenditures	2,528,763
Excess (deficiency) of revenues over expenditures	(2,528,763)
Other financing sources (uses):	
Proceeds from refunding bonds	20,027,744
Payment to refunding escrow	(19,998,065)
Operating transfer from general fund	2,564,017
Total other financing sources (uses)	2,593,696
Net change in fund balance	64,933
Fund deficit, beginning of year	(64,933)
Fund deficit, end of year	-

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ALEUTIANS EAST BOROUGH, ALASKA

Exhibit L-1

Bond Construction - Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

Year Ended June 30, 2017

Revenues:	
Investment income	$ 27,390
Other	66,586
Total revenues	93,976
Expenditures:	
Contractual	39,568
Capital outlays	8,018
Total expenditures	47,586
Net change in fund balance	85,958
Fund deficit, beginning of year	(675,062)
Fund deficit, end of year	$ (589,104)

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Exhibit M-1

ALEUTIANS EAST BOROUGH, ALASKA

Maintenance Reserve - Governmental Fund

Statement of Revenues, Expenditures,
and Changes in Fund Deficit

Year Ended June 30, 2017

Revenues:	
Investment income	$ 27,950
Expenditures:	
Salaries	16,877
Travel	3,828
Legal	10,525
Supplies	36,062
Capital outlays	1,292,065
Other	17,208
Total expenditures	1,376,565
Excess (deficiency) of revenues over expenditures	(1,348,615)
Other financing sources:	
Operating transfer from Trust Fund	1,355,411
Total other financing sources	1,355,411
Net change in fund balance	6,796
Fund deficit, beginning of year	(195,586)
Fund deficit, end of year	$ (188,790)

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STATE COMPLIANCE REPORTS

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ALEUTIANS EAST BOROUGH, ALASKA

Schedule of State Financial Assistance

Year Ended June 30, 2017

Grant Title	Award Identification	Period	Total Grant Award	State Share of Expenditures
Department of Commerce, Community and Economic Development:				
Fish landing tax supplement*	Unknown	7/01/16 - 6/30/17	$ 217,008	217,008
Fish landing tax	Unknown	7/01/16 - 6/30/17	35,222	35,222
Revenue sharing*	Unknown	7/01/16 - 6/30/17	258,921	258,921
Cold Bay Airport*	13-DC-501	7/01/12 - 6/30/18	2,000,000	1,850,568
Akutan Harbor Floats*	15-DC-004	7/01/14 - 6/30/19	300,000	83,442
Total Department of Commerce, Community and Economic Development:			2,811,151	2,445,161
Department of Transportation & Public Facilities:				
King Cove Access Project	14-RR-067	7/01/14 - 6/30/18	1,958,992	73,438
Department of Revenue:				
Raw fish tax*	Unknown	7/01/16 - 6/30/17	1,606,523	1,606,523
Department of Education:				
Debt retirement*	Unknown	7/01/16 - 6/30/17	1,390,352	1,390,352
Department of Administration:				
Pers on-behalf	Unknown	7/01/16 - 6/30/17	42,279	42,279
Total State financial assistance			$ 7,809,297	5,557,753

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*Indicates a major program.

This schedule was prepared on the modified accrual basis of accounting.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (Schedule) includes State of Alaska grant activity of Aleutians East Borough, Alaska (the Borough) under programs of the state government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. The Schedule presents only a selected portion of the operations of the Borough; it is not intended to be and does not present the financial position, changes in net assets, or cash flows of the Borough.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented using the accrual basis of accounting, which is described in Note 1 to the Borough's financial statements.

DRAFT

Newhouse & Vogler
Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, fiduciary activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aleutians East Borough, Alaska (the Borough) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated Date XX, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Anchorage, Alaska
Date XX, 2017

DRAFT

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Certified Public Accountants
237 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 258-7555
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Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Independent Auditor's Report

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on Compliance for Each Major State Program
We have audited the compliance of Aleutians East Borough, Alaska (the Borough) with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the Borough's major state programs for the year ended June 30, 2017. The Borough's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Borough's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the Unite States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of the Borough's compliance.

Opinion on Each Major State Program
In our opinion, the Borough complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

DRAFT

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Report on Internal Control over Compliance

Management of the Borough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Anchorage, Alaska
Date XX, 2016

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ALEUTIANS EAST BOROUGH, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:				Unmodified
Internal control over financial reporting:				
Significant deficiency(ies) identified?	_____	Yes	__X__	No
Material weakness(es) identified?	_____	Yes	__X__	No
Noncompliance material to financial statements?	_____	Yes	__X__	No

State Financial Assistance

Type of auditor's report issued on compliance for major programs:				Unmodified
Internal control over major programs:				
Significant deficiency(ies) identified?	_____	Yes	__X__	No
Material weakness(es) identified?	_____	Yes	__X__	No

Dollar threshold used to distinguish a state major program: $ 75,000

SECTION II – FINANCIAL STATEMENT FINDINGS

The Borough did not have any findings that relate to the financial statements.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

The Borough did not have any findings or questioned costs related to state awards.

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ALEUTIANS EAST BOROUGH, ALASKA

Summary of Prior Audit Findings

Year Ended June 30, 2017

There were no prior audit findings.

