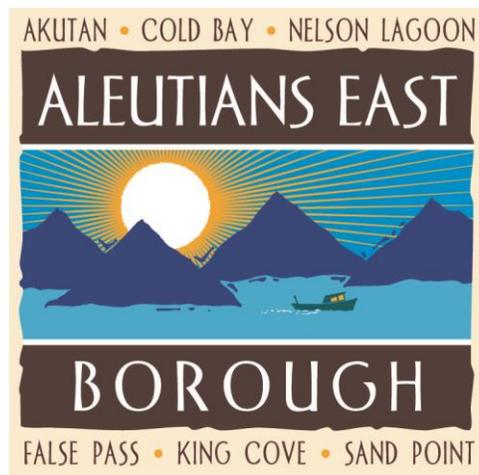
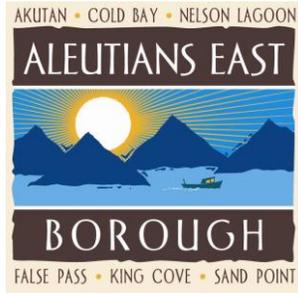


Aleutians East Borough Work Session



Date: Wednesday, February 28, 2018

Time: 9:00 a.m. – 2:00 p.m.



Aleutians East Borough

Work Session

February 28, 2018

9:00 a.m. - 2:00 p.m.

Anchorage office building, 3380 “C” Street

Agenda:

9:00 a.m. – 10:30 a.m.	Alaska Permanent Capital Management.
10:30 a.m. - 10:45 a.m.	Break.
10:45 a.m. – 11:45 a.m.	Newhouse & Vogler.
11:45 a.m. – 12:00 p.m.	Break.
12:00 p.m. – 1:00 p.m.	Borough Financial Statement Overview.
1:00 p.m. – 2:00 p.m.	Strategic Planning Overview with Professional Growth Systems.

The public is welcome to attend.

LONG-TERM PLANNING

February 28, 2018

Aleutians East Borough

TRUSTED ADVISORS ▪ MORE EXPERTS ▪ BETTER ACCESS



ALASKA PERMANENT
CAPITAL MANAGEMENT

Registered Investment Adviser

Account Summary as of December 31, 2017

Aleutians East Borough Permanent Fund

Account Inception	July 1993
Total Contributions	\$19,386,422
Cumulative Withdrawals <i>Includes custodial fees</i>	\$11,094,415
Current Market Value <i>December 31, 2017</i>	\$46,342,822
Account Return Since Inception <i>July 31, 1993 – December 31, 2017; Gross of Fees</i>	+6.57%
Current Allocation	66% Equity / 34% Bonds

Portfolio Review

as of December 31, 2017

Historical Market Value as of December 31, 2017

Aleutians East Borough Permanent Fund

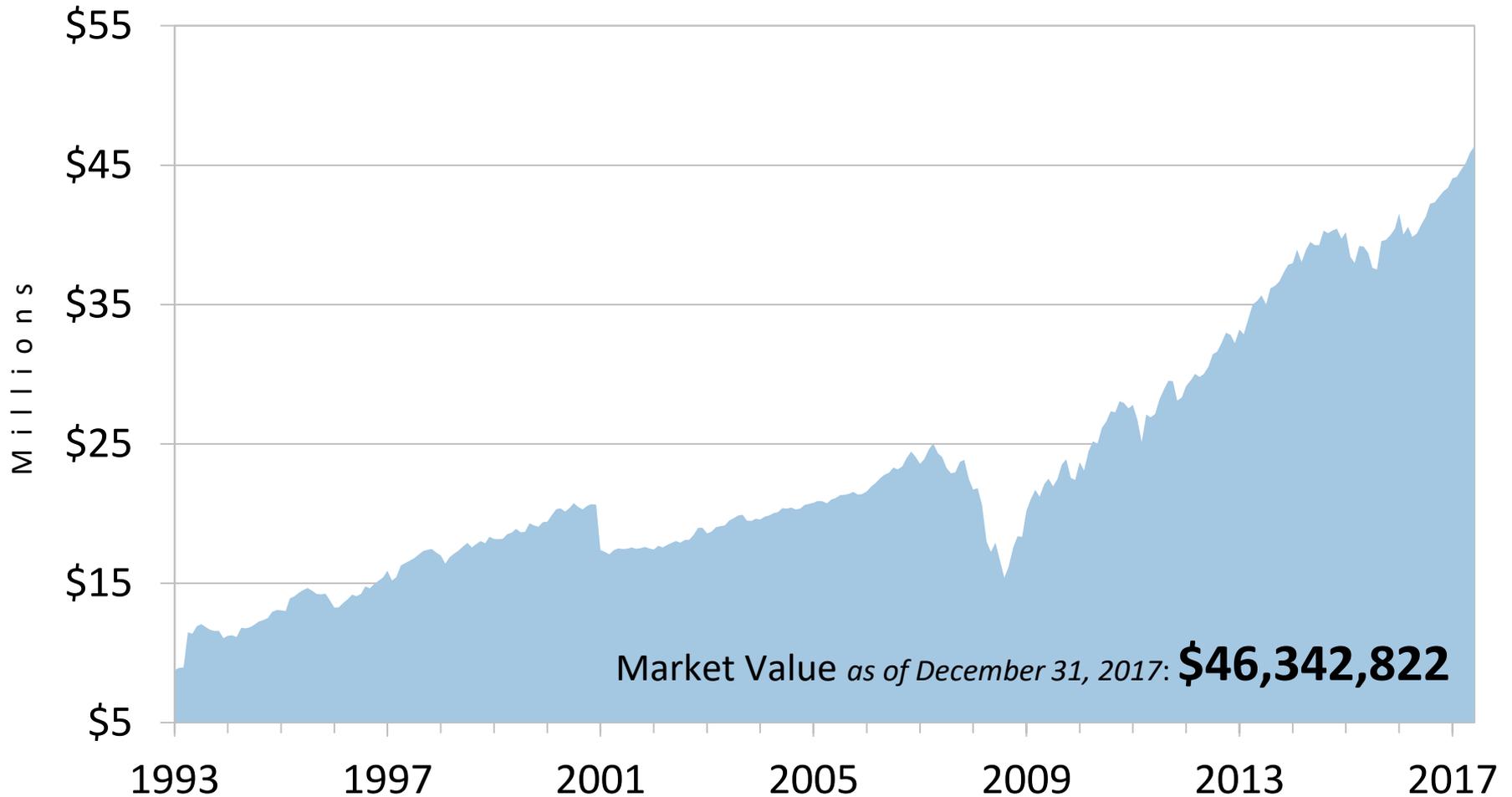
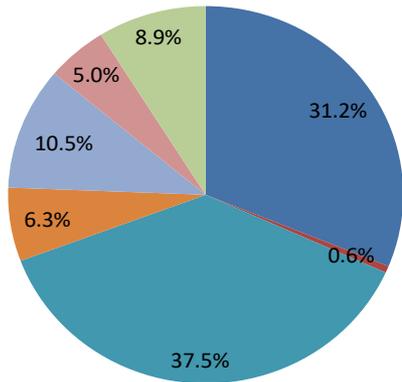


Chart shows month-end portfolio market value from July 1993 to December 2017.

**PORTFOLIO
REVIEW**

Asset Allocation as of December 31, 2017

Aleutians East Borough Permanent Fund



Asset Class	% Assets	Strategic Benchmark	Range	Market Value
Fixed Income	31.8%	34%	25-60%	\$14,720,159
U.S. Fixed Income	31.2%			\$14,451,633
Cash	0.6%			\$268,526
Equities	68.2%	66%		\$31,622,663
Large Cap	37.5%	36	30-50%	\$17,398,424
Mid Cap	6.3%	5	0-10	\$2,922,612
International	10.5%	10	5-15	\$4,860,920
Emerging Markets	5.0%	5	0-10	\$2,318,675
Real Estate	8.9%	10	5-15	\$4,122,032
Total				\$46,342,822

Historical Asset Allocation Since Inception

Aleutians East Borough Permanent Fund

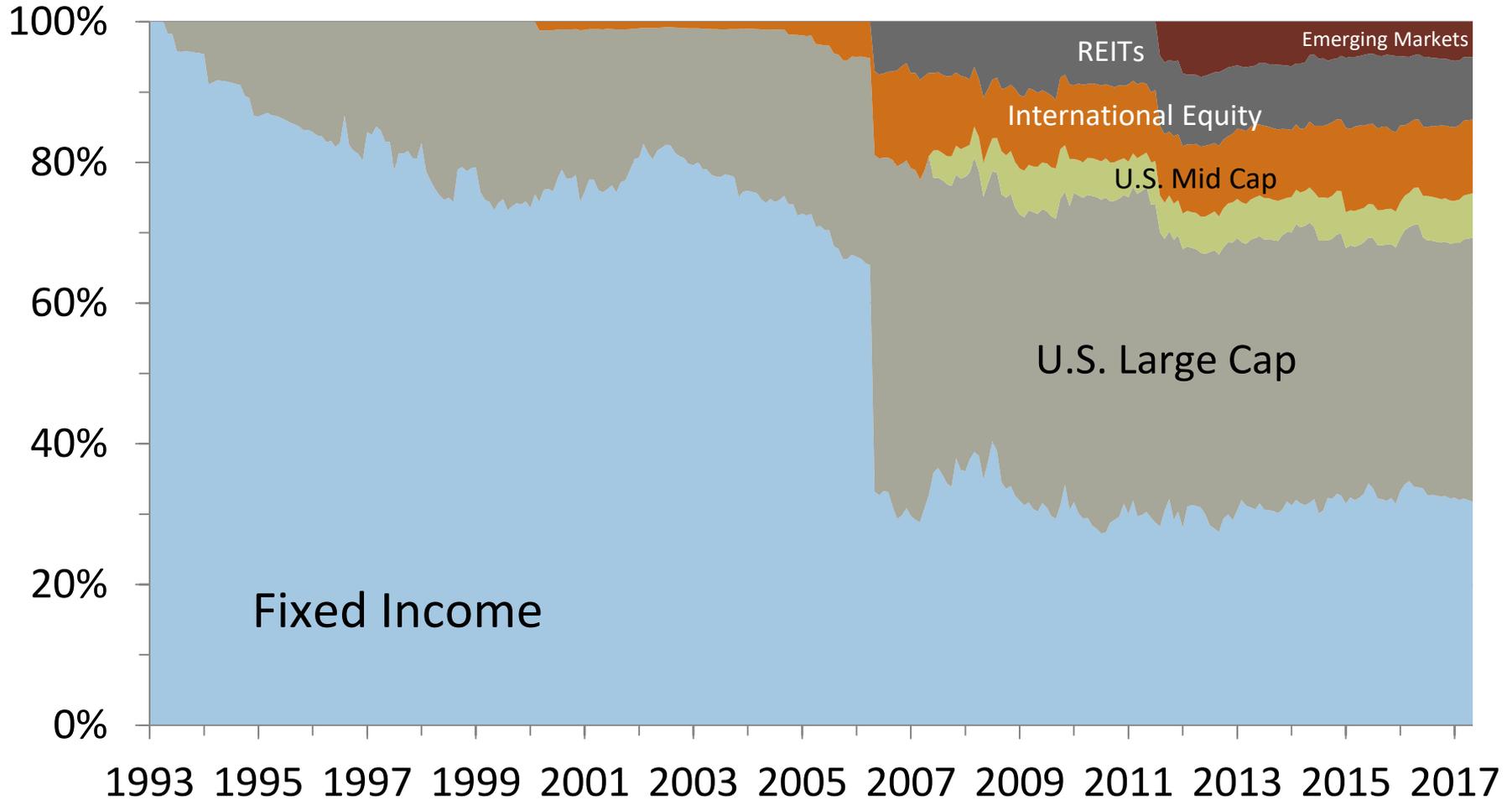
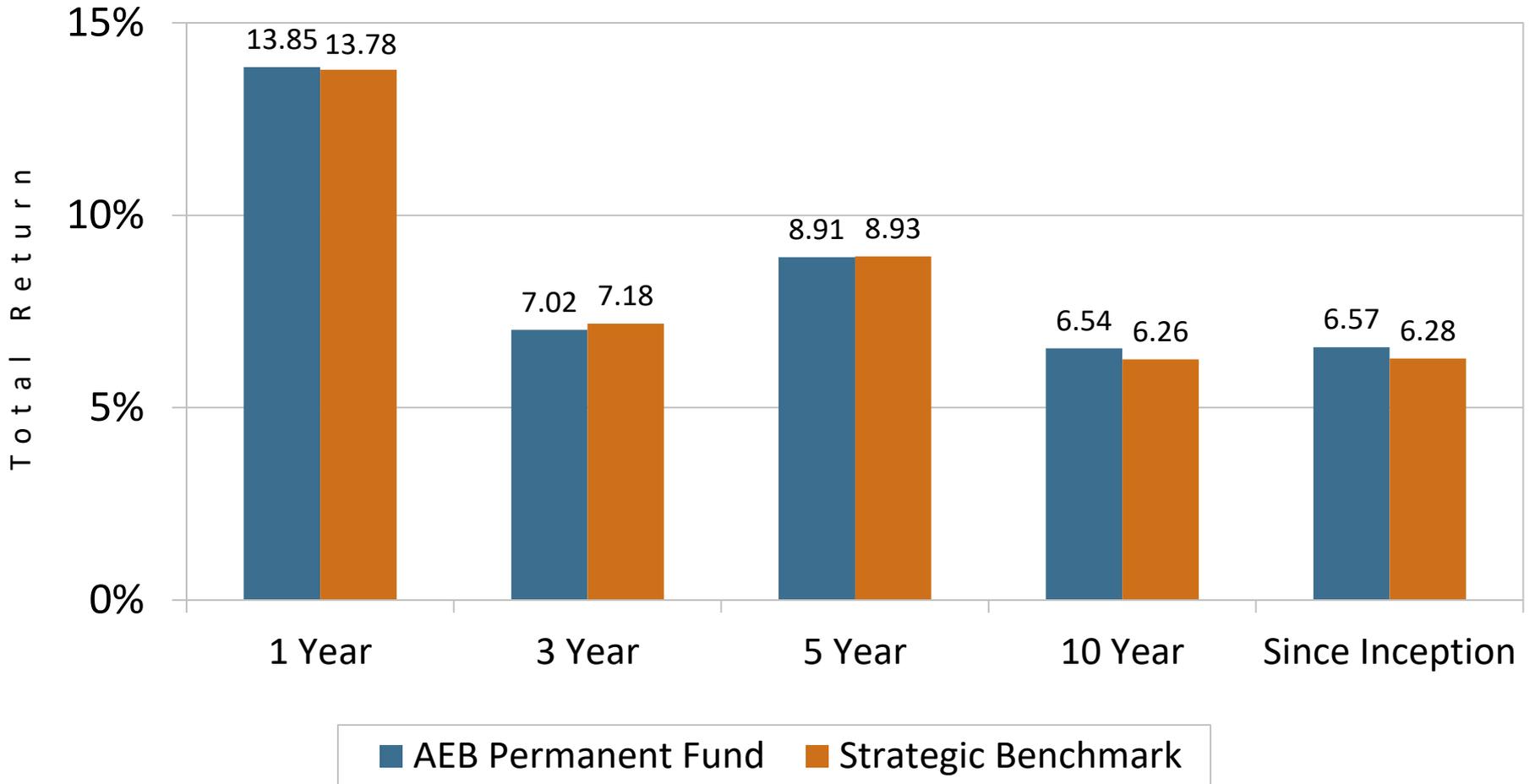


Chart shows actual month end portfolio allocation from August 31, 1993 to December 31, 2017.

Account Performance as of December 31, 2017

Aleutians East Borough Permanent Fund



Performance is gross of fees and annualized for periods greater than one year. Inception performance begins on July 31, 1993. Strategic benchmark is a blended return of the account's target allocation.