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ALEUTIANS EAST BOROUGH, ALASKA

Management Letter

June 30, 2017

DRAFT

Date XX, 2018

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Aleutians East Borough, Alaska (the Borough) for the year ended June 30, 2017, we considered the Borough's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. We previously reported on the Borough's internal control in our report dated Date XX, 2018. This letter does not affect our report dated Date XX, 2018, on the financial statements of the Borough.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Borough's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows.

Internal Control over Personnel Files

During our testing of internal controls over personnel files we noted that certain documents were missing from the personnel folders. We were unable to view documents such as copies of wage rates and personal identification. We recommend for management to keep all necessary forms within the Borough's personnel folders.

This information is intended solely for the use of the mayor and assembly members and management of the Borough and should not be used for any other purpose.

We would like to acknowledge the courtesy and assistance provided by the management and staff of the Borough during our audit. We look forward to working with you in the future.

Anchorage, Alaska
Date XX, 2018

DRAFT

Memo to: Mayor Osterback, Aleutians East Borough Assembly
From: Ernie Weiss, Natural Resources Director

Re: Assembly action as Platting Board

February 26, 2018

As addressed in Ordinance 18-04 approved at your last meeting, the Assembly may serve as the Platting Board when the Planning Commission is inactive, as is currently the case.

There is currently one issue for consideration by the Platting Board - a recommendation on the approval of the attached **Preliminary Plat Port Moller Cannery Subdivision Creating Lots 1, 2, 3 and 4**.

AEB Attorney Joe Levesque suggests a plat approval process that includes a public hearing. If the Assembly acting as the Platting Board recommends approval of the plat, an Assembly resolution approving the plat should be scheduled for the next Assembly meeting.

The following documents are attached to this memo:

- Preliminary Plat Port Moller Cannery Subdivision Creating Lots 1, 2, 3 and 4
- A *draft* resolution of approval of the plat for consideration at the *next* Assembly meeting

Recommendation:

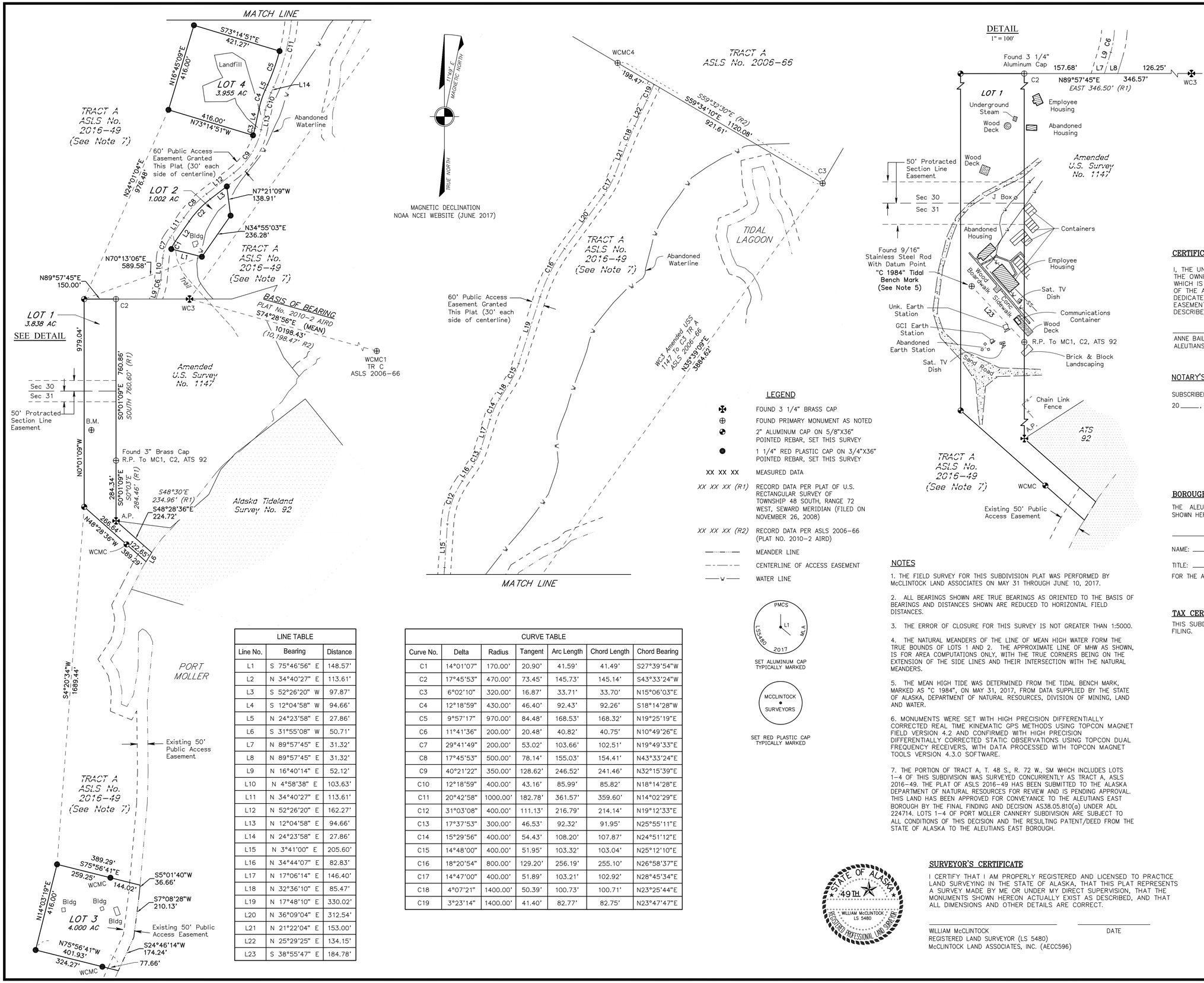
I recommend the Assembly, acting as AEB Platting Board, determine to approve the Port Moller plat by resolution of the Assembly at the April meeting.

Background:

The Assembly added $85,000 to the FY2017 budget to begin an annual process to survey outstanding AEB entitlement lands that have yet to be conveyed, starting with Port Moller – ADL 224714, about 1300 acres. McClintock Land Associates spent 10 days in early June 2017 doing fieldwork and then drafted Alaska State Land Survey (ASLS) 2016-49, which has been sent to DNR for review. According to the State, final approval of ASLS 2016-49 will be contingent on additional travel to Port Moller to install 2 additional monuments near Love Creek.

Peter Pan Seafoods has been interested in obtaining a strip of land adjacent to their property in Port Moller from the Borough since at least 2015, through either a land swap or purchase. The strip of land contains existing older structures in connection to the cannery operations. Since the AEB was surveying our lands in Port Moller, it seemed prudent to allow a plat to be prepared that would cordon off the proposed strip and other lots where structures exist, including the PPSF landfill. The proposed plat was submitted by McClintock in early August.

Approval of this Port Moller Plat of nearly 13 acres, creating 4 lots, **WILL NOT** indicate any approval of a potential land disposal, swap or land sale with PPSF or other parties. Any disposal of AEB real property must be authorized by future resolution or ordinance of the Assembly, in accordance to Borough Code 50.10.



VICINITY MAP SCALE: 1" = 1 mile

USGS QUADRANGLE MAP PORT MOLLER (D-2), 1963

LEGEND

	FOUND 3 1/4" BRASS CAP
	FOUND PRIMARY MONUMENT AS NOTED
	2" ALUMINUM CAP ON 5/8"X36" POINTED REBAR, SET THIS SURVEY
	1 1/4" RED PLASTIC CAP ON 3/4"X36" POINTED REBAR, SET THIS SURVEY
XX XX XX	MEASURED DATA
XX XX XX (R1)	RECORD DATA PER PLAT OF U.S. RECTANGULAR SURVEY OF TOWNSHIP 48 SOUTH, RANGE 72 WEST, SEWARD MERIDIAN (FILED ON NOVEMBER 26, 2008)
XX XX XX (R2)	RECORD DATA PER ASLS 2006-66 (PLAT NO. 2010-2 AIRD)
	MEANDER LINE
	CENTERLINE OF ACCESS EASEMENT
—w—	WATER LINE

PMCS L1 LS5480 MLA 2017

SET ALUMINUM CAP TYPICALLY MARKED

MCCLINTOCK SURVEYORS

SET RED PLASTIC CAP TYPICALLY MARKED

LINE TABLE		
Line No.	Bearing	Distance
L1	S 75°46'56" E	148.57'
L2	N 34°40'27" E	113.61'
L3	S 52°26'20" W	97.87'
L4	S 12°04'58" W	94.66'
L5	N 24°23'58" E	27.86'
L6	S 31°55'08" W	50.71'
L7	N 89°57'45" E	31.32'
L8	N 89°57'45" E	31.32'
L9	N 16°40'14" E	52.12'
L10	N 4°58'38" E	103.63'
L11	N 34°40'27" E	113.61'
L12	N 52°26'20" E	162.27'
L13	N 12°04'58" E	94.66'
L14	N 24°23'58" E	27.86'
L15	N 3°41'00" E	205.60'
L16	N 34°44'07" E	82.83'
L17	N 17°06'14" E	146.40'
L18	N 32°36'10" E	85.47'
L19	N 17°48'10" E	330.02'
L20	N 36°09'04" E	312.54'
L21	N 21°22'04" E	153.00'
L22	N 25°29'25" E	134.15'
L23	S 38°55'47" E	184.78'

CURVE TABLE						
Curve No.	Delta	Radius	Tangent	Arc Length	Chord Length	Chord Bearing
C1	14°01'07"	170.00'	20.90'	41.59'	41.49'	S27°39'54"W
C2	17°45'53"	470.00'	73.45'	145.73'	145.14'	S43°33'24"W
C3	6°02'10"	320.00'	16.87'	33.71'	33.70'	N15°06'03"E
C4	12°18'59"	430.00'	46.40'	92.43'	92.26'	S18°14'28"W
C5	9°57'17"	970.00'	84.48'	168.53'	168.32'	N19°25'19"E
C6	11°41'36"	200.00'	20.48'	40.82'	40.75'	N10°49'26"E
C7	29°41'49"	200.00'	53.02'	103.66'	102.51'	N19°49'33"E
C8	17°45'53"	500.00'	78.14'	155.03'	154.41'	N43°33'24"E
C9	40°21'22"	350.00'	128.62'	246.52'	241.46'	N32°15'39"E
C10	12°18'59"	400.00'	43.16'	85.99'	85.82'	N18°14'28"E
C11	20°42'58"	1000.00'	182.78'	361.57'	359.60'	N14°02'29"E
C12	31°03'08"	400.00'	111.13'	216.79'	214.14'	N19°12'33"E
C13	17°37'53"	300.00'	46.53'	92.32'	91.95'	N25°55'11"E
C14	15°29'56"	400.00'	54.43'	108.20'	107.87'	N24°51'12"E
C15	14°48'00"	400.00'	51.95'	103.32'	103.04'	N25°12'10"E
C16	18°20'54"	800.00'	129.20'	256.19'	255.10'	N26°58'37"E
C17	14°47'00"	400.00'	51.89'	103.21'	102.92'	N28°45'34"E
C18	4°07'21"	1400.00'	50.39'	100.73'	100.71'	N23°25'44"E
C19	3°23'14"	1400.00'	41.40'	82.77'	82.75'	N23°47'47"E

NOTES

1. THE FIELD SURVEY FOR THIS SUBDIVISION PLAT WAS PERFORMED BY McCLINTOCK LAND ASSOCIATES ON MAY 31 THROUGH JUNE 10, 2017.