AEB Summary of Accounts

Account Name <i>Benchmark</i>	Market Value <i>December 31, 2017</i>	2017 Performance <i>as of December 31, 2017</i>	Since Inception <i>as of December 31, 2017</i>
AEB Permanent Fund <i>Balanced Account – Blended Benchmark</i>	\$46,342,822	13.85 13.78	6.57 6.28
AEB 2010 Series A <i>50% Barclays 1-3 Gov / 50% 90 Day T-Bill</i>	\$1,026,150	0.69 0.64	0.37 0.38
AEB 2010 Series B <i>50% Barclays 1-3 Gov / 50% 90 Day T-Bill</i>	\$2,042,612	0.71 0.64	0.35 0.38
AEB-Akutan Harbor 2006 <i>90 Day T-Bill</i>	\$1,525,749	0.87 0.84	1.53 1.02
AEB Series E <i>90 Day T-Bill</i>	\$2,488,886	0.84 0.84	1.48 1.21
AEB Operating Fund <i>90 Day T-Bill</i>	\$2,550,453	0.86 0.84	1.51 1.28

Performance is gross of fees and annualized for periods greater than one year. Inception performance begins on the first full month after the inception of each portfolio.

Long-Term Planning

Observations on Asset Allocation

As presented December 13, 2017

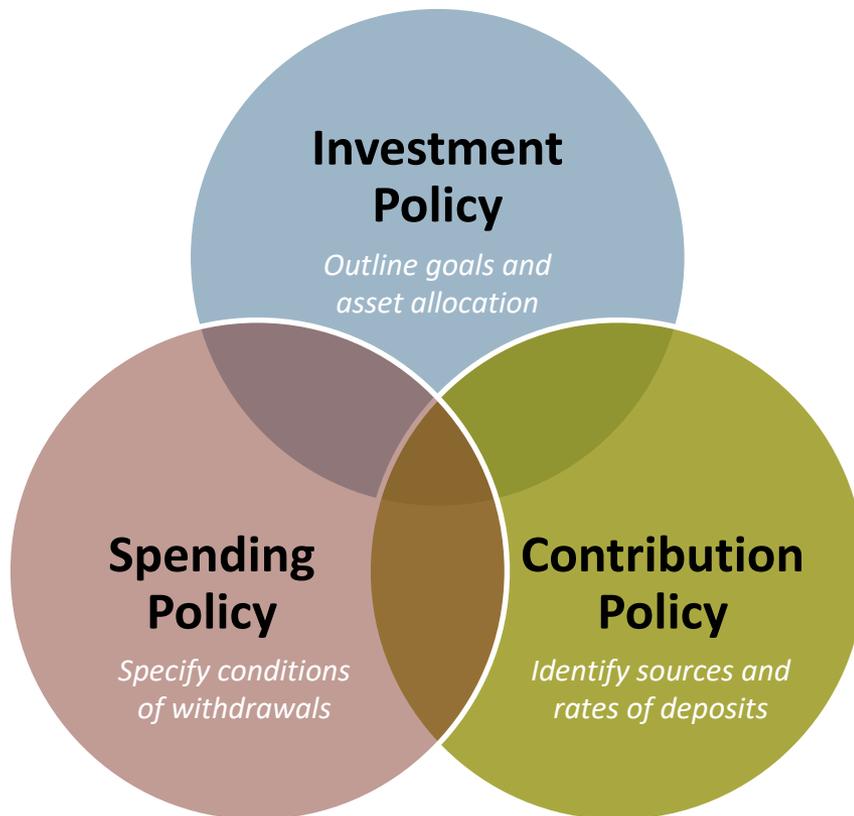
- APCM began managing the **Permanent Fund in 1993**. The portfolio allocation is constructed based upon the goals and constraints outlined in Ordinance 89-1, Section 6.08.010 and the Investment Policy Statement.
- The current allocation is **designed to support reasonable distribution levels**.
- Over an approximate ten-year time horizon, the portfolio is **expected to earn an average of 6.8% per year**.
- Current policy allows for annual distributions of **up to 8%**, however given the 6.8% expected return over the long-term, **a maximum distribution would erode principal**.
- To ensure continued success of the Fund's goals and guard against excess risk, **APCM recommends a formal strategic allocation review based upon current investment goals**.

Asset Class	66% Equity / Current	
Large Cap Equity	36.0%	
Mid Cap Equity	5.0%	
Small Cap Equity	0.0%	
International Equity	10.0%	
Emerging Markets Equity	5.0%	
REITs	10.0%	
U.S. Fixed Income	34.0%	
TIPS	0.0%	
Int'l Fixed Income	0.0%	
Commodities	0.0%	
APCM's Forward Looking Assumptions	Return	6.8%
	Risk	11.5%
	Ratio	0.59

Risk and return data from Windham Portfolio Advisor.

Policy Considerations

Likelihood of Meeting Goals Increases When Policies are in Alignment



Investment Policy

- A purpose of the permanent fund is growth through prudent investment of fund assets.
- Notwithstanding the objectives of the Borough policy for the investment of its operating and other funds set out in Code Section 6.08.010(C), the investment of permanent fund assets shall be made to maintain safety of principal while maximizing total return.

Spending Policy

- The Borough Assembly may only appropriate from the permanent fund as follows: In its discretion and consistent with this Chapter, 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 (5) prior calendar years market value.

Contribution Policy

- Each year until the balance of the account equals or exceeds the account balance goal set out in section 6.04.041B the mayor may propose in the budget submitted to the Assembly a deposit to the permanent fund account of excess moneys from the General Fund at the close of the Borough's fiscal year.

What are the priorities?

*Asset
Preservation*

*Budgetary
Stability*

*Intergenerational
Equity*

- Is it more important to **grow or maintain** the value of the fund?
- What percentage of the **budget** does the fund support?
- How much **variability** in the level of **spending** is acceptable?
- If **maintaining** the value of the fund is a priority, is it the maintenance of **nominal or real purchasing** value?

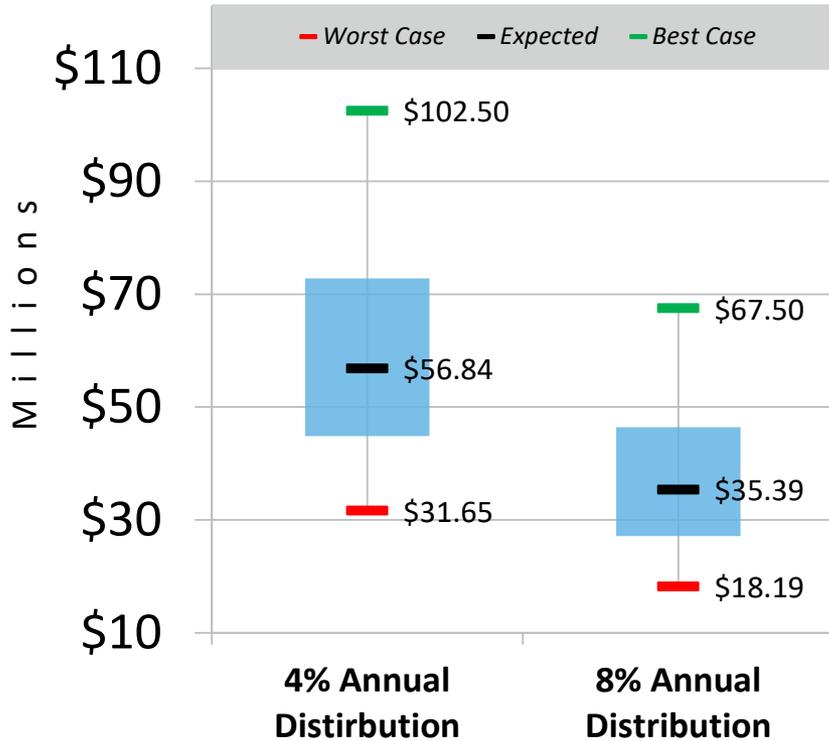
What is a sustainable rate?

- A sustainable rate ultimately depends upon the following factors: **capital market assumptions, time horizon, asset allocation, and ability/willingness to handle shortfall risk.**
- Findings from both **Monte Carlo analysis** and an examination of over **100 years of historical data** indicate that **4.0% is a safe annual withdrawal rate.***
- It is worth noting that there are **no similar historical periods** that recreate the current environment's **elevated valuations and extremely low interest rates.**
- Historically though, **a 4% rate does have some cushion** that should help in accommodating the uncertainty associated with current markets.

* *Are Safe Withdrawal Rates Still Relevant in Today's Low-Return Environment?*, Michael E. Kitces, September 2013

Wealth Simulation 10 Year Horizon

Aleutians East Borough Permanent Fund



Confidence Level <i>Likelihood of Achieving this Market Value or Better Out of 5,000 Trials</i>			66% Equity	
			4% Annual Distribution	8% Annual Distribution
Best Case	5%	250/5,000	\$102,495,000	\$67,497,500
	25%	1,250/5,000	\$72,779,340	\$46,421,770
	50%	2,500/5,000	\$56,839,470	\$35,385,320
Expected	75%	3,750/5,000	\$44,867,360	\$27,122,880
	95%	4,750/5,000	\$31,645,170	\$18,186,540
Worst Case				

66% Equity/Current	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
4% Annual (MMs)	\$1.90	\$1.94	\$1.96	\$1.99	\$2.05	\$2.09	\$2.13	\$2.18	\$2.23	\$2.28
8% Annual (MMs)	\$3.81	\$3.82	\$3.80	\$3.77	\$3.75	\$3.66	\$3.56	\$3.46	\$3.39	\$3.29

Data: Windham Portfolio Advisor. Simulation method: Monte Carlo. Portfolio starting value of \$46.3MM. Annual withdrawals based on a 5 year moving average with no contributions. Cash flows are at a 50% confidence level.

Spending Policy Considerations

- The **spending rate** has much **more impact** than the particular **structure** employed in making the calculation.
- The goal is to achieve a **balance of asset preservation, budgetary stability, and intergenerational equity** over the long term.
- **Changing asset allocation** will effect the level and volatility of both the portfolio and distributions, however it **won't change the relative relationship between various spending methodologies**.
- **Spending** can vary so that it **increases modestly** during good times and is **maintained during periods of market stress**.
- The **spending rate** on average should be **less than** the **real rate of portfolio return**.

What do other Alaskan governments do?

Entity	Account Type	Distribution Rate		Calculation Method	Additional Rules or Constraints
		Min	Max		
City of Fairbanks	Permanent Fund	0%	4%	5 Year moving average based on year end audited numbers	An additional 0.5% can be withdrawn for non-operational capital needs.
City of Kenai	Permanent Fund	0%	5%	5 Year moving average based on calendar year end	Distributions cannot exceed actual calendar year earnings.
Municipality of Anchorage	Trust Fund	0%	5%	20 Quarter average as of the end of March	Distributions are limited at 4% until the 12/31/2007 balance is reestablished. Spending of corpus outside of the regular distribution policy requires voter approval.

Follow Up Items

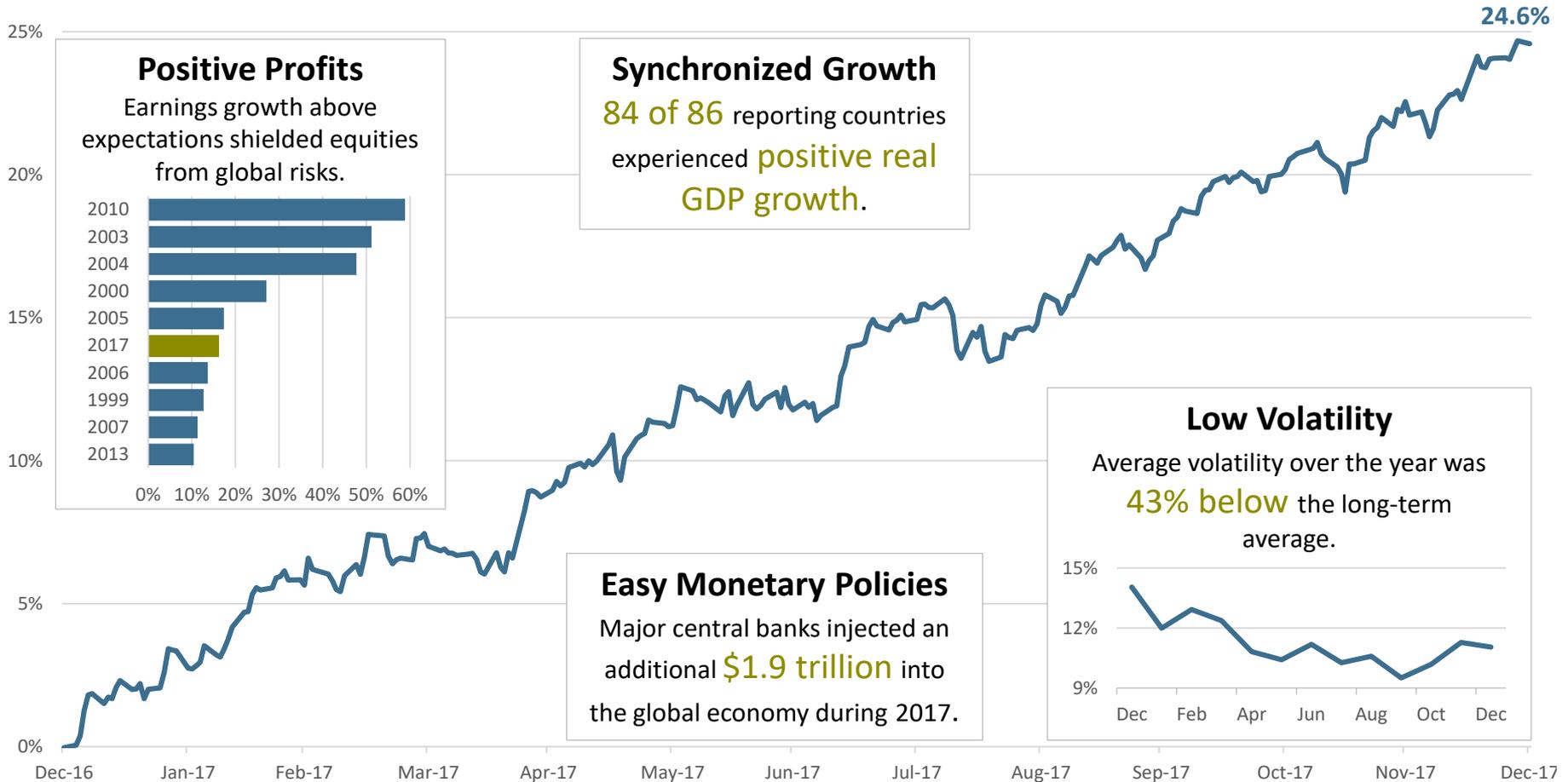
- **Consider updating policies** (Investment, Contribution, and Spending) to reflect the current goals and constraints of the Permanent Fund.
- APCM can provide further support and modeling tools to assist the Assembly in **bringing policies into alignment and determining a sustainable distribution policy.**
- **Consider a formal strategic allocation review.**
 - Adding additional asset classes may provide **incremental improvements** to expected risk and/or return.
 - APCM has been monitoring two key industry advancements which are **creating interesting investment opportunities for our clients.**
 - These advancements are timely and offer investment options to **address key challenges in our cyclical and secular outlooks.**

Appendix

Four Key Themes Over the Past Year

Fundamentals drove equities higher.

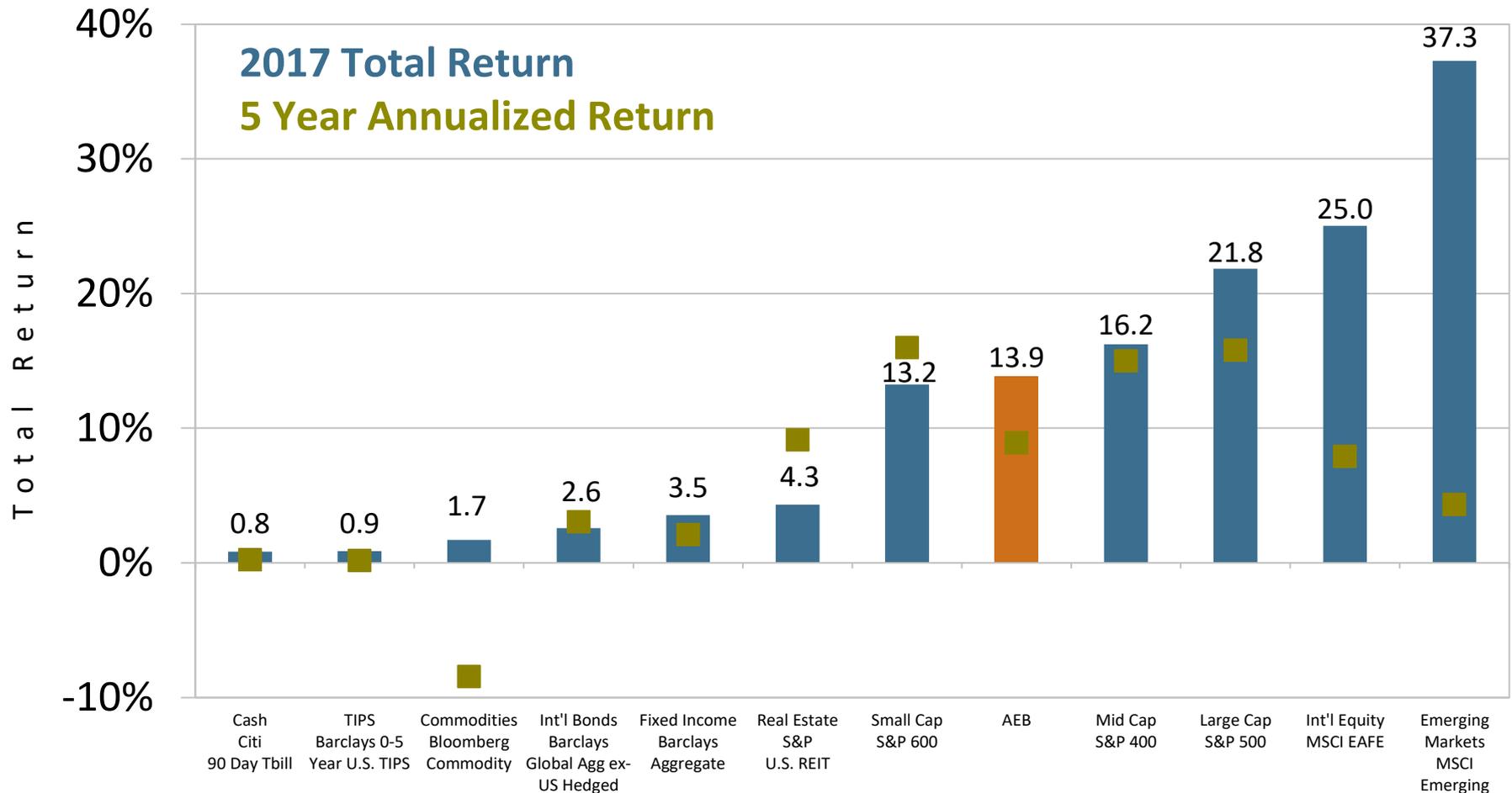
Markets Went Up, Data Backed It Up



The MSCI All Country World Index is used as a proxy for global equities. Volatility measured with the VIX Index.

Asset Class Performance as of December 31, 2017

International markets led equities higher in 2017.



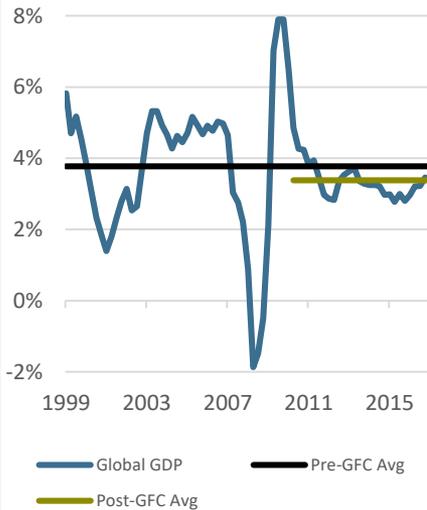
Asset class performance is represented by the stated index return.
AEB performance is gross of fees and annualized for periods over one year.

Cautious Optimism

Economy and earnings versus late cycle risks.

Economy

Extended cycle



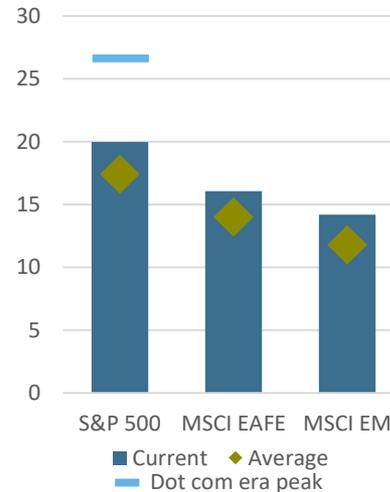
Earnings

Lofty expectations



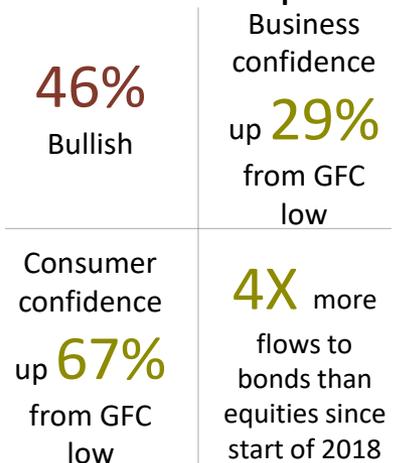
Valuations

Rates support full valuations



Technicals

Favorable backdrop for unloved equities



Long-term, the global cyclical upturn in growth will be challenged by high debt levels (235% of GDP) and deteriorating demographics. Productivity growth could improve this outlook should relevant cyclical forces provide a boost.

*Maintain a modest overweight to international stocks • Gradually move towards neutral as the cycle matures
Rebalance regularly to harvest gains and control risk • Expect modest returns relative to history*

Model Portfolios

Asset Class	25% Equity	40% Equity	55% Equity	70% Equity	85% Equity	
U.S. Equity						
International Equity						
REITs						
Commodities						
Fixed Income						
APCM's Forward Looking Assumptions	Return	4.3%	5.1%	6.0%	6.9%	7.9%
	Risk	5.2%	7.2%	9.7%	12.1%	14.9%
	Range*	-6.1 to 14.7%	-9.3 to 19.5%	-13.4 to 25.4%	-17.3 to 31.1%	-21.9 to 37.7%
Annualized Historical Returns 9/1997 - 12/2016	Return	5.6%	5.9%	6.2%	6.5%	6.8%
	Risk	4.4%	6.4%	8.8%	11.2%	14.1%
	Ratio	1.27	0.91	0.71	0.58	0.48
Best 12 Month Period	16.8%	22.4%	30.0%	38.7%	50.0%	
Worst 12 Month Period	-11.3%	-18.7%	-26.5%	-34.2%	-41.4%	

Risk and return data from Windham Portfolio Advisor. U.S. Equity includes a blend of large, mid, and small cap stocks. International Equity includes developed and emerging markets. Fixed Income can include U.S. aggregate bonds, U.S. TIPS, international bonds, and cash.

*Range denotes the possible return range at the 95% confidence level.

Asset Allocation Considerations

Aleutians East Borough Permanent Fund

Factors

AEB Permanent Fund

T	Time Horizon	Perpetual
R	Risk Tolerance	Commensurate with Return Objective
E	Expected Return	Commensurate with Distribution Rate <i>Maximum of 8% Per Year</i>
A	Asset Class Preference	Domestic Equity (large/mid), International Equity (developed/emerging), REITs, U.S. Fixed Income
T	Tax Status	Tax Exempt

Portfolio Appraisal

ALEUTIANS EAST BOROUGH

December 31, 2017



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
FNMA & FHLMC									
23,613	FHLMC POOL G14203 4.000% Due 04-01-26	104.56	24,691	104.27	24,623	0.05	945	79	1.43
225,681	FNCI POOL AS6305 3.000% Due 12-01-30	103.77	234,179	101.91	229,991	0.50	6,770	564	NA
257,824	FNCI POOL BC2737 2.500% Due 05-01-31 Accrued Interest	103.04	265,649	99.89	257,548	0.56	6,446	537	NA
					1,180	0.00			
			524,518		513,341	1.11		1,180	
CASH AND EQUIVALENTS									
	CASH RECEIVABLE		5,687		5,687	0.01			
	FEDERATED GOVERNMENT OBLIGATIONS INSTITUTI		712,838		712,838	1.54			
			718,526		718,526	1.55			
CORPORATE BONDS									
150,000	COMMONWEALTH EDISON 6.950% Due 07-15-18	123.20	184,800	102.70	154,044	0.33	10,425	4,807	1.89
150,000	TOYOTA MOTOR CREDIT CORP 2.100% Due 01-17-19	100.48	150,718	100.23	150,343	0.32	3,150	1,435	1.87
150,000	MICROSOFT CORP 4.200% Due 06-01-19	117.24	175,854	103.04	154,566	0.33	6,300	525	2.00
200,000	TORONTO-DOMINION BANK 2.250% Due 09-25-19	101.89	203,782	100.03	200,052	0.43	4,500	1,200	2.23
150,000	HSBC USA INC 2.375% Due 11-13-19	99.61	149,412	100.12	150,174	0.32	3,562	475	2.31
200,000	ENTERPRISE PRODUCTS OPER 5.200% Due 09-01-20	112.75	225,494	106.84	213,686	0.46	10,400	3,467	2.53
250,000	PNC BANK NA 2.450% Due 11-05-20	99.72	249,300	100.15	250,375	0.54	6,125	953	2.39
150,000	NBC UNIVERSAL MEDIA LLC 4.375% Due 04-01-21	109.20	163,806	105.99	158,982	0.34	6,562	1,641	2.44
150,000	AMERICAN EXPRESS CREDIT 2.250% Due 05-05-21	99.92	149,887	99.21	148,816	0.32	3,375	525	2.49
100,000	MORGAN STANLEY 5.500% Due 07-28-21	114.98	114,982	109.38	109,384	0.24	5,500	2,337	2.72
150,000	GILEAD SCIENCES INC 1.950% Due 03-01-22	96.28	144,423	97.58	146,365	0.32	2,925	975	2.56

* Callable security

Portfolio Appraisal

ALEUTIANS EAST BOROUGH

December 31, 2017



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
120,092	SOUTHWEST AIRLS 2007-1 PASS 6.150% Due 08-01-22	102.36	122,929	108.77	130,625	0.28	7,386	3,077	4.03
150,000	BANK AMER CORP 3.300% Due 01-11-23	99.34	149,014	102.30	153,450	0.33	4,950	2,337	2.80
150,000	COMCAST CORP 2.850% Due 01-15-23	101.83	152,752	100.80	151,201	0.33	4,275	1,971	2.68
150,000	AVALONBAY COMMUNITIES 2.850% Due 03-15-23	100.82	151,224	99.77	149,662	0.32	4,275	1,259	2.89
150,000	DISCOVERY COMMUNICATIONS 3.250% Due 04-01-23	98.88	148,320	99.73	149,590	0.32	4,875	1,219	3.30
150,000	NEWELL BRANDS INC 3.850% Due 04-01-23	106.01	159,022	103.48	155,214	0.33	5,775	1,444	3.12
150,000	Waste Management Inc 2.400% Due 05-15-23	100.24	150,358	98.06	147,088	0.32	3,600	460	2.79
150,000	AFLAC INC 3.625% Due 06-15-23	106.03	159,048	103.85	155,769	0.34	5,437	242	2.86
150,000	BANK OF NEW YORK MELLON 2.200% Due 08-16-23	97.83	146,749	96.92	145,381	0.31	3,300	1,237	2.79
150,000	JPMORGAN CHASE & CO 3.875% Due 02-01-24	105.18	157,771	105.09	157,641	0.34	5,812	2,422	2.95
150,000	METLIFE INC 3.600% Due 04-10-24	105.46	158,197	104.62	156,925	0.34	5,400	1,215	2.79
150,000	PRUDENTIAL FINANCIAL INC 3.500% Due 05-15-24	103.15	154,719	103.87	155,802	0.34	5,250	671	2.83
150,000	WELLS FARGO & COMPANY 3.300% Due 09-09-24	99.88	149,823	101.55	152,326	0.33	4,950	1,540	3.04
150,000	REYNOLDS AMERICAN INC 4.450% Due 06-12-25	108.47	162,700	106.62	159,937	0.34	6,675	352	3.43
150,000	APPLIED MATERIALS INC 3.900% Due 10-01-25	107.96	161,934	106.14	159,213	0.34	5,850	1,462	3.00
150,000	ANHEUSER-BUSCH INBEV FIN 3.650% Due 02-01-26	103.01	154,519	103.20	154,797	0.33	5,475	2,281	3.20
150,000	TARGET CORP 2.500% Due 04-15-26	96.45	144,670	96.15	144,219	0.31	3,750	792	3.03
150,000	LOWE'S COS INC 3.100% Due 05-03-27	100.05	150,073	100.35	150,531	0.32	4,650	749	3.05
	Accrued Interest				43,071	0.09			
			4,646,286		4,609,234	9.94		43,071	

* Callable security

Portfolio Appraisal

ALEUTIANS EAST BOROUGH

December 31, 2017



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
93,000	FLEXSHARES QUAL DIV ETF	39.75	3,696,629	45.03	4,187,790	9.03	NA		
52,513	VANGUARD INST'L S&P500 INDEX FUND	110.70	5,812,914	243.46	12,784,774	27.57	NA		
			9,509,543		16,972,564	36.60			
DOMESTIC MID CAP EQUITY FUNDS/ETF									
15,400	ISHARES CORE S&P MIDCAP 400 ETF	98.53	1,517,430	189.78	2,922,612	6.30	NA		
INTERNATIONAL EQUITY FUNDS/ETF									
73,550	ISHARES ETF CORE MSCI EAFE	49.31	3,626,882	66.09	4,860,919	10.48	NA		
EMERGING MARKET FUNDS/ETF									
40,750	ISHARES ETF CORE MSCI EMERGING MKTS	35.30	1,438,617	56.90	2,318,675	5.00	NA		
REAL ESTATE									
49,675	VANGUARD REIT ETF	58.73	2,917,458	82.98	4,122,031	8.89	NA		
U.S. TREASURY									
750,000	US TREASURY NOTES 1.125% Due 06-15-18	100.01	750,084	99.84	748,830	1.62	8,437	394	1.47
700,000	US TREASURY NOTES 0.875% Due 10-15-18	100.06	700,437	99.35	695,464	1.50	6,125	1,312	1.71
400,000	US TREASURY NOTES 1.500% Due 10-31-19	99.81	399,234	99.31	397,252	0.86	6,000	1,028	1.88
525,000	US TREASURY NOTES 3.500% Due 05-15-20	108.96	572,046	103.66	544,194	1.17	18,375	2,386	1.92
500,000	US TREASURY NOTES 1.375% Due 05-31-20	98.87	494,348	98.72	493,595	1.06	6,875	608	1.92
700,000	US TREASURY NOTES 1.625% Due 06-30-20	101.20	708,434	99.26	694,834	1.50	11,375	31	1.93
700,000	US TREASURY NOTES 2.125% Due 08-15-21	99.75	698,259	100.14	701,015	1.51	14,875	5,619	2.08
625,000	US TREASURY NOTES 2.000% Due 10-31-21	101.35	633,457	99.57	622,312	1.34	12,500	2,163	2.12
700,000	US TREASURY NOTES 1.750% Due 03-31-22	100.32	702,242	98.36	688,513	1.48	12,250	3,130	2.16
400,000	US TREASURY NOTES 2.500% Due 08-15-23	99.00	395,982	101.36	405,424	0.87	10,000	3,777	2.24

* Callable security

Portfolio Appraisal

ALEUTIANS EAST BOROUGH

December 31, 2017



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
250,000	US TREASURY NOTES 2.125% Due 11-30-23	98.54	246,357	99.18	247,960	0.53	5,312	470	2.27
450,000	US TREASURY NOTES 2.375% Due 08-15-24	100.23	451,020	100.32	451,440	0.97	10,687	4,037	2.32
650,000	US TREASURY NOTES 2.000% Due 08-15-25	97.16	631,537	97.49	633,672	1.37	13,000	4,910	2.36
500,000	US TREASURY NOTES 1.625% Due 02-15-26	102.28	511,387	94.44	472,190	1.02	8,125	3,069	2.38
250,000	US TREASURY NOTES 1.500% Due 08-15-26	99.48	248,691	93.04	232,597	0.50	3,750	1,416	2.40
250,000	US TREASURY NOTES 2.000% Due 11-15-26	97.14	242,861	96.78	241,942	0.52	5,000	649	2.41
100,000	US TREASURY NOTES 2.250% Due 02-15-27 Accrued Interest	100.24	100,242	98.69	98,688	0.21	2,250	850	2.41
					<u>35,849</u>	<u>0.08</u>			
			8,486,620		8,405,773	18.13		35,849	
AGENCIES									
200,000	FHLMC 1.700% Due 09-29-20	99.73	199,460	98.82	197,644	0.43	3,400	869	2.14
225,000	FEDERAL HOME LOAN BANK - STEP UP 2.000% Due 11-14-22	99.85	224,662	99.48	223,828	0.48	4,500	587	2.11
500,000	FEDERAL FARM CREDIT BANK 2.850% Due 04-24-25 Accrued Interest	100.00	500,000	99.54	497,705	1.07	14,250	2,652	2.92
					<u>4,108</u>	<u>0.01</u>			
			924,122		923,285	1.99		4,108	
TOTAL PORTFOLIO			34,310,002		46,366,961	100	345,759	84,209	