2. ALL BEARINGS SHOWN ARE TRUE BEARINGS AS ORIENTED TO THE BASIS OF BEARINGS AND DISTANCES SHOWN ARE REDUCED TO HORIZONTAL FIELD DISTANCES.

3. THE ERROR OF CLOSURE FOR THIS SURVEY IS NOT GREATER THAN 1:5000.

4. THE NATURAL MEANDERS OF THE LINE OF MEAN HIGH WATER FORM THE TRUE BOUNDS OF LOTS 1 AND 2. THE APPROXIMATE LINE OF MHW AS SHOWN, IS FOR AREA COMPUTATIONS ONLY, WITH THE TRUE CORNERS BEING ON THE EXTENSION OF THE SIDE LINES AND THEIR INTERSECTION WITH THE NATURAL MEANDERS.

5. THE MEAN HIGH TIDE WAS DETERMINED FROM THE TIDAL BENCH MARK, MARKED AS "C 1984", ON MAY 31, 2017, FROM DATA SUPPLIED BY THE STATE OF ALASKA, DEPARTMENT OF NATURAL RESOURCES, DIVISION OF MINING, LAND AND WATER.

6. MONUMENTS WERE SET WITH HIGH PRECISION DIFFERENTIALLY CORRECTED REAL TIME KINEMATIC GPS METHODS USING TOPCON MAGNET FIELD VERSION 4.2 AND CONFIRMED WITH HIGH PRECISION DIFFERENTIALLY CORRECTED STATIC OBSERVATIONS USING TOPCON DUAL FREQUENCY RECEIVERS, WITH DATA PROCESSED WITH TOPCON MAGNET TOOLS VERSION 4.3.0 SOFTWARE.

7. THE PORTION OF TRACT A, T. 48 S., R. 72 W., SM WHICH INCLUDES LOTS 1-4 OF THIS SUBDIVISION WAS SURVEYED CONCURRENTLY AS TRACT A, ASLS 2016-49. THE PLAT OF ASLS 2016-49 HAS BEEN SUBMITTED TO THE ALASKA DEPARTMENT OF NATURAL RESOURCES FOR REVIEW AND IS PENDING APPROVAL. THIS LAND HAS BEEN APPROVED FOR CONVEYANCE TO THE ALEUTIANS EAST BOROUGH BY THE FINAL FINDING AND DECISION AS38.05.810(a) UNDER ADL 224714. LOTS 1-4 OF PORT MOLLER CANNERY SUBDIVISION ARE SUBJECT TO ALL CONDITIONS OF THIS DECISION AND THE RESULTING PATENT/DEED FROM THE STATE OF ALASKA TO THE ALEUTIANS EAST BOROUGH.

SURVEYOR'S CERTIFICATE

I CERTIFY THAT I AM PROPERLY REGISTERED AND LICENSED TO PRACTICE LAND SURVEYING IN THE STATE OF ALASKA, THAT THIS PLAT REPRESENTS A SURVEY MADE BY ME OR UNDER MY DIRECT SUPERVISION, THAT THE MONUMENTS SHOWN HEREON ACTUALLY EXIST AS DESCRIBED, AND THAT ALL DIMENSIONS AND OTHER DETAILS ARE CORRECT.

STATE OF ALASKA 49TH WILLIAM McCLINTOCK LS 5480 REGISTERED PROFESSIONAL LAND SURVEYOR

WILLIAM McCLINTOCK — DATE
REGISTERED LAND SURVEYOR (LS 5480)
McCLINTOCK LAND ASSOCIATES, INC. (AECC596)

CERTIFICATE OF OWNERSHIP AND DEDICATION

I, THE UNDERSIGNED, HEREBY CERTIFY THAT ALEUTIANS EAST BOROUGH IS THE OWNER OF THAT PORTION OF TRACT A, T. 48 S., R. 72 W., S.M., AK., WHICH IS NOW SHOWN ON THIS PLAT AS LOTS 1, 2, 3, AND 4. ON BEHALF OF THE ALEUTIANS EAST BOROUGH, I APPROVE THIS SURVEY AND PLAT AND DEDICATE OR RESERVE FOR PUBLIC OR PRIVATE USE, AS NOTED, ALL EASEMENTS, PUBLIC UTILITY AREAS AND RIGHTS-OF-WAY AS SHOWN AND DESCRIBED ON THIS PLAT.

ANNE BAILEY, ADMINISTRATOR — DATE
ALEUTIANS EAST BOROUGH

NOTARY'S ACKNOWLEDGEMENT

SUBSCRIBED AND SWORN BEFORE ME THIS _____ DAY OF _____, 20_____, BY _____.