* Callable security

PERFORMANCE HISTORY

GROSS OF FEES

ALEUTIANS EAST BOROUGH

Gross of Fees

Time Period	Percent Return Per Period													
	Total Account	BLEND	Fixed Income	BB BARC INT G/C BENCH	Domestic Large Cap Equity	S&P 500 LARGE CAPS BENCH	Domestic Mid Cap Equity	S&P 400 MIDCAP BENCH	Int'l Equity	MSCI EAFE Index	Real Estate	S&P US REIT BENCH	Emerging Market Equity	MSCI EMERGING MARKET BENCH
12-31-16 to 01-31-17	1.43	1.39	0.20	0.27	1.80	1.90	1.55	1.68	3.37	2.90	-0.27	-0.34	6.52	5.47
01-31-17 to 02-28-17	2.25	2.39	0.35	0.46	3.95	3.97	2.48	2.62	1.30	1.43	3.51	3.73	2.03	3.06
02-28-17 to 03-31-17	0.25	0.17	0.07	0.04	0.03	0.12	-0.40	-0.39	3.19	2.75	-2.44	-2.70	3.53	2.52
03-31-17 to 04-30-17	0.94	0.99	0.56	0.62	0.87	1.03	0.80	0.84	2.71	2.54	0.24	0.01	1.90	2.19
04-30-17 to 05-31-17	0.90	1.08	0.45	0.50	1.03	1.41	-0.44	-0.49	3.53	3.67	-0.72	-0.85	2.34	2.96
05-31-17 to 06-30-17	0.60	0.51	-0.23	-0.18	0.73	0.62	1.58	1.62	0.38	-0.18	2.24	2.34	1.13	1.01
06-30-17 to 07-31-17	1.58	1.64	0.42	0.46	1.91	2.06	0.89	0.88	2.81	2.88	1.24	1.12	5.50	5.96
07-31-17 to 08-31-17	0.23	0.30	0.63	0.59	0.03	0.31	-1.53	-1.53	0.11	-0.04	-0.26	-0.38	2.31	2.23
08-31-17 to 09-30-17	1.19	1.02	-0.46	-0.45	2.38	2.06	3.89	3.92	2.39	2.49	-0.11	0.11	0.02	-0.40
09-30-17 to 10-31-17	1.06	1.16	-0.01	-0.01	1.84	2.33	2.27	2.26	1.68	1.52	-1.07	-1.17	3.17	3.51
10-31-17 to 11-30-17	1.71	1.57	-0.32	-0.31	3.37	3.07	3.73	3.68	0.89	1.05	2.66	2.72	0.13	0.20
11-30-17 to 12-31-17	0.91	0.77	0.15	0.11	1.40	1.11	0.26	0.22	1.51	1.61	-0.17	-0.16	3.64	3.59
Date to Date														
12-31-16 to 12-31-17	13.85	13.78	1.82	2.14	21.05	21.83	15.99	16.24	26.58	25.03	4.79	4.33	37.14	37.28

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.

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.

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

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

ALEUTIANS EAST BOROUGH, ALASKA

Basic Financial Statements,
Required Supplementary Information,
and Compliance Reports

Year ended June 30, 2017

DRAFT



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.

Honorable Mayor and Borough Assembly
Aleutians East Borough, Alaska

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.

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

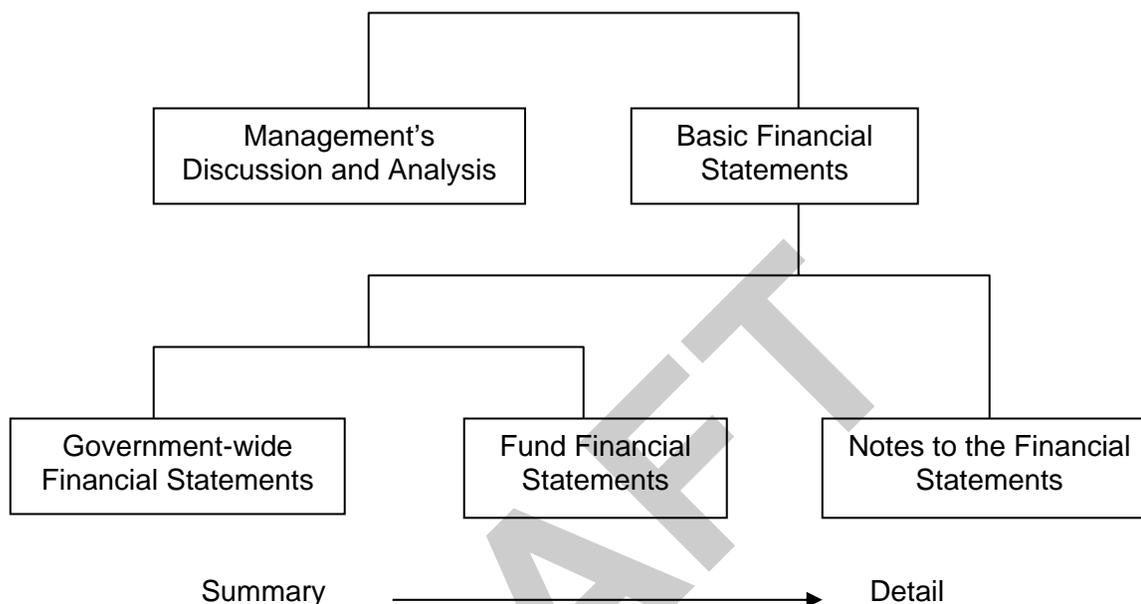
This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements. The Borough's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see 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.

ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Required Components of Annual Financial Report
Figure 1



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.

ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Government-wide Financial Statements, continued

Government-wide statements are divided into three categories: governmental activities, business-type activities, 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.

THE ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

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
	<u> </u>	<u> </u>
Current and other assets	\$ 60,410,762	56,902,768
Capital assets	<u>76,339,238</u>	<u>78,089,491</u>
Total assets	<u>136,750,000</u>	<u>134,992,259</u>
Deferred outflows	<u>425,575</u>	<u>231,614</u>
<i>Total assets and deferred outflows</i>	<u>\$ 137,175,575</u>	<u>270,216,132</u>
Liabilities	<u>\$ 32,935,932</u>	<u>34,030,830</u>
Deferred inflows	<u>25,320</u>	<u>210,574</u>
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	<u>12,190,236</u>	<u>598,130</u>
<i>Total net position</i>	<u>104,214,323</u>	<u>91,527,361</u>
Total Liabilities, deferred inflows, and net position	<u>\$ 137,175,575</u>	<u>125,768,765</u>

ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

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
<i>Total revenues</i>	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
<i>Total expenses</i>	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

THE ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

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.

ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

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.

THE ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

CAPITAL ASSET AND DEBT ADMINISTRATION, continued
Capital Assets, continued

Capital Assets
Figure 4

	Capital Assets, Depreciated							Totals
	Capital Assets, Not Depreciated -		Furniture and Equipment			Infrastructure Construction	Access Road Construction	
	Land	Buildings	Infrastructure	Equipment	Vehicles	in Process	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)
<i>Balance, June 30, 2017</i>	<u>5,323,074</u>	<u>48,219,526</u>	<u>77,178,038</u>	<u>244,298</u>	<u>405,021</u>	<u>-</u>	<u>-</u>	<u>131,369,957</u>
Accumulated depreciation -								
Balance, June 30, 2017	-	(38,231,279)	(26,587,964)	(223,368)	(282,207)	-	-	(65,324,818)
<i>Capital assets, net</i>	<u>5,323,074</u>	<u>9,988,247</u>	<u>50,590,074</u>	<u>20,930</u>	<u>122,814</u>	<u>-</u>	<u>-</u>	<u>66,045,139</u>
Total governmental activities:	<u>\$ 5,323,074</u>	<u>9,988,247</u>	<u>50,590,074</u>	<u>20,930</u>	<u>122,814</u>	<u>-</u>	<u>-</u>	<u>66,045,139</u>
Business-type activities:								
Balance, June 30, 2016	\$ -	7,403,571	-	5,138,915	-	-	-	12,542,486
Decreases	-	-	-	(41,359)	-	-	-	(41,359)
<i>Balance, June 30, 2017</i>	<u>-</u>	<u>7,403,571</u>	<u>-</u>	<u>5,097,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,501,127</u>
Accumulated depreciation -								
Balance, June 30, 2017	-	(2,141,991)	-	(65,037)	-	-	-	(2,207,028)
<i>Capital assets, net</i>	<u>-</u>	<u>5,261,580</u>	<u>-</u>	<u>5,032,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,294,099</u>
Total business-type activities:	<u>-</u>	<u>5,261,580</u>	<u>-</u>	<u>5,032,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,294,099</u>
Total primary government:	<u>\$ 5,323,074</u>	<u>15,249,827</u>	<u>50,590,074</u>	<u>5,053,449</u>	<u>122,814</u>	<u>-</u>	<u>-</u>	<u>76,339,238</u>
Component units:								
Balance, June 30, 2016	\$ -	-	-	907,283	-	-	-	907,283
Decreases	-	-	-	(32,929)	-	-	-	(32,929)
<i>Balance, June 30, 2017</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,354</u>
Accumulated depreciation -								
Balance, June 30, 2017	-	-	-	(643,234)	-	-	-	(643,234)
<i>Capital assets, net</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,120</u>
Total component unit:	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>231,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,120</u>
Total government-wide activity:	<u>\$ 10,646,148</u>	<u>25,238,074</u>	<u>101,180,148</u>	<u>5,305,499</u>	<u>245,628</u>	<u>-</u>	<u>-</u>	<u>142,615,497</u>

ALEUTIANS EAST BOROUGH, ALASKA

Management's Discussion and Analysis, continued

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	<u>\$ 27,275,000</u>	<u>19,912,075</u>	<u>(21,269,920)</u>	<u>25,917,155</u>	<u>1,614,395</u>

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.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit A-1

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	-	-	-	-
Prepays	-	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
<i>Total receivables</i>	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
<i>Total capital assets</i>	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	-
<i>Total deferred outflows</i>	862,971	-	862,971	1,256,710
	<u>\$ 126,857,880</u>	<u>10,317,695</u>	<u>137,175,575</u>	<u>5,327,161</u>
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	-
<i>Total current liabilities</i>	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
<i>Total noncurrent liabilities</i>	26,342,857	-	26,342,857	4,690,011
<i>Total liabilities</i>	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)
<i>Total net position</i>	93,896,812	10,317,511	104,214,323	(482,720)
	<u>\$ 126,857,880</u>	<u>10,317,695</u>	<u>137,175,575</u>	<u>5,327,161</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Government-wide Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					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)	-
<i>Total governmental activities</i>	<u>12,083,915</u>	<u>-</u>	<u>1,390,352</u>	<u>2,102,757</u>	<u>(8,590,806)</u>	<u>-</u>	<u>(8,590,806)</u>	<u>-</u>
Business-type activities:								
Hovercraft & Terminal	2,265,710	611,695	-	-	-	(1,654,015)	(1,654,015)	-
<i>Total primary government</i>	<u>14,349,625</u>	<u>611,695</u>	<u>1,390,352</u>	<u>2,102,757</u>	<u>(8,590,806)</u>	<u>(1,654,015)</u>	<u>(10,244,821)</u>	<u>-</u>
Component unit - School District	\$ 9,720,899	91,065	267,268	-	-	-	-	(9,362,566)
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
<i>Total general revenues</i>					<u>12,785,568</u>	<u>8,775</u>	<u>12,794,343</u>	<u>9,025,708</u>
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								
					<u>91,054,750</u>	<u>10,610,051</u>	<u>101,664,801</u>	<u>(145,862)</u>
Net position, end of year					<u>\$ 93,896,812</u>	<u>10,317,511</u>	<u>104,214,323</u>	<u>(482,720)</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit B-1

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
<i>Total receivables</i>	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
	<u>\$ 15,726,364</u>	<u>1,447,139</u>	<u>43,781,424</u>	<u>-</u>	<u>7,052,466</u>	<u>48,895</u>	<u>280,770</u>	<u>68,337,058</u>
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
<i>Total liabilities</i>	<u>7,338</u>	<u>2,907,911</u>	<u>2,460,190</u>	<u>-</u>	<u>7,681,138</u>	<u>237,685</u>	<u>-</u>	<u>13,294,262</u>
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
<i>Total fund balances (deficits)</i>	<u>15,719,026</u>	<u>(1,460,772)</u>	<u>41,321,234</u>	<u>-</u>	<u>(628,672)</u>	<u>(188,790)</u>	<u>280,770</u>	<u>55,042,796</u>
	<u>\$ 15,726,364</u>	<u>1,447,139</u>	<u>43,781,424</u>	<u>-</u>	<u>7,052,466</u>	<u>48,895</u>	<u>280,770</u>	<u>68,337,058</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit B-2

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	<u>437,396</u>
Total deferred outflows	<u>862,971</u>

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	<u>(2,040,097)</u>
Total long-term liabilities	<u>(28,028,774)</u>

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	<u>(25,320)</u>
------------------------	-----------------

Net position of governmental activities \$ 93,896,812

See accompanying notes to financial statements.

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
<i>Total revenues</i>	<u>9,423,414</u>	<u>2,853,904</u>	<u>3,837,154</u>	<u>-</u>	<u>93,976</u>	<u>27,950</u>	<u>-</u>	<u>16,236,398</u>
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
<i>Total expenditures</i>	<u>3,776,718</u>	<u>4,474,599</u>	<u>39,569</u>	<u>2,528,763</u>	<u>47,586</u>	<u>1,376,565</u>	<u>-</u>	<u>12,243,800</u>
Excess of revenues over (under) expenditures	<u>5,646,696</u>	<u>(1,620,695)</u>	<u>3,797,585</u>	<u>(2,528,763)</u>	<u>46,390</u>	<u>(1,348,615)</u>	<u>-</u>	<u>3,992,598</u>
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)
<i>Total other financing sources (uses)</i>	<u>(3,916,717)</u>	<u>-</u>	<u>(1,355,411)</u>	<u>2,593,696</u>	<u>-</u>	<u>1,355,411</u>	<u>-</u>	<u>(1,323,021)</u>
Net change in fund balances	<u>1,729,979</u>	<u>(1,620,695)</u>	<u>2,442,174</u>	<u>64,933</u>	<u>46,390</u>	<u>6,796</u>	<u>-</u>	<u>2,669,577</u>
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	<u>13,989,047</u>	<u>159,923</u>	<u>38,879,060</u>	<u>(64,933)</u>	<u>(675,062)</u>	<u>(195,586)</u>	<u>280,770</u>	<u>52,373,219</u>
Fund balances (deficits), end of year	<u>\$ 15,719,026</u>	<u>(1,460,772)</u>	<u>41,321,234</u>	<u>-</u>	<u>(628,672)</u>	<u>(188,790)</u>	<u>280,770</u>	<u>55,042,796</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit B-4

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.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit C-1

Proprietary Funds - Enterprise Funds

Statement of Net Position

June 30, 2017

	Hovercraft	Terminal	Helicopter	Total
Assets				
Current:				
Prepays	\$ 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
<i>Total current assets</i>	<u>5,052,319</u>	<u>27,986</u>	<u>-</u>	<u>5,080,305</u>
Non-Current:				
Equipment, net of accumulated depreciation	-	5,261,580	32,519	5,294,099
<i>Total assets</i>	<u>\$ 5,052,319</u>	<u>5,289,566</u>	<u>32,519</u>	<u>10,374,404</u>
Liabilities				
Current:				
Accounts payable	\$ -	-	184	184
Due to other funds	-	-	56,709	56,709
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>56,893</u>	<u>56,893</u>
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
<i>Total net position</i>	<u>5,052,319</u>	<u>5,289,566</u>	<u>(24,374)</u>	<u>10,317,511</u>
	<u>\$ 5,052,319</u>	<u>5,289,566</u>	<u>32,519</u>	<u>10,374,404</u>

See accompanying notes to financial statements.

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
<i>Total operating expenses</i>	<u>-</u>	<u>366,418</u>	<u>1,899,292</u>	<u>2,265,710</u>
Operating income (loss)	<u>-</u>	<u>(224,911)</u>	<u>(1,429,104)</u>	<u>(1,654,015)</u>
Nonoperating expenses:				
Gain on sale of assets	8,775	-	-	8,775
<i>Total nonoperating expenses</i>	<u>8,775</u>	<u>-</u>	<u>-</u>	<u>8,775</u>
Transfers in from (out to) governmental activities	<u>-</u>	<u>-</u>	<u>1,352,700</u>	<u>1,352,700</u>
Net change in net position	<u>8,775</u>	<u>(224,911)</u>	<u>(76,404)</u>	<u>(292,540)</u>
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	<u>5,043,544</u>	<u>5,514,477</u>	<u>52,030</u>	<u>10,610,051</u>
Net positon, end of year	<u>\$ 5,052,319</u>	<u>5,289,566</u>	<u>(24,374)</u>	<u>10,317,511</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit C-3

Proprietary Funds - Enterprise Funds

Statements of Cash Flows

Year Ended June 30, 2017

	<u>Hovercraft</u>	<u>Terminal</u>	<u>Helicopter</u>	<u>Total</u>
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)
<i>Net cash flows from operating activities</i>	<u>(4,723)</u>	<u>-</u>	<u>(1,352,700)</u>	<u>(1,357,423)</u>
Noncapital financing activities				
Transfers (to) from general fund	<u>(21,777)</u>	<u>-</u>	<u>1,352,700</u>	<u>1,330,923</u>
<i>Total cash flows from Noncapital financing activities</i>	<u>(21,777)</u>	<u>-</u>	<u>1,352,700</u>	<u>1,330,923</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	<u>26,500</u>	<u>-</u>	<u>-</u>	<u>26,500</u>
<i>Total cash flows from capital and related financing activities</i>	<u>26,500</u>	<u>-</u>	<u>-</u>	<u>26,500</u>
Net increase (decrease) in cash	-	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>56,709</u>	<u>56,709</u>
Net cash flows from operating activities	<u>\$ (4,723)</u>	<u>-</u>	<u>(1,352,700)</u>	<u>(1,357,423)</u>

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	<u>26,290</u>

Investment earnings:

Net increase in fair value of investments	53,185
Less investment expense	<u>175</u>
Net investment earnings	<u>53,010</u>

Total additions	<u>79,300</u>
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Change in net position	79,300
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Net position restricted for pensions

Beginning of year	<u>622,545</u>
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End of year	<u>\$ 701,845</u>
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See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements

June 30, 2017

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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 expensed 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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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.”

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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:

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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	<u>51,357,793</u>	<u>51,357,793</u>
	<u>\$ 60,901,641</u>	<u>62,130,610</u>

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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		<u>(47,600)</u>
	\$	<u>3,877,307</u>

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		<u>27,390</u>
	\$	<u>3,877,307</u>

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ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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)	-
<i>Total capital assets not being depreciated</i>	<u>21,783,222</u>	<u>919,860</u>	<u>(17,380,008)</u>	<u>5,323,074</u>
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)
<i>Total capital assets, being depreciated, net</i>	<u>45,816,700</u>	<u>14,905,365</u>	<u>-</u>	<u>60,722,065</u>
<i>Total governmental activities, net</i>	<u>\$ 67,599,922</u>	<u>15,825,225</u>	<u>(17,380,008)</u>	<u>66,045,139</u>
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)
<i>Total Business-type activities, net</i>	<u>\$ 10,584,232</u>	<u>(272,408)</u>	<u>(17,724)</u>	<u>10,294,100</u>

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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
<i>Total major funds</i>	8,119,158	8,387,288
Nonmajor funds:		
King Cove Access Project	280,770	-
<i>Total nonmajor funds</i>	280,770	-
<i>Total governmental funds</i>	8,399,928	8,387,288
Enterprise funds:		
Hovercraft	21,777	-
Terminal	22,292	-
Helicopter	-	56,709
<i>Total enterprise funds</i>	44,069	56,709
<i>Total</i>	\$ 8,443,997	8,443,997

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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
	<u>\$ 3,916,717</u>	<u>1,355,411</u>	<u>5,272,128</u>

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	<u>\$ 27,275,000</u>	<u>19,912,075</u>	<u>(21,269,920)</u>	<u>25,917,155</u>	<u>1,614,395</u>

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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	<u>16,890,000</u>
Total bonds payable	<u><u>\$ 23,275,000</u></u>

Annual required installments on all Borough general obligation bonds as of June 30th are as follows:

	Principal	Interest	Total
Year ending			
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	<u>5,430,000</u>	<u>348,274</u>	<u>5,778,274</u>
	<u><u>\$ 23,275,000</u></u>	<u><u>7,847,698</u></u>	<u><u>31,122,698</u></u>

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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
	<u>\$ 1,403,000</u>	<u>4,514,168</u>	<u>3,111,168</u>

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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:

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

NOTE 8 – PENSION AND POST EMPLOYMENT HEALTHCARE BENEFIT PLAN, continued

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
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	<u>117,153</u>	<u>-</u>
Total	<u>\$ 425,505</u>	<u>25,320</u>

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>		
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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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):

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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%).

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Financial Statements, continued

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, Beginning of year	Prior Period Adjustments	Net position, beginning 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 activities	10,592,326	17,725	10,610,051
Total	\$ 100,982,469	682,332	101,664,801

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal government:				
Payment in lieu of taxes	\$ 559,000	596,828	596,828	-
<i>Total federal government</i>	<u>559,000</u>	<u>596,828</u>	<u>596,828</u>	<u>-</u>
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	-
<i>Total State of Alaska</i>	<u>3,836,874</u>	<u>3,118,556</u>	<u>3,508,026</u>	<u>389,470</u>
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
<i>Total revenues</i>	<u>7,702,909</u>	<u>8,856,524</u>	<u>9,423,414</u>	<u>566,890</u>
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	-
<i>Total mayor's office</i>	<u>267,736</u>	<u>269,182</u>	<u>269,179</u>	<u>3</u>
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
<i>Total assembly</i>	<u>148,000</u>	<u>193,267</u>	<u>193,266</u>	<u>1</u>

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	-	-	-
<i>Total clerk and planning management</i>	<u>241,906</u>	<u>185,301</u>	<u>185,295</u>	<u>6</u>
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	-
<i>Total administration</i>	<u>359,457</u>	<u>347,249</u>	<u>347,243</u>	<u>6</u>
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
<i>Total assistant administrator</i>	<u>148,666</u>	<u>172,636</u>	<u>170,449</u>	<u>2,187</u>
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	-

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit E-1,
continued

General Fund

*Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual, continued*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	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
<i>Total finance</i>	<u>252,736</u>	<u>304,333</u>	<u>304,328</u>	<u>5</u>
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	-
<i>Total resource department</i>	<u>200,927</u>	<u>169,732</u>	<u>169,731</u>	<u>1</u>
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
<i>Total communications manager</i>	<u>177,013</u>	<u>166,575</u>	<u>166,569</u>	<u>6</u>
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
<i>Total public works</i>	<u>111,759</u>	<u>167,472</u>	<u>167,468</u>	<u>4</u>

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	-
<i>Total special assistant</i>	<u>112,500</u>	<u>140,971</u>	<u>140,971</u>	<u>-</u>
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
<i>Total other</i>	<u>1,697,522</u>	<u>1,662,227</u>	<u>1,662,219</u>	<u>8</u>
<i>Total expenditures</i>	<u>3,718,222</u>	<u>3,778,945</u>	<u>3,776,718</u>	<u>2,227</u>
Excess of revenues over expenditures	<u>3,984,687</u>	<u>5,077,579</u>	<u>5,646,696</u>	<u>569,117</u>
Other financing uses - Operating transfers:				
Debt service fund	-	-	(2,564,017)	2,564,017
Enterprise funds	-	-	(1,352,700)	1,352,700
<i>Total other financing uses</i>	<u>-</u>	<u>-</u>	<u>(3,916,717)</u>	<u>3,916,717</u>
Net change in fund balance	<u>\$ 3,984,687</u>	<u>5,077,579</u>	1,729,979	<u>4,485,834</u>
Prior Period Adjustment			587,670	
Fund balance, beginning of year			<u>13,401,377</u>	
Fund balance, end of year			<u>\$ 15,719,026</u>	

ALEUTIANS EAST BOROUGH, ALASKA

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
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	<u>260,943</u>	<u>426,877</u>	<u>782,704</u>	<u>889,275</u>	*	*	*	*	*	*
Total net pension liability	<u><u>2,301,040</u></u>	<u><u>2,019,491</u></u>	<u><u>2,115,639</u></u>	<u><u>2,388,679</u></u>	*	*	*	*	*	*
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.

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	<u>117,153</u>	<u>135,690</u>	<u>126,858</u>	<u>109,613</u>	<u>98,444</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
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.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to the Required Supplementary Information

June 30, 2017

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

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	-	-	-
<i>Total revenues</i>	<u>7,702,909</u>	<u>8,856,524</u>	<u>9,423,414</u>	<u>566,890</u>	<u>1,368,000</u>	<u>2,853,904</u>	<u>1,485,904</u>
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)
<i>Total expenditures</i>	<u>3,718,222</u>	<u>3,778,945</u>	<u>3,776,718</u>	<u>2,221</u>	<u>1,368,000</u>	<u>4,474,599</u>	<u>(3,106,599)</u>
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	-	-	-
<i>Total other financing uses</i>	<u>-</u>	<u>-</u>	<u>(3,916,717)</u>	<u>3,916,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>3,984,687</u>	<u>5,077,579</u>	<u>1,729,979</u>	<u>4,485,828</u>	<u>-</u>	<u>(1,620,695)</u>	<u>(1,620,695)</u>
Prior Period Adjustment			587,670			-	
Fund balances, beginning of year			<u>13,401,377</u>			<u>159,923</u>	
Fund balances (deficits), end of year			<u>\$ 15,719,026</u>			<u>(1,460,772)</u>	

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	-	-	-
<i>Total revenues</i>	<u>35,000</u>	<u>3,837,154</u>	<u>3,802,154</u>	<u>-</u>	<u>-</u>	<u>-</u>
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)
<i>Total expenditures</i>	<u>35,000</u>	<u>39,569</u>	<u>(4,569)</u>	<u>2,170,000</u>	<u>2,528,763</u>	<u>(358,763)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>3,797,585</u>	<u>3,797,585</u>	<u>(2,170,000)</u>	<u>(2,528,763)</u>	<u>(358,763)</u>
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)
<i>Total other financing sources</i>	<u>-</u>	<u>(1,355,411)</u>	<u>(1,355,411)</u>	<u>-</u>	<u>2,593,696</u>	<u>(2,593,696)</u>
Net Change in fund balance	\$ <u>-</u>	<u>2,442,174</u>	<u>2,442,174</u>	<u>(2,170,000)</u>	<u>64,933</u>	<u>(2,952,459)</u>
Fund balances, beginning of year		<u>38,879,060</u>			<u>(64,933)</u>	
Fund balances, end of year		<u>\$ 41,321,234</u>			<u>-</u>	

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*

	<u>Maintenance Reserve</u>		
	<u>Original/Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
Revenues:			
Other	\$ 2,785,000	27,950	(2,757,050)
<i>Total revenues</i>	<u>2,785,000</u>	<u>27,950</u>	<u>(2,757,050)</u>
Expenditures:			
Current:			
Other	-	84,500	(84,500)
Capital outlays	2,785,000	1,292,065	1,492,935
<i>Total expenditures</i>	<u>2,785,000</u>	<u>1,376,565</u>	<u>1,408,435</u>
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
<i>Total other financing sources</i>	<u>-</u>	<u>1,355,411</u>	<u>1,355,411</u>
Net change in fund balance	<u>\$ -</u>	6,796	<u>6,796</u>
Fund balance, beginning of year		<u>(195,586)</u>	
Fund balance, end of year		<u>\$ (188,790)</u>	

See accompanying notes to financial statements.

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
<i>Total revenues</i>	<u>9,423,414</u>	<u>2,853,904</u>	<u>3,837,154</u>	<u>-</u>	<u>93,976</u>	<u>27,950</u>	<u>-</u>	<u>16,236,398</u>
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
<i>Total expenditures</i>	<u>3,776,718</u>	<u>4,474,599</u>	<u>39,569</u>	<u>2,528,763</u>	<u>47,586</u>	<u>1,376,565</u>	<u>-</u>	<u>12,243,800</u>
Excess of revenues over (under) expenditures	<u>5,646,696</u>	<u>(1,620,695)</u>	<u>3,797,585</u>	<u>(2,528,763)</u>	<u>46,390</u>	<u>(1,348,615)</u>	<u>-</u>	<u>3,992,598</u>
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)
<i>Total other financing sources (uses)</i>	<u>(3,916,717)</u>	<u>-</u>	<u>(1,355,411)</u>	<u>2,593,696</u>	<u>-</u>	<u>1,355,411</u>	<u>-</u>	<u>(1,323,021)</u>
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								
	<u>13,401,377</u>	<u>159,923</u>	<u>38,879,060</u>	<u>(64,933)</u>	<u>(675,062)</u>	<u>(195,586)</u>	<u>280,770</u>	<u>51,785,549</u>
Prior period adjustment	587,670	-	-	-	-	-	-	587,670
Fund balances (deficit), beginning of year, restated								
	<u>13,989,047</u>	<u>159,923</u>	<u>38,879,060</u>	<u>(64,933)</u>	<u>(675,062)</u>	<u>(195,586)</u>	<u>280,770</u>	<u>52,373,219</u>
Fund balances (deficits), end of year	<u>\$ 15,719,026</u>	<u>(1,460,772)</u>	<u>41,321,234</u>	<u>-</u>	<u>(628,672)</u>	<u>(188,790)</u>	<u>280,770</u>	<u>55,042,796</u>

See accompanying notes to financial statements.

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit I-1

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	<u>750,000</u>
<i>Total revenues</i>	<u>2,853,904</u>
Expenditures:	
Salaries	43,834
Contractual	1,941,597
Repairs and maintenance	109,754
Supplies	843
Equipment	22,504
Capital outlays	<u>2,356,067</u>
<i>Total expenditures</i>	<u>4,474,599</u>
Net change in fund balance	<u>(1,620,695)</u>
Fund balance, beginning of year	<u>159,923</u>
Fund deficit, end of year	<u>\$ (1,460,772)</u>

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
<i>Total revenues</i>	<u>3,837,154</u>
Expenditures:	
Management fee	<u>39,569</u>
<i>Total expenditures</i>	<u>39,569</u>
Excess (deficiency) of revenues over expenditures	<u>3,797,585</u>
Other financing sources:	
Operating transfer to Maintenance Reserve Fund	<u>(1,355,411)</u>
<i>Total other financing sources</i>	<u>(1,355,411)</u>
Net change in fund balance	2,442,174
Fund balance, beginning of year	<u>38,879,060</u>
Fund balance, end of year	<u><u>\$ 41,321,234</u></u>

ALEUTIANS EAST BOROUGH, ALASKA

Exhibit K-1

Debt Service - Governmental Fund

*Statement of Revenues, Expenditures,
and Changes in Fund Deficit*

Year Ended June 30, 2017

Revenues:	<u>-</u>
Expenditures:	
Principal	1,710,000
Bond issuance costs	23,927
Interest	<u>794,836</u>
<i>Total expenditures</i>	<u>2,528,763</u>
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	<u>2,564,017</u>
<i>Total other financing sources (uses)</i>	<u>2,593,696</u>
Net change in fund balance	64,933
Fund deficit, beginning of year	<u>(64,933)</u>
Fund deficit, end of year	<u><u>-</u></u>

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		<u>66,586</u>
<i>Total revenues</i>		<u>93,976</u>
Expenditures:		
Contractual		39,568
Capital outlays		<u>8,018</u>
<i>Total expenditures</i>		<u>47,586</u>
Net change in fund balance		85,958
Fund deficit, beginning of year		<u>(675,062)</u>
Fund deficit, end of year	\$	<u>(589,104)</u>

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ALEUTIANS EAST BOROUGH, ALASKA

Exhibit M-1

Maintenance Reserve - Governmental Fund

*Statement of Revenues, Expenditures,
and Changes in Fund Deficit*

Year Ended June 30, 2017

Revenues:	
Investment income	<u>\$ 27,950</u>
Expenditures:	
Salaries	16,877
Travel	3,828
Legal	10,525
Supplies	36,062
Capital outlays	1,292,065
Other	<u>17,208</u>
<i>Total expenditures</i>	<u>1,376,565</u>
Excess (deficiency) of revenues over expenditures	(1,348,615)
Other financing sources:	
Operating transfer from Trust Fund	<u>1,355,411</u>
<i>Total other financing sources</i>	<u>1,355,411</u>
Net change in fund balance	6,796
Fund deficit, beginning of year	<u>(195,586)</u>
Fund deficit, end of year	<u>\$ (188,790)</u>

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STATE COMPLIANCE REPORTS

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
<i>Total Department of Commerce, Community and Economic Development:</i>			<u>2,811,151</u>	<u>2,445,161</u>
Department of Transportation & Public Facilities:				
King Cove Access Project	14-RR-067	7/01/14 - 6/30/18	<u>1,958,992</u>	<u>73,438</u>
Department of Revenue:				
Raw fish tax*	Unknown	7/01/16 - 6/30/17	<u>1,606,523</u>	<u>1,606,523</u>
Department of Education:				
Debt retirement*	Unknown	7/01/16 - 6/30/17	<u>1,390,352</u>	<u>1,390,352</u>
Department of Administration:				
Pers on-behalf	Unknown	7/01/16 - 6/30/17	<u>42,279</u>	<u>42,279</u>
Total State financial assistance			<u>\$ 7,809,297</u>	<u>5,557,753</u>

*Indicates a major program.