NOTARY FOR THE STATE OF ALASKA
MY COMMISSION EXPIRES: _____

BOROUGH APPROVAL CERTIFICATE

THE ALEUTIANS EAST BOROUGH HEREBY APPROVES THE SURVEY AND PLAT SHOWN HEREON.

_____ DATE

NAME: _____

TITLE: _____

FOR THE ALEUTIANS EAST BOROUGH PLATTING AUTHORITY

TAX CERTIFICATE

THIS SUBDIVISION LIES OUTSIDE OF ANY TAXING AUTHORITY, AT THE TIME OF FILING.

GRAPHIC SCALE

200 0 200 400 800

SCALE IN FEET

Preliminary Plat
Port Moller Cannery Subdivision
Creating Lots 1, 2, 3 and 4

A SUBDIVISION OF
TRACT A, T. 48 S., R. 72 W., S.M., AK.
SITUATED WITHIN
SECTIONS 30 AND 31
TOWNSHIP 48 SOUTH, RANGE 72 WEST
SEWARD MERIDIAN, ALASKA

CONTAINING 12.795 ACRES, MORE OR LESS

ALEUTIAN ISLANDS RECORDING DISTRICT

PREPARED BY
McCLINTOCK LAND ASSOCIATES, INC.
16942 NORTH EAGLE RIVER LOOP ROAD
EAGLE RIVER, ALASKA 99577
(907) 694-4499

SCALE: 1"=200'	CHK: MPF	JOB: 17-131
DATE: 8-07-17	DWN: SKS	SHEET: 1 OF 1

RESOLUTION 18-

A RESOLUTION OF THE ALEUTIANS EAST BOROUGH ASSEMBLY APPROVING THE PRELIMINARY PLAT PORT MOLLER CANNERY SUBDIVISION CREATING LOTS 1, 2, 3 AND 4.

WHEREAS, all plats of the Aleutians East Borough require Assembly Approval (Borough Code of Ordinances 40.01.030); and,

WHEREAS, the Aleutians East Borough Planning Commission acts as the Platting Board to make recommendations to the Assembly (Borough Code of Ordinances 40.05.100); and

WHEREAS, in the event the Planning Commission is unable to meet, the Assembly shall act as the Aleutians East Borough Platting Board (Borough Code of Ordinances 40.05.105); and

WHEREAS, Preliminary Plat of the Port Moller Cannery Subdivision Creating Lots 1, 2, 3 and 4 (attached to this resolution as Exhibit "A") dated August 8th, 2017 was prepared by McClintock Land Associates of Eagle River, Alaska with the consent and cooperation of the Aleutians East Borough and Peter Pan Seafoods, Inc. staff in Port Moller.

WHEREAS, the Assembly acting as the Platting Board at the March 8th, 2018 meeting made a determination to approve the Port Moller Plat.

NOW THEREFORE BE IT RESOLVED, the Aleutians East Borough Assembly hereby approves the survey and plat known as Port Moller Cannery Subdivision (Exhibit "A"), within the preliminary submittal Alaska State Land Survey 2016-49, a subdivision of Tract A, Township 48 South, Range 72 West, Seward Meridian, Alaska.

PASSED AND APPROVED by the Aleutians East Borough on this __th day of April, 2018.

_____	**ATTEST:** _____
Alvin Osterback, Mayor	**Tina Anderson, Clerk**

DRAFT

REPORTS AND UPDATES

To: **Honorable Mayor Osterback and AEB Assembly**
From: **Anne Bailey, Borough Administrator**
Subject: **Assembly Report**
Date: **February 22, 2018**

Hovercraft Update

The Borough Attorney's, Keith Whittemore and I are still working on finalizing the sale of the hovercraft. I hope everything will be finalized as soon as possible.

Logistics have been made for the transport of the hovercraft. The craft is scheduled to load on February 25th. A crew is currently out in Akutan conducting inventory and are preparing the craft for departure. It has been reported that all four engines have started.

Other Items

- I have reviewed the audit request for proposals that were received on February 13th with Mary Tesche and Roxann Newman.
- I am preparing for the February 28th work session.
- I am in the process of completing outcome definition sheets for items assigned to me on the Borough's Strategic Plan.
- I am working with the City of Akutan and USDOT on issues related with the essential air service in Akutan.
- I am working with fish processors on items/projects in False Pass.
- I am also continuously conducting other day to day operations.

If you have any questions, comments or concerns please contact me at (907) 274-7580 or abailey@aeboro.org.

To: The Honorable Mayor Osterback, AEB Assembly
From: Mary Tesche, Assistant Administrator
Subject: Assembly Report
Date: February 23rd, 2018

Request for Proposals – Auditor

- A Request for Proposals for Professional Auditing Services was issued on January 29th. We received three proposals from qualified firms by the February 13th due date. Anne, Roxann and I met to discuss the three proposals. BDO received the highest overall score and was chosen as the winning bidder.
- BDO plans to hold an audit planning meeting in April, with primary work occurring during the summer. They estimate they can complete the work by November.

A-Team

- The A-Team met on February 16th. Representatives from EAT, the Aleut Corporation, APICDA, SWAMC, and APIA were in attendance.
- We discussed the Aleutian Broadband initiative, legislative priorities for each organization, and the formation of an opioid task force for our region.
- SWAMC is drafting an RFP to find a consultant who can develop and strategize public and private partnerships for the broadband project. The first draft of the RFP is being reviewed by A-Team members.
- EAT is interested in forming an opioid task force for the region, similar to the working groups that are currently in Bristol Bay and the Mat-Su. Jennifer Harrison from EAT will be signing people up for the task force during the SWAMC meeting. If you or anyone in your community is interested in joining the task force, please let me know.

Strategic Plan

- March 1 begins the first quarter of the Borough's strategic plan.
- My Q1 projects include working on the records retention schedule, organizing an informational work session for the King Cove Access Project, and continuing work on the Cold Bay Clinic construction project.

Helicopter Operation Summary – February

- I will provide an oral report of the February helicopter operations summary during the Assembly meeting.
- Charlotte and I are working through the payment collection process for overdue helicopter ticket charges. The work is ongoing but progress is being made on collecting payments from larger organizations that have high balances.

Please contact me at (907) 274-7559 or mtesche@aeboro.org with any questions or comments.

To: The Honorable Mayor Osterback, Aleutians East Borough Assembly
From: Ernie Weiss, Natural Resources Director
Subj: Report to the Assembly
Date: February 26, 2018

North Pacific Fishery Management Council

The Council met in Seattle Feb 5-12th. Our brief recap can be found in the Feb 14 Fish News. The full-day Ecosystem Research workshop was productive, and much of the discussion related to GOA Pcod:

- Steve Barbeaux explained the GOA Pacific cod crash we are currently experiencing is a product of the anomalous warm water in the GOA from 2014-2016, commonly known as 'the blob'. The 2017 bottom trawl survey (confirmed by all other surveys) showed a 71% reduction in abundance (#s of fish) since 2013, and a 58% decline in the total cod biomass since 2015 (78% since 2013)
- Ben Fissel reported that GOA Pacific cod is roughly 4% of global supply, but that the global supply is not decreasing at the same rate as in the GOA. Ex-vessel cod price increases will offset some of the decrease in catch, but revenue shortfalls are still expected for GOA fishermen (and communities). Vessels with diversified fisheries portfolios are more likely to survive the downturn in the cod stock.
- Franz Mueter surmised that in warming conditions fish can move north, go deeper or stay in place & adapt to warmer conditions, however adaptions will probably come too slow. Stock assessments become more difficult as fish move, complicating fisheries, but new species can move in, bringing new opportunities.

Details on the February meeting can be found in Feb 2018 Council newsletter.

Each April meeting the Council receives reports on salmon genetics studies from groundfish fisheries PSC. This April the Council will also receive the 2nd iteration of the GOA CV Chinook PSC limits initial review and discuss the Salmon FMP as it relates to Cook Inlet.

Alaska Board of Game

The Board of Game met in Dillingham Feb 16-23 taking several actions affecting the AEB region.

- Proposal 126 to increase the bag limit for the Southern Alaska Peninsula (SAP) caribou herd *passed* 7-0. This will allow ADFG to proactively manage the growing SAP herd by increasing harvest as population levels rise. Current regulations allow a one caribou bag limit in Unit 9D. To maintain the herd size at the 3000-4000 animal objective, residents and/or nonresidents may now take up to *2 caribou* if the surplus (harvestable portion) is greater than 150 and less than 249, up to *3 caribou* when the surplus is greater than 250 and less than 449, up to *4 caribou* when the surplus is greater than 450 and less than 549, and residents and/or nonresidents may take up to *5 caribou* when the harvestable portion is greater than 550. The proposal was amended to limit non-residents to 2 bulls. The harvest surplus, currently set at 3%, is determined annually.
- Proposal 132 was amended to change the biennial brown bear hunt dates for residents & non-residents in Unit 9: shorten the fall season to Oct 7-21, maintain the spring season at May 10-31, *passed* 6-1.
- Proposal 134 to shorten the season for ptarmigan and reduce the bag limit in Unit 9, *passed* 7-0. (amended to change season end date of Mar 1 to last day of Feb)
- Proposal 135 to reduce hunting opportunity for Alaska hare in Unit 9 was amended to allow hunting from Nov 1 - Jan 31 with a bag limit of 1 per day and 4 per year, and require salvage of the hide and/or meat. Amended proposal *passed* 7-0.

Alaska Board of Fisheries

The Board of Fish will meet March 6-9th in Anchorage. Issues we are keeping an eye on: Proposal 236 the Dutch Harbor food & bait herring proposal, and changes to the local Dungeness crab fishery regulations (Proposals 208 & 209). The Board is also expected to discuss the NPFMC GOA CV Chinook PSC limits paper.

Board of Fish proposals for the next cycle, including for the Feb 2019 Alaska Peninsula/Aleutian Islands/Bering Sea/Chignik Finfish meeting, are due April 10. In preparation, we expect to sponsor several meetings with local ADFG Advisory Committee representatives or community members before the due date. An in-person AC rep meeting with our new fishery analyst Eric Volk is tentatively planned for March 27th, in Anchorage.

Pacific Cod Fisheries

Although our local processors keep occupied in the winter with a variety of species, including crab, Pacific cod fishing is historically important for our AEB local vessels during the winter months. With the dramatic reduction in GOA Pacific cod quotas in mind, here are status updates for some local Pacific cod winter fisheries:

- WGOA pot cod TAC of 2,431,000 lbs., season opened January 1, closed February 1st.
- WGOA CV trawl cod TAC of 3,400,700 lbs., opened January 20, closed February 23rd.
- BSAI Under 60 pot/hook & line cod fishery, 11,079,508 lbs. TAC, closed January 23rd.
- BSAI trawl cod A season TAC of 65,608,672 lbs. BS subsection closed February 11.
- Dutch Harbor Subdistrict State-waters pot cod fishery GHL 28 million lbs., opened January 30.