This schedule was prepared on the modified accrual basis of accounting.

ALEUTIANS EAST BOROUGH, ALASKA

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2017

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.

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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

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.

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



Newhouse & Vogler

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

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 United 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.

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

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Noncompliance material to financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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.

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

ALEUTIANS EAST BOROUGH

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*Revenue Guideline©

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Current Period: JANUARY 17-18

		17-18 YTD Budget	17-18 YTD Amt	JANUARY 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	\$7,914.73	\$23,687.98	32.32%
Active	R 01-203 OTHER REVENUE	\$50,000.00	\$47,873.73	\$26,100.00	\$2,126.27	95.75%
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	\$2,722,608.42	\$215,174.16	\$478,170.58	85.06%
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	\$2,067,181.00	\$2,093,686.72	\$0.00	-\$26,505.72	101.28%
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	\$153,196.00	\$0.00	\$1,158,454.00	11.68%
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		\$7,655,308.00	\$5,349,525.33	\$249,188.89	\$2,305,782.67	69.88%

ALEUTIANS EAST BOROUGH

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***Expenditure Guideline©**

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Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 01 GENERAL FUND						
DEPT 100 MAYORS OFFICE						
Active	E 01-100-000-300 SALARIES	\$80,364.00	\$60,272.01	\$6,697.00	\$20,091.99	75.00%
Active	E 01-100-000-350 FRINGE BENEFITS	\$29,232.00	\$22,648.65	\$3,116.64	\$6,583.35	77.48%
Active	E 01-100-000-400 TRAVEL AND PER	\$36,000.00	\$18,731.91	\$4,582.10	\$17,268.09	52.03%
Active	E 01-100-000-425 TELEPHONE	\$1,500.00	\$1,168.57	\$14.58	\$331.43	77.90%
Active	E 01-100-000-475 SUPPLIES	\$1,000.00	\$1,800.97	\$951.55	-\$800.97	180.10%
Active	E 01-100-000-554 AK LOBBIST	\$45,000.00	\$24,500.00	\$7,000.00	\$20,500.00	54.44%
Active	E 01-100-000-555 FEDERAL LOBBIS	\$75,600.00	\$37,800.00	\$0.00	\$37,800.00	50.00%
	SUBDEPT 000	\$268,696.00	\$166,922.11	\$22,361.87	\$92,553.73	62.12%
	Total DEPT 100 MAYORS OFFICE	\$268,696.00	\$166,922.11	\$22,361.87	\$92,553.73	62.12%
DEPT 105 ASSEMBLY						
Active	E 01-105-000-300 SALARIES	\$25,000.00	\$17,100.00	\$2,400.00	\$7,900.00	68.40%
Active	E 01-105-000-350 FRINGE BENEFITS	\$90,000.00	\$77,278.54	\$10,712.19	\$12,721.46	85.87%
Active	E 01-105-000-400 TRAVEL AND PER	\$40,000.00	\$25,349.40	\$200.00	\$14,650.60	63.37%
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	\$121,627.94	\$13,312.19	\$36,372.06	76.98%
	Total DEPT 105 ASSEMBLY	\$158,000.00	\$121,627.94	\$13,312.19	\$36,372.06	76.98%
DEPT 150 PLANNING/CLERKS DEPARMENT						
Active	E 01-150-000-300 SALARIES	\$93,974.00	\$52,897.88	\$7,496.81	\$41,076.12	56.29%
Active	E 01-150-000-350 FRINGE BENEFITS	\$34,946.00	\$22,953.33	\$3,277.16	\$11,992.67	65.68%
Active	E 01-150-000-400 TRAVEL AND PER	\$12,500.00	\$7,851.86	\$0.00	\$4,648.14	62.81%
Active	E 01-150-000-425 TELEPHONE	\$7,500.00	\$3,009.42	\$457.48	\$4,490.58	40.13%
Active	E 01-150-000-450 POSTAGE/SPEED	\$1,000.00	\$474.11	\$63.36	\$525.89	47.41%
Active	E 01-150-000-475 SUPPLIES	\$5,000.00	\$2,067.84	\$673.23	\$2,932.16	41.36%
Active	E 01-150-000-526 UTILITIES	\$20,000.00	\$7,678.54	\$2,333.55	\$12,321.46	38.39%
Active	E 01-150-000-530 DUES AND FEES	\$5,000.00	\$4,904.65	\$1,500.00	\$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	\$106,537.63	\$15,801.59	\$82,561.66	56.10%
	Total DEPT 150 PLANNING/CLERKS DEPARMENT	\$189,920.00	\$106,537.63	\$15,801.59	\$82,561.66	56.10%
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	\$103,457.64	\$15,113.54	\$73,550.36	58.45%
Active	E 01-200-000-350 FRINGE BENEFITS	\$66,438.00	\$42,861.30	\$6,147.26	\$23,576.70	64.51%
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	\$14,476.90	(\$805.73)	-\$14,476.90	0.00%
Active	E 01-200-000-400 TRAVEL AND PER	\$25,500.00	\$9,460.46	\$631.98	\$16,039.54	37.10%
Active	E 01-200-000-425 TELEPHONE	\$7,100.00	\$3,834.63	\$647.87	\$3,265.37	54.01%
Active	E 01-200-000-450 POSTAGE/SPEED	\$2,500.00	\$147.67	\$147.67	\$2,352.33	5.91%
Active	E 01-200-000-475 SUPPLIES	\$15,000.00	\$9,824.22	\$1,792.48	\$5,175.78	65.49%
Active	E 01-200-000-525 RENTAL/LEASE	\$23,404.00	\$13,461.01	\$2,107.21	\$9,942.99	57.52%
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	\$198,573.83	\$25,782.28	\$139,617.58	57.65%
	Total DEPT 200 ADMINISTRATION	\$344,450.00	\$198,573.83	\$25,782.28	\$139,617.58	57.65%

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*Expenditure Guideline©

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Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
DEPT 201 Assistant Administrator						
Active	E 01-201-000-300 SALARIES	\$95,863.00	\$37,500.00	\$7,500.00	\$58,363.00	39.12%
Active	E 01-201-000-350 FRINGE BENEFITS	\$31,422.00	\$12,030.80	\$2,305.46	\$19,391.20	38.29%
Active	E 01-201-000-400 TRAVEL AND PER	\$10,000.00	\$8,359.96	\$0.00	\$1,640.04	83.60%
Active	E 01-201-000-425 TELEPHONE	\$2,000.00	\$593.53	\$100.51	\$1,406.47	29.68%
Active	E 01-201-000-475 SUPPLIES	\$2,500.00	\$789.15	\$740.56	\$1,710.85	31.57%
Active	E 01-201-000-525 RENTAL/LEASE	\$8,903.00	\$4,088.75	\$817.75	\$4,814.25	45.93%
SUBDEPT 000		\$150,688.00	\$63,362.19	\$11,464.28	\$85,016.21	42.05%
Total DEPT 201 Assistant Administrator		\$150,688.00	\$63,362.19	\$11,464.28	\$85,016.21	42.05%
DEPT 250 FINANCE DEPARTMENT						
Active	E 01-250-000-300 SALARIES	\$135,049.00	\$74,875.14	\$10,258.30	\$60,173.86	55.44%
Active	E 01-250-000-350 FRINGE BENEFITS	\$53,365.00	\$37,120.21	\$5,176.18	\$16,244.79	69.56%
Active	E 01-250-000-400 TRAVEL AND PER	\$7,000.00	\$9,845.96	\$50.00	-\$2,845.96	140.66%
Active	E 01-250-000-425 TELEPHONE	\$8,000.00	\$5,841.57	\$784.43	\$2,158.43	73.02%
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	\$7,040.07	\$471.51	\$459.93	93.87%
Active	E 01-250-000-526 UTILITIES	\$5,000.00	\$1,375.60	\$146.44	\$3,624.40	27.51%
Active	E 01-250-000-550 AUDIT	\$50,000.00	\$56,704.27	\$0.00	-\$6,704.27	113.41%
SUBDEPT 000		\$266,914.00	\$193,302.82	\$16,886.86	\$72,759.25	72.42%
Total DEPT 250 FINANCE DEPARTMENT		\$266,914.00	\$193,302.82	\$16,886.86	\$72,759.25	72.42%
DEPT 650 RESOURCE DEPARTMENT						
Active	E 01-650-000-300 SALARIES	\$92,571.00	\$53,999.82	\$7,714.26	\$38,571.18	58.33%
Active	E 01-650-000-350 FRINGE BENEFITS	\$31,462.00	\$23,529.70	\$3,364.70	\$7,932.30	74.79%
Active	E 01-650-000-400 TRAVEL AND PER	\$20,000.00	\$7,324.53	\$200.00	\$12,675.47	36.62%
Active	E 01-650-000-402 NPFMC Meetings	\$15,000.00	\$2,767.99	\$748.00	\$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	\$673.70	\$100.52	\$826.30	44.91%
Active	E 01-650-000-475 SUPPLIES	\$2,500.00	\$544.64	\$27.66	\$1,955.36	21.79%
Active	E 01-650-000-525 RENTAL/LEASE	\$8,903.00	\$4,972.32	\$828.72	\$3,930.68	55.85%
SUBDEPT 000		\$201,936.00	\$95,812.70	\$12,983.86	\$105,365.15	47.45%
Total DEPT 650 RESOURCE DEPARTMENT		\$201,936.00	\$95,812.70	\$12,983.86	\$105,365.15	47.45%
DEPT 651 COMMUNICATION DIRECTOR						
Active	E 01-651-011-300 SALARIES	\$98,973.00	\$57,734.32	\$8,247.76	\$41,238.68	58.33%
Active	E 01-651-011-350 FRINGE BENEFITS	\$34,158.00	\$16,685.82	\$2,368.46	\$17,472.18	48.85%
Active	E 01-651-011-400 TRAVEL AND PER	\$15,000.00	\$4,672.18	\$367.69	\$10,327.82	31.15%
Active	E 01-651-011-425 TELEPHONE	\$2,400.00	\$1,737.56	\$252.50	\$662.44	72.40%
Active	E 01-651-011-475 SUPPLIES	\$2,500.00	\$431.78	\$112.92	\$2,068.22	17.27%
Active	E 01-651-011-525 RENTAL/LEASE	\$10,016.00	\$5,098.02	\$849.67	\$4,917.98	50.90%
Active	E 01-651-011-532 ADVERTISING	\$15,000.00	\$11,514.37	\$478.18	\$3,485.63	76.76%
SUBDEPT 011 PUBLIC INFORMATION		\$178,047.00	\$97,874.05	\$12,677.18	\$77,547.45	54.97%
Total DEPT 651 COMMUNICATION DIRECTOR		\$178,047.00	\$97,874.05	\$12,677.18	\$77,547.45	54.97%
DEPT 700 PUBLIC WORKS DEPARTMENT						
Active	E 01-700-000-300 SALARIES	\$64,633.00	\$29,423.56	\$5,416.66	\$35,209.44	45.52%
Active	E 01-700-000-350 FRINGE BENEFITS	\$31,024.00	\$9,984.41	\$2,125.44	\$21,039.59	32.18%
Active	E 01-700-000-400 TRAVEL AND PER	\$15,000.00	\$2,199.00	\$0.00	\$12,801.00	14.66%
Active	E 01-700-000-425 TELEPHONE	\$1,000.00	\$591.95	\$72.78	\$408.05	59.20%
Active	E 01-700-000-475 SUPPLIES	\$5,000.00	\$2,813.67	\$233.80	\$2,186.33	56.27%
Active	E 01-700-000-526 UTILITIES	\$2,000.00	\$113.81	\$0.00	\$1,886.19	5.69%
SUBDEPT 000		\$118,657.00	\$45,126.40	\$7,848.68	\$72,873.88	38.03%
Total DEPT 700 PUBLIC WORKS DEPARTMENT		\$118,657.00	\$45,126.40	\$7,848.68	\$72,873.88	38.03%

ALEUTIANS EAST BOROUGH
***Expenditure Guideline©**

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Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	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	\$1,080.67	\$188.00	-\$80.67	108.07%
Active	E 01-844-000-603 MAINTENANCE	\$100,000.00	\$54,991.86	\$54,991.86	\$45,008.14	54.99%
SUBDEPT 000		\$127,500.00	\$59,591.94	\$55,179.86	\$67,908.06	46.74%
Total DEPT 844 KCAP		\$127,500.00	\$59,591.94	\$55,179.86	\$67,908.06	46.74%
DEPT 850 EDUCATION						
Active	E 01-850-000-700 LOCAL SCHOOL C	\$800,000.00	\$400,000.00	\$200,000.00	\$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	\$200,000.00	\$445,000.00	47.34%
Total DEPT 850 EDUCATION		\$845,000.00	\$400,000.00	\$200,000.00	\$445,000.00	47.34%
DEPT 900 OTHER						
Active	E 01-900-000-500 EQUIPMENT	\$35,000.00	\$15,276.26	\$167.04	\$19,723.74	43.65%
Active	E 01-900-000-526 UTILITIES	\$25,000.00	\$6,854.34	\$4,015.42	\$18,145.66	27.42%
Active	E 01-900-000-527 Aleutia Crab	\$58,522.00	\$46,111.22	\$46,111.22	\$12,410.78	78.79%
Active	E 01-900-000-551 LEGAL	\$100,000.00	\$48,084.25	\$14,539.40	\$51,915.75	48.08%
Active	E 01-900-000-552 INSURANCE	\$160,000.00	\$155,941.61	\$793.00	\$4,058.39	97.46%
Active	E 01-900-000-600 REPAIRS	\$5,000.00	\$4,063.45	\$52.92	\$936.55	81.27%
Active	E 01-900-000-727 BANK FEES	\$12,000.00	\$15,050.20	\$2,203.46	-\$3,050.20	125.42%
Active	E 01-900-000-752 CONTRIBUTION T	\$150,000.00	\$75,000.00	\$37,500.00	\$75,000.00	50.00%
Active	E 01-900-000-753 MISC EXPENSE	\$96,000.00	\$127,415.38	\$21,927.11	-\$31,415.38	132.72%
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	\$12,728.45	\$1,954.00	\$17,271.55	42.43%
SUBDEPT 000		\$707,922.00	\$533,114.16	\$129,263.57	\$172,856.67	75.31%
Total DEPT 900 OTHER		\$707,922.00	\$533,114.16	\$129,263.57	\$172,856.67	75.31%
Total Fund 01 GENERAL FUND		\$3,613,230.00	\$2,081,845.77	\$523,562.22	\$1,505,931.70	57.62%

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		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	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	\$20,984.70	\$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	\$10,844.45	\$492,196.84	16.98%
Total Fund 20 GRANT PROGRAMS		\$7,908,973.55	\$222,045.43	\$31,829.15	\$7,686,928.12	2.81%