  As of February 26th, 4.2 million lbs. remain.
- South Pen State-waters pot cod fishery GHL 4.5 million lbs., opens March 7th.

Letter of Support

At the January 11th Assembly meeting, there was a discussion about letters of support for Board of Fish and NPFMC candidates. On January 18th we received a list of applicants from the Governor's Boards & Commissions office. After recent discussions with Mayor Osterback and others, I have worked with the Mayor to draft a letter of support for Duncan Fields as nominee for a seat on the Board of Fish. The list of applicants and the draft letter to the Governor are attached after this report. Any input from the Assembly would be welcome.

Recent meetings attended		
North Pacific Fishery Management Council	Seattle	2/5-2/12/18
Alaska Board of Game SW AK meeting in Dillingham	Webcast	2/16-2/23/18
Upcoming meetings/planning to attend		
Aleutian Islands Waterways Safety Committee	APIA Conference rm	2/28/18
Southwest Alaska Municipal Conference	Capt Cook Hotel	3/1-3/2/18
Board of Fisheries Dungeness/Statewide meeting	Egan Center	3/6 – 3/9/18
AEB Resources Dept Meeting with local AC Reps	Anchorage/teleconf	3/27-3/28/18
North Pacific Fishery Management Council	Anch Hilton	4/2-4/9/18

Please call if you have any questions or concerns.

STATE OF ALASKA - OFFICE OF THE GOVERNOR

Boards & Commissions Office

Applicant Listing

Applicant Name	City		
	Board and Seat Applied For	**Active**	**Date Applied**
Kiril Z Basargin	Homer		
	Board of Fisheries	Y	1/1/2018
	North Pacific Pacific Fishery Management Council Governor Nominee/		
Melissa Margaret Berns	Old Harbor		
	Board of Fisheries	Y	11/23/2016
	Public Seat		
Mark Anthony Blair	Anchorage		
	Board of Fisheries	Y	12/13/2017
	Wilddlife and Fisheries		
(Leo) Steve Steve Brown	Homer		
	Board of Fisheries	Y	11/23/2016
	public seat		
David Lee Brown	Wrangell		
	Board of Fisheries	Y	9/7/2016
	member		
Jason H Chandler	Kodiak		
	Board of Fisheries	Y	1/16/2017
	At Large Seat		

Duncan Stanley Fields	Kodiak		
	Board of Fisheries	Y	11/27/2017
	Board Member		
Natasha Marie Hayden	Kodiak		
	Board of Fisheries	N	11/29/2017
	Public Seat		
Orville Herbert Huntington	Fairbanks		
	Board of Fisheries	Y	10/30/2017
	Public Seat		
Warren Richard Jones	Anchorage		
	Board of Fisheries	Y	11/9/2017
	Public Seat		
David Francis Kubiak	Kodiak		
	Board of Fisheries	N	11/28/2016
	Public Seat		
James Mackovjak	Gustavus		
	Board of Fisheries	Y	2/21/2017
	Public Seat		
Robert (Bob) Eugene Merchant	Kenai		
	Board of Fisheries	Y	2/2/2017
	Ak Gov Nom/Fed Appt seat		

March 1, 2018

The Honorable Governor of Alaska Bill Walker

Office of Boards and Commissions
Email: boards@alaska.gov,

Re: Appointment of Duncan Fields to Alaska Board of Fisheries

Dear Governor Walker,

The Aleutians East Borough, situated between the Bering Sea and the Gulf of Alaska, has long supported sustainable fisheries and fishing communities in Alaska. Residents in our communities participate in subsistence and commercial fisheries and are highly reliant on these fisheries. With that in mind, the Aleutians East Borough recommends that you appoint Duncan Fields to the Alaska Board of Fisheries.

Our Borough has worked with Duncan in his affiliation with the Gulf of Alaska Coastal Communities Coalition, and our fishermen who participate in the fisheries management public processes know Duncan from his tenure on the North Pacific Fishery Management Council. We respect Duncan's leadership in the many fisheries management roles he has assumed; it is easy to see he is always working with the best intentions for Alaska's fishing communities.

Duncan Fields brings a unique set of hands-on fisheries experiences that will make him an outstanding choice for the Board of Fish. Duncan is an active commercial fisherman and a seafood processor. As a fisherman and vessel owner who has participated in many of the fisheries the Board oversees, Duncan is well qualified to serve on the Alaska Board of Fisheries.

We support the appointment of Duncan Fields to the Alaska Board of Fisheries. We believe this action will help Alaska's fisheries to remain sustainable and Alaska's fishing communities to thrive for years to come. Thank you for your consideration.

Sincerely,

Alvin D. Osterback, Mayor

cc: Lt. Governor Byron Malott
Commissioner Sam Cotten

DRAFT

To: Honorable Mayor Alvin Osterback and Aleutians East Borough Assembly

From: Laura Tanis, AEB Communications Director

Through: Anne Bailey, AEB Administrator

Subject: Communications Director's Report to the Assembly

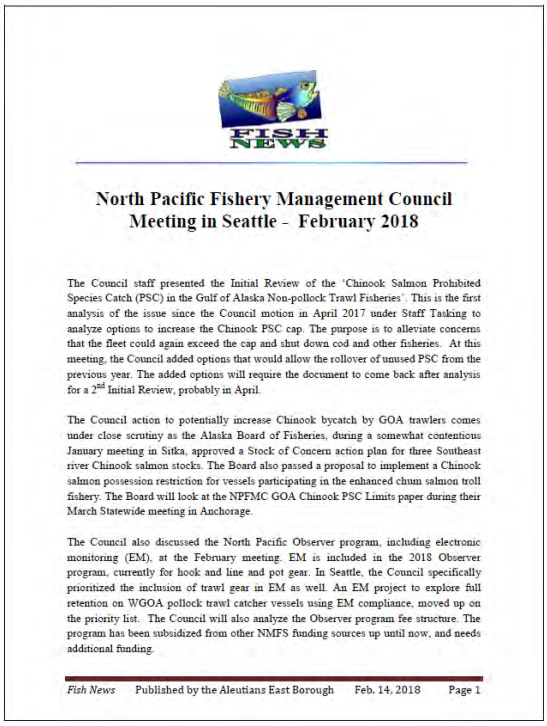
Date: Feb. 26, 2018

<u>In the Loop</u> – (Feb. 27, 2018 – Headlines Include):

- DOI Signs Land Exchange Agreement with King Cove Native Corporation
- Environmental Groups Sue DOI, USFWS Over Plans for Gravel Road Through Izembek Refuge
- AEB Communities Respond Remarkably Well During Tsunami Warning
- Change in Structure to Sand Point Police Department Nets Successful Results
- AEB Assembly Approves Borough Strategic Plan
- Tiffany Jackson Travels to Nation's Capital to Participate in NSBA Equity Symposium
- NSBA Advocacy Institute Highlights Educational Priorities; Provides Training on Effective Advocacy
- AASB Leadership Fly-in to Juneau Feb. 10 – 13th
- Students Shine in AEBSD National Geographic Bee
- Sand Point Fifth Graders Launched Fundraiser for NICU Babies
- APIA Shellfish Poisoning (PSP) 2017 Report (Conducted nine interviews for newsletter stories)

<u>Fish News</u>: – (Feb. 14, 2018 – Headlines include):

- NPFMC Meeting in Seattle – Feb. 2018 (Worked with Ernie)



FISH NEWS

North Pacific Fishery Management Council Meeting in Seattle - February 2018

The Council staff presented the Initial Review of the 'Chinook Salmon Prohibited Species Catch (PSC) in the Gulf of Alaska Non-pollock Trawl Fisheries'. This is the first analysis of the issue since the Council motion in April 2017 under Staff Tasking to analyze options to increase the Chinook PSC cap. The purpose is to alleviate concerns that the fleet could again exceed the cap and shut down cod and other fisheries. At this meeting, the Council added options that would allow the rollover of unused PSC from the previous year. The added options will require the document to come back after analysis for a 2nd Initial Review, probably in April.

The Council action to potentially increase Chinook bycatch by GOA trawlers comes under close scrutiny as the Alaska Board of Fisheries, during a somewhat contentious January meeting in Sitka, approved a Stock of Concern action plan for three Southeast river Chinook salmon stocks. The Board also passed a proposal to implement a Chinook salmon possession restriction for vessels participating in the enhanced chum salmon troll fishery. The Board will look at the NPFMC GOA Chinook PSC Limits paper during their March Statewide meeting in Anchorage.

The Council also discussed the North Pacific Observer program, including electronic monitoring (EM), at the February meeting. EM is included in the 2018 Observer program, currently for hook and line and pot gear. In Seattle, the Council specifically prioritized the inclusion of trawl gear in EM as well. An EM project to explore full retention on WGOA pollock trawl catcher vessels using EM compliance, moved up on the priority list. The Council will also analyze the Observer program fee structure. The program has been subsidized from other NMFS funding sources up until now, and needs additional funding.

Fish News Published by the Aleutians East Borough Feb. 14, 2018 Page 1

Press Release: (Feb. 20, 2018):

- Coast Guard Medevacs Man with Spinal Injuries

(Interviewed Coast Guard personnel from Kodiak, Guardian Flight and gathered details Eastern Aleutian Tribes, P.A. at the Cold Bay Clinic for press release.)

The Coast Guard medevaced a 58-year-old King Cove man after he fell off a ladder and injured his back.

Social Media (AEB, King Cove Facebook pages, Twitter - posts include):

- Murkowski Addresses Legislature (Mentions King Cove road)
- Coast Guard Medevacs Man with Spinal Injuries – KUCB and Cordova Times
- Coast Guard MH-6- Jayhawk Helicopter crew medevaced 44-year old man from fishing vessel Golden Alaska 60 miles northeast of Cold Bay
- Kodiak Researchers to Study Declining Pacific cod stocks
- North Pacific Fishery Management Council newsletter
- Job posting for Isanotski Corporation – store manager at Isanotski Store

Upcoming Projects:

- Attending Aleutian Islands Waterways Safety Committee Meeting via Webinar; working with Ernie to write story for Fish News/In the Loop newsletters.
- Attending SWAMC Conference. Taking notes, photos for In the Loop newsletter stories.

As always, I'm happy to help get the word out about an event or issue in your community. Please call or email me any time with information. ltanis@aeboro.org.

Assembly Comments

Public Comments

Date & Location of Next Meeting

Adjournment