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	17-18 YTD Budget	17-18 YTD Amt	JANUARY 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	\$10,066.69	\$0.00	\$139,365.31	6.74%
SUBDEPT 049 DCCED-13-DC-501	\$149,432.00	\$10,066.69	\$0.00	\$130,517.11	6.74%
Total DEPT 499 Cold Bay Airport-Apron&Taxiway	\$149,432.00	\$10,066.69	\$0.00	\$130,517.11	6.74%
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 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					
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					

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	17-18 YTD Budget	17-18 YTD Amt	JANUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Active E 20-831-209-850 CAPITAL CONSTR	\$100,000.00	\$176,378.10	\$36,977.40	-\$76,378.10	176.38%
SUBDEPT 209 AEB Grant	\$100,000.00	\$176,378.10	\$36,977.40	-\$76,378.10	176.38%
Total DEPT 831 SAND POINT HARBOR	\$100,000.00	\$176,378.10	\$36,977.40	-\$76,378.10	176.38%
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	\$100,000.00	\$0.00	100.00%
SUBDEPT 209 AEB Grant	\$100,000.00	\$100,000.00	\$100,000.00	\$0.00	100.00%
Total DEPT 864 SAND POINT AIRPORT BUILDING	\$100,000.00	\$100,000.00	\$100,000.00	\$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	\$502,000.00	\$110,709.51	\$0.00	\$391,290.49	22.05%
SUBDEPT 209 AEB Grant	\$619,161.48	\$111,234.51	\$0.00	\$507,926.97	17.97%
Total DEPT 866 AEB PROJECTS	\$619,161.48	\$111,234.51	\$0.00	\$507,926.97	17.97%
DEPT 867 KCC Alternative Road					
Active E 20-867-000-300 SALARIES	\$0.00	\$2,025.00	\$150.00	-\$2,025.00	0.00%
Active E 20-867-000-350 FRINGE BENEFITS	\$0.00	\$8,478.96	\$12.98	-\$8,478.96	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	\$10,503.96	\$162.98	\$524,959.92	1.96%
Active E 20-867-168-300 SALARIES	\$6,775.00	\$675.00	\$0.00	\$6,100.00	9.96%
Active E 20-867-168-350 FRINGE BENEFITS	\$0.00	\$58.38	\$0.00	-\$58.38	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	\$21,392.13	\$0.00	\$1,568,916.78	1.35%
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	\$31,896.09	\$162.98	\$2,102,744.48	1.49%
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	\$8,428,822.25	\$761,300.44	\$137,140.38	\$7,658,673.61	9.03%

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		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 22 OPERATIONS						
Active	R 22-203 OTHER REVENUE	\$0.00	\$187,500.00	\$0.00	-\$187,500.00	0.00%
Active	R 22-221 COLD BAY TERMINAL LEA	\$139,620.00	\$77,545.54	\$11,792.22	\$62,074.46	55.54%
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	\$112,898.85	\$6,478.06	\$187,101.15	37.63%
Active	R 22-302 HELICOPTER/FREIGHT	\$95,000.00	\$27,964.12	\$0.00	\$67,035.88	29.44%
Total Fund 22 OPERATIONS		\$534,620.00	\$405,908.51	\$18,270.28	\$128,711.49	75.92%

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		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 22 OPERATIONS						
DEPT 802 CAPITAL - COLD BAY						
Active	E 22-802-200-300 SALARIES	\$27,958.00	\$16,308.88	\$2,329.84	\$11,649.12	58.33%
Active	E 22-802-200-350 FRINGE BENEFITS	\$3,617.00	\$1,410.64	\$201.52	\$2,206.36	39.00%
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	\$2,411.34	\$348.18	\$2,088.66	53.59%
Active	E 22-802-200-475 SUPPLIES	\$7,500.00	\$3,329.01	\$81.64	\$4,170.99	44.39%
Active	E 22-802-200-526 UTILITIES	\$24,000.00	\$3,712.15	\$818.53	\$20,287.85	15.47%
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	\$6,718.15	\$0.00	\$8,281.85	44.79%
SUBDEPT 200 COLD BAY TERMINAL		\$84,075.00	\$33,890.17	\$3,779.71	\$49,829.38	40.31%
Total DEPT 802 CAPITAL - COLD BAY		\$84,075.00	\$33,890.17	\$3,779.71	\$49,829.38	40.31%
DEPT 845 HELICOPTER OPERATIONS						
Active	E 22-845-300-300 SALARIES	\$130,520.00	\$73,105.35	\$8,475.15	\$57,414.65	56.01%
Active	E 22-845-300-350 FRINGE BENEFITS	\$32,140.00	\$18,297.89	\$2,390.05	\$13,842.11	56.93%
Active	E 22-845-300-380 CONTRACT LABO	\$1,453,000.00	\$599,337.28	\$102,791.46	\$853,662.72	41.25%
Active	E 22-845-300-400 TRAVEL AND PER	\$5,000.00	\$0.00	\$0.00	\$5,000.00	0.00%
Active	E 22-845-300-425 TELEPHONE	\$2,140.00	\$2,219.77	\$149.45	-\$79.77	103.73%
Active	E 22-845-300-475 SUPPLIES	\$60,000.00	\$54,462.22	\$3,491.31	\$5,537.78	90.77%
Active	E 22-845-300-525 RENTAL/LEASE	\$24,000.00	\$14,452.20	\$2,043.00	\$9,547.80	60.22%
Active	E 22-845-300-526 UTILITIES	\$8,000.00	\$600.00	\$150.00	\$7,400.00	7.50%
Active	E 22-845-300-552 INSURANCE	\$18,200.00	\$0.00	\$0.00	\$18,200.00	0.00%
Active	E 22-845-300-576 GAS	\$12,000.00	\$6,086.53	\$1,556.43	\$5,913.47	50.72%
Active	E 22-845-300-577 FUEL	\$150,000.00	\$48,437.59	\$6,520.25	\$101,562.41	32.29%
SUBDEPT 300 HELICOPTER OPERATIONS		\$1,895,000.00	\$816,998.83	\$127,567.10	\$1,078,401.09	43.11%
Total DEPT 845 HELICOPTER OPERATIONS		\$1,895,000.00	\$816,998.83	\$127,567.10	\$1,078,401.09	43.11%
Total Fund 22 OPERATIONS		\$1,979,075.00	\$850,889.00	\$131,346.81	\$1,128,230.47	42.99%

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		17-18 YTD Budget	17-18 YTD Amt	JANUARY MTD Amt	17-18 YTD Balance	% of YTD Budget
Fund 24 BOND CONSTRUCTION						
Active	R 24-201 INTEREST REVENUE	\$0.00	\$22,220.96	\$8,118.92	-\$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	\$8,118.92	-\$55,496.73	0.00%

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	17-18 YTD Budget	17-18 YTD Amt	JANUARY 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	\$400.00	\$400.00	\$338,673.39	0.12%
SUBDEPT 000	\$339,073.39	\$400.00	\$400.00	\$338,673.39	0.12%
Total DEPT 833 FALSE PASS HARBOR	\$339,073.39	\$400.00	\$400.00	\$338,673.39	0.12%
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	\$26,727.89	\$3,915.21	-\$26,727.89	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	\$26,727.89	\$3,915.21	-\$26,727.89	0.00%
Total DEPT 900 OTHER	\$0.00	\$26,727.89	\$3,915.21	-\$26,727.89	0.00%
Total Fund 24 BOND CONSTRUCTION	\$866,909.80	\$29,786.88	\$4,315.21	\$837,122.92	3.44%

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		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	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%

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		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 30 BOND FUND						
DEPT 900 OTHER						
Active	E 30-900-000-725 BOND INTEREST	\$0.00	\$546,814.10	\$0.00	-\$546,814.10	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	\$1,921,814.10	\$0.00	-\$1,921,814.10	0.00%
Total DEPT 900 OTHER		\$0.00	\$1,921,814.10	\$0.00	-\$1,921,814.10	0.00%
Total Fund 30 BOND FUND		\$0.00	\$1,921,814.10	\$0.00	-\$1,921,814.10	0.00%

ALEUTIANS EAST BOROUGH
***Revenue Guideline©**

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Page 6

Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 40 PERMANENT FUND						
Active	R 40-201 INTEREST REVENUE	\$0.00	\$3,059,292.36	\$1,755,832.79	-\$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	\$1,755,832.79	-\$3,024,292.36	8740.84%

ALEUTIANS EAST BOROUGH
***Expenditure Guideline©**

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Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 40 PERMANENT FUND						
DEPT 900 OTHER						
Active	E 40-900-000-380 CONTRACT LABO	\$0.00	\$26,727.90	\$3,915.21	-\$26,727.90	0.00%
Active	E 40-900-000-751 OPERATING TRAN	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
SUBDEPT 000		\$0.00	\$26,727.90	\$3,915.21	-\$26,727.90	0.00%
Total DEPT 900 OTHER		\$0.00	\$26,727.90	\$3,915.21	-\$26,727.90	0.00%
Total Fund 40 PERMANENT FUND		\$0.00	\$26,727.90	\$3,915.21	-\$26,727.90	0.00%

ALEUTIANS EAST BOROUGH
***Revenue Guideline©**

02/02/18 2:34 PM

Page 7

Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	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	\$2,757,050.22	\$0.00	\$0.00	\$2,757,050.22	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		\$4,414,439.11	\$0.00	\$0.00	\$4,414,439.11	0.00%

ALEUTIANS EAST BOROUGH

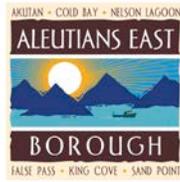
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*Expenditure Guideline©

Page 10

Current Period: JANUARY 17-18

		17-18	17-18	JANUARY	17-18	% of YTD
		YTD Budget	YTD Amt	MTD Amt	YTD Balance	Budget
Fund 41 MAINTENANCE RESERVE FUND						
DEPT 800 CAPITAL - SCHOOL						
Active	E 41-800-857-300 SALARIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-857-350 FRINGE BENEFITS	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-857-380 CONTRACT LABO	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-857-400 TRAVEL AND PER	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-857-475 SUPPLIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-857-850 CAPITAL CONSTR	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
SUBDEPT 857 FALSE PASS SCHOOL		\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-865-300 SALARIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-865-350 FRINGE BENEFITS	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-865-400 TRAVEL AND PER	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-865-475 SUPPLIES	\$0.00	\$0.00	\$0.00	\$0.00	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 41-800-867-300 SALARIES	\$0.00	\$6,960.00	\$0.00	-\$6,960.00	0.00%
Active	E 41-800-867-350 FRINGE BENEFITS	\$0.00	\$602.04	\$0.00	-\$602.04	0.00%
Active	E 41-800-867-380 CONTRACT LABO	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-867-400 TRAVEL AND PER	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-867-475 SUPPLIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-867-850 CAPITAL CONSTR	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-867-888 PROJECT CONTIN	\$12,285.00	\$15,071.68	\$7,288.90	-\$2,786.68	122.68%
SUBDEPT 867 Sand Point School		\$12,285.00	\$22,633.72	\$7,288.90	-\$10,742.83	184.24%
Active	E 41-800-868-300 SALARIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-350 FRINGE BENEFITS	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-380 CONTRACT LABO	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-400 TRAVEL AND PER	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-475 SUPPLIES	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-551 LEGAL	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-577 FUEL	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-850 CAPITAL CONSTR	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Active	E 41-800-868-852 ASPHALT PAVING	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
SUBDEPT 868 King Cove School		\$0.00	\$0.00	\$0.00	\$0.00	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		\$160,965.00	\$60,209.72	\$7,288.90	\$100,361.17	37.41%
DEPT 900 OTHER						
Active	E 41-900-000-753 MISC EXPENSE	\$0.00	\$7,244.71	\$1,399.25	-\$7,244.71	0.00%
Active	E 41-900-000-880 LAND	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
SUBDEPT 000		\$0.00	\$7,244.71	\$1,399.25	-\$7,244.71	0.00%
Total DEPT 900 OTHER		\$0.00	\$7,244.71	\$1,399.25	-\$7,244.71	0.00%
Total Fund 41 MAINTENANCE RESERVE FUND		\$160,965.00	\$67,454.43	\$8,688.15	\$93,116.46	41.91%



Memo

Date: Assembly Work Session – February 28th, 2018

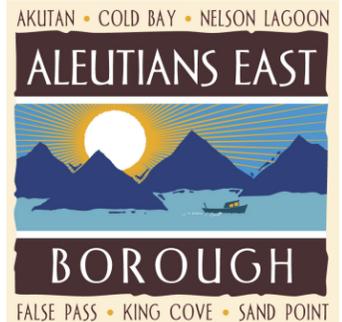
To: Mayor Osterback and Assembly

From: Mary Tesche, Assistant Administrator

Re: Borough Strategic Plan

The Aleutians East Borough (Borough) conducted a Planning Work Session on December 13th-15th, 2017, to help identify projects and initiatives that would be included on the Borough's Strategic Plan. Mayor Osterback, staff, and consultants from Professional Growth Systems further defined which projects would be part of the Borough's Plan based on the information shared during the Planning Work Session. Many of the projects identified on the Plan are currently being pursued or actively being completed. The plan also defines project leads, quarterly project outcomes, and year-end targets.

The Borough Assembly passed Resolution 18-27 approving the projects and initiatives identified on the Strategic Plan during its February 8th Regular Meeting. A final version of the Strategic Plan is included in today's work session packet to provide the Assembly the opportunity to receive further clarification on any of the Plan's components before the first quarter of work begins.



**Vision Navigation®
Chart #1**
03/01/18 - 02/28/19

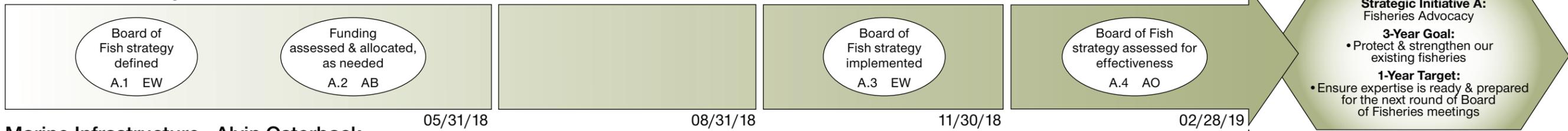
Purpose:
To ensure the standard of living, well-being & future of our communities

- Our Vision:**
Healthy People, Healthy Schools, Healthy Communities
- ☆ Diversification of industry including our natural resources & community flexibility for borough stability (7) (22)
 - ☆ Healthy people with a strong cultural identity (7) (16)
 - ☆ Our schools & community are providing quality education including secondary education & vocational skills within the communities (4) (13)
 - ☆ Planned infrastructure projects completed (8)
 - ☆ Availability, utilization & development of connectivity (physical & electronic) (4)

- TA Tina Anderson
- AB Anne Bailey
- CE Chris Emrich
- BRG Brad Gilman
- BG Butch Gundersen
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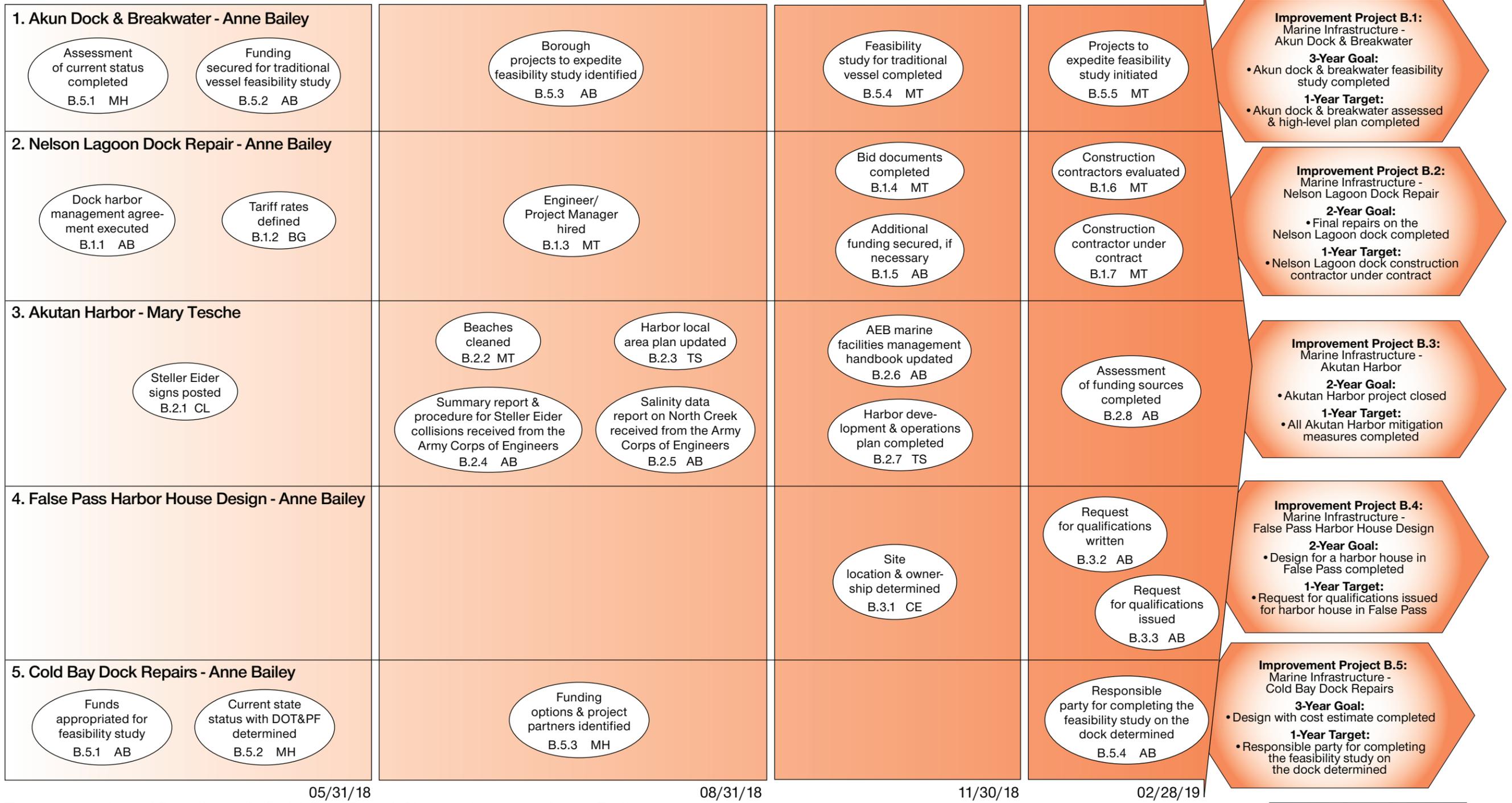
Fisheries Advocacy - Ernie Weiss



Strategic Initiative A:
Fisheries Advocacy

- 3-Year Goal:**
 - Protect & strengthen our existing fisheries
- 1-Year Target:**
 - Ensure expertise is ready & prepared for the next round of Board of Fisheries meetings

Marine Infrastructure - Alvin Osterback



Improvement Project B.1:
Marine Infrastructure - Akun Dock & Breakwater

- 3-Year Goal:**
 - Akun dock & breakwater feasibility study completed
- 1-Year Target:**
 - Akun dock & breakwater assessed & high-level plan completed

Improvement Project B.2:
Marine Infrastructure - Nelson Lagoon Dock Repair

- 2-Year Goal:**
 - Final repairs on the Nelson Lagoon dock completed
- 1-Year Target:**
 - Nelson Lagoon dock construction contractor under contract

Improvement Project B.3:
Marine Infrastructure - Akutan Harbor

- 2-Year Goal:**
 - Akutan Harbor project closed
- 1-Year Target:**
 - All Akutan Harbor mitigation measures completed

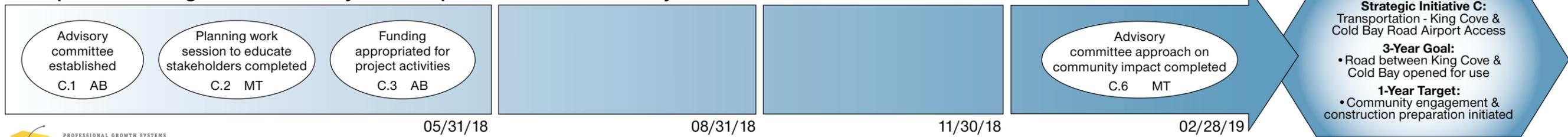
Improvement Project B.4:
Marine Infrastructure - False Pass Harbor House Design

- 2-Year Goal:**
 - Design for a harbor house in False Pass completed
- 1-Year Target:**
 - Request for qualifications issued for harbor house in False Pass

Improvement Project B.5:
Marine Infrastructure - Cold Bay Dock Repairs

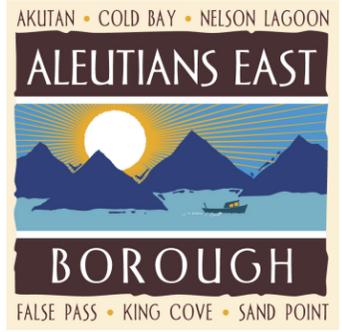
- 3-Year Goal:**
 - Design with cost estimate completed
- 1-Year Target:**
 - Responsible party for completing the feasibility study on the dock determined

Transportation - King Cove & Cold Bay Road Airport Access - Anne Bailey



Strategic Initiative C:
Transportation - King Cove & Cold Bay Road Airport Access

- 3-Year Goal:**
 - Road between King Cove & Cold Bay opened for use
- 1-Year Target:**
 - Community engagement & construction preparation initiated



**Vision Navigation®
Chart #2**
03/01/18 - 02/28/19

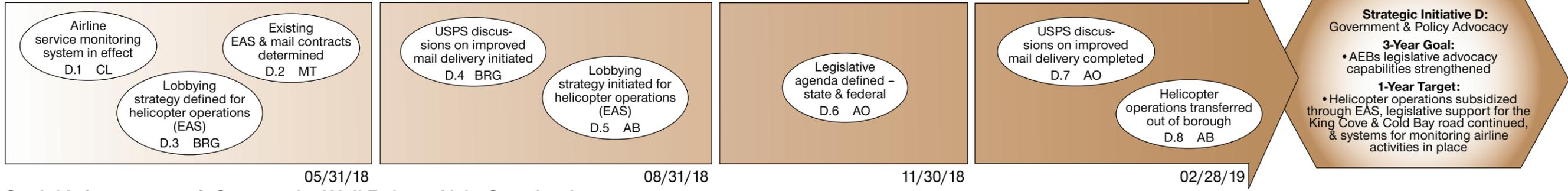
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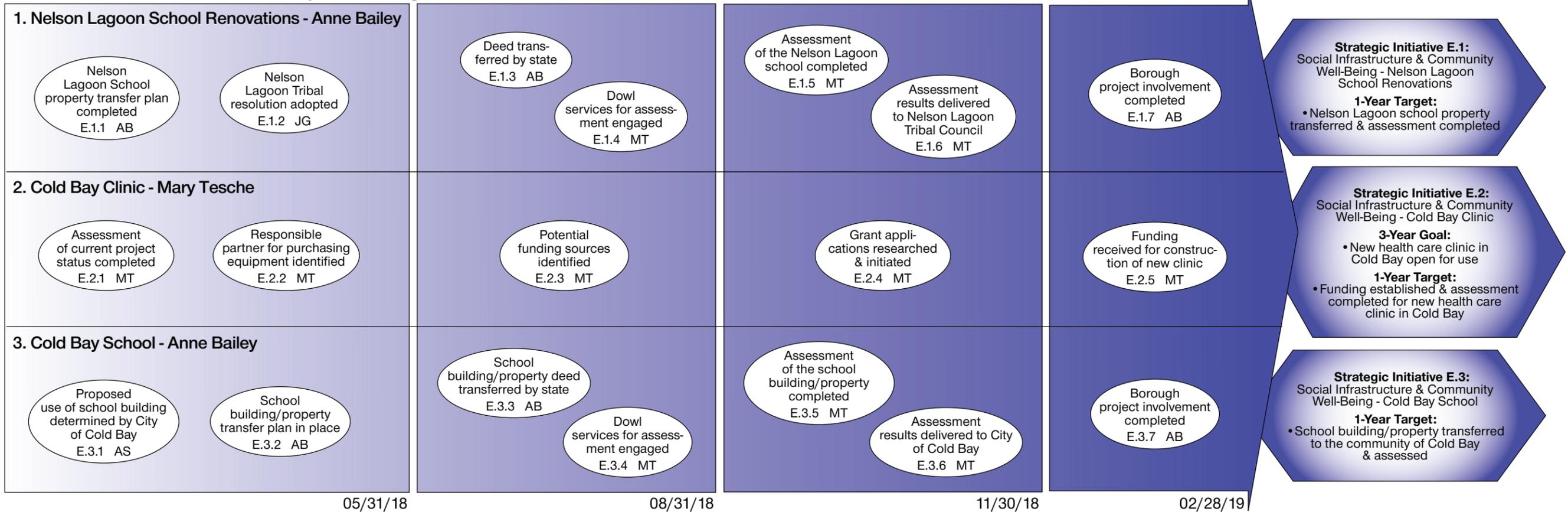
- TA Tina Anderson
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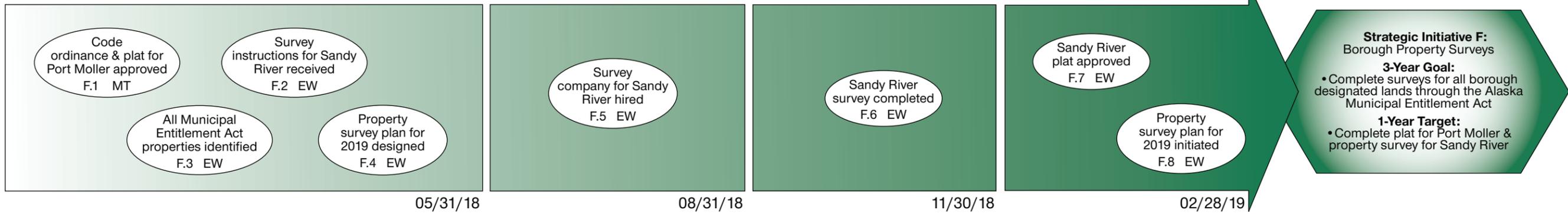
Government & Policy Advocacy - Alvin Osterback



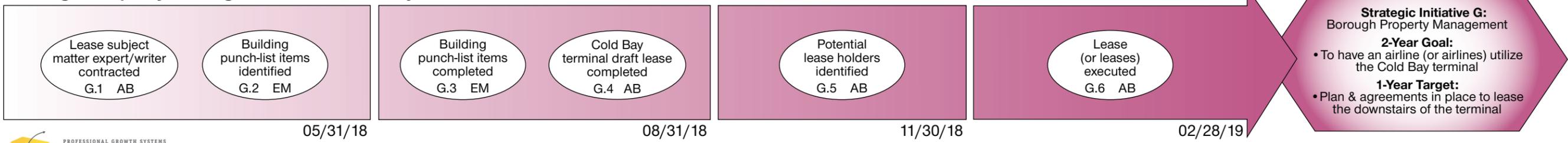
Social Infrastructure & Community Well-Being - Alvin Osterback

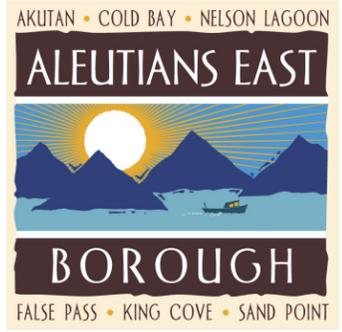


Borough Property Surveys - Ernie Weiss



Borough Property Management - Anne Bailey





**Vision Navigation®
Chart #3**
03/01/18 - 02/28/19

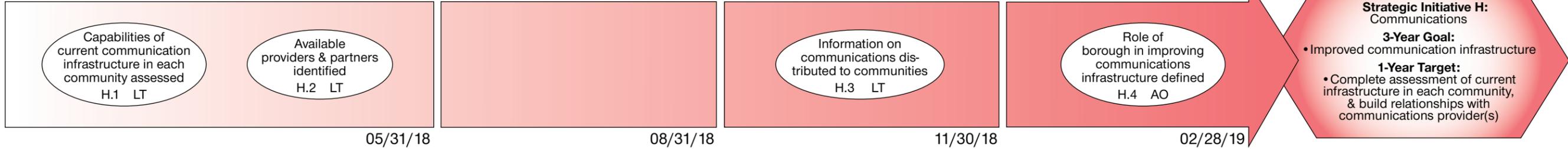
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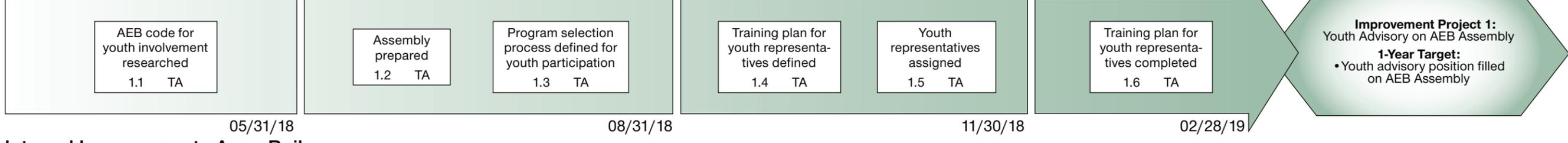
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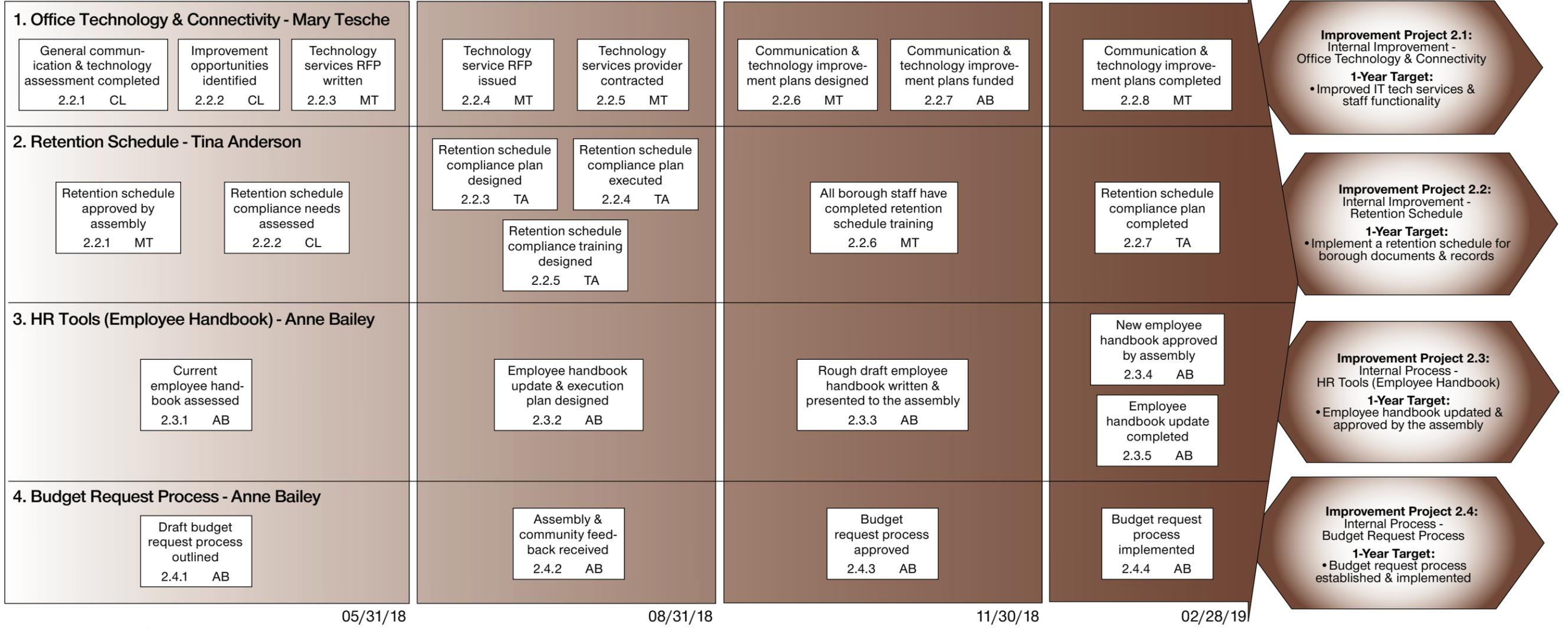
Communications - Laura Tanis



Youth Advisory on AEB Assembly - Tina Anderson



Internal Improvement - Anne Bailey



Borough Asset Management - Charlotte Levy

