

CITY OF BETHEL

Basic Financial Statements, Required Supplementary
Information, Additional Supplementary Information
and Compliance Reports

Year Ended June 30, 2017

CITY OF BETHEL

Basic Financial Statements, Required Supplementary
Information, Additional Supplementary Information
and Compliance Reports

Year Ended June 30, 2017

CITY OF BETHEL

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Independent Auditor's Report

Members of the City Council
City of Bethel
Bethel, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Bethel, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 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.

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, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska, 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 Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of the City's Contributions to the Public Employees' Retirement System, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original and Final Budget and Actual for the General Fund on pages 43-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bethel, Alaska basic financial statements. The Information listed in the Table of Contents as "Additional Supplementary Information" including combining and individual major and non-major schedules and statements, budget to actual schedules, and the Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of State Financial Assistance and related notes which is presented as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

Members of the City Council
City of Bethel

The "Additional Supplementary Information" are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the "Additional Supplementary Information" are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of the City of Bethel, Alaska'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 the effectiveness of City of Bethel's 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 City of Bethel, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
August 28, 2018

City of Bethel, Alaska
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Cash and cash equivalents	\$ 5,590,032	12,841,323	18,431,355
Accounts receivable (net)	2,057,428	1,357,139	3,414,567
Inventory	319,719	151,004	470,723
Prepaid items	25,986	-	25,986
Internal balances	2,974,272	(2,974,272)	-
Investments	5,601,442	2,378,833	7,980,275
Total current assets	<u>16,568,879</u>	<u>13,754,027</u>	<u>30,322,906</u>
Long-Term Assets			
Restricted cash	-	689,515	689,515
Capital assets not being depreciated	39,691,413	5,843,392	45,534,805
Depreciable capital assets	29,606,713	102,737,175	132,343,888
Accumulated depreciation	(19,489,003)	(45,474,143)	(64,963,146)
Net capital assets	<u>49,809,123</u>	<u>63,106,424</u>	<u>112,915,547</u>
Deferred outflows of resources			
Pension deferrals	1,578,678	1,009,320	2,587,998
Total long-term assets and deferred outflows of resources	<u>51,387,801</u>	<u>64,805,259</u>	<u>116,193,060</u>
Total assets and deferred outflows of resources	<u>\$ 67,956,680</u>	<u>78,559,286</u>	<u>146,515,966</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	\$ 479,433	349,050	828,483
Accrued payroll	178,152	90,716	268,868
Accrued liabilities	70,516	-	70,516
Utility deposits	-	334,932	334,932
Unearned revenue	58,532	-	58,532
Accrued interest payable	-	7,754	7,754
Total current liabilities	<u>786,633</u>	<u>782,452</u>	<u>1,569,085</u>
Long-term liabilities			
Due within one year:			
Accrued leave	399,955	186,596	586,551
Bonds payable	-	175,000	175,000
Due in more than one year:			
Bonds payable	-	2,000,000	2,000,000
Unamortized bond premium	-	298,089	298,089
Landfill closure costs	-	2,457,167	2,457,167
Net pension liability	8,015,186	5,124,463	13,139,649
Total long-term liabilities	<u>8,415,141</u>	<u>10,241,315</u>	<u>18,656,456</u>
Deferred inflows of resources			
Pension deferrals	89,343	57,122	146,465
Total liabilities and deferred inflows of resources	<u>9,291,117</u>	<u>11,080,889</u>	<u>20,372,006</u>
Net position			
Net investment in capital assets	49,809,123	60,633,335	110,442,458
Restricted	-	1,089,905	1,089,905
Unrestricted	8,856,440	5,755,157	14,611,597
Total net position	<u>58,665,563</u>	<u>67,478,397</u>	<u>126,143,960</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 67,956,680</u>	<u>78,559,286</u>	<u>146,515,966</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statement of Activities

Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:							
General government	\$ 2,982,167	332,570	-	-	(2,649,597)	-	(2,649,597)
Public safety	5,567,006	154,066	289,032	-	(5,123,908)	-	(5,123,908)
Public works	2,945,773	-	27,203	378,246	(2,540,324)	-	(2,540,324)
Community services	441,225	-	-	-	(441,225)	-	(441,225)
Total governmental activities	<u>11,936,171</u>	<u>486,636</u>	<u>316,235</u>	<u>378,246</u>	<u>(10,755,054)</u>	<u>-</u>	<u>(10,755,054)</u>
Business-type activities:							
Water and sewer utility	6,847,332	6,586,719	66,592	-	-	(194,021)	(194,021)
Municipal dock	1,494,451	1,296,827	7,042	-	-	(190,582)	(190,582)
Rental property	711,401	619,788	-	-	-	(91,613)	(91,613)
Solid waste	901,424	1,186,561	8,870	-	-	294,007	294,007
Multi-use recreation facility	1,969,787	400,477	-	9,123	-	(1,560,187)	(1,560,187)
Public transit	362,277	32,448	193,090	78,420	-	(58,319)	(58,319)
Total business-type activities	<u>12,286,672</u>	<u>10,122,820</u>	<u>275,594</u>	<u>87,543</u>	<u>-</u>	<u>(1,800,715)</u>	<u>(1,800,715)</u>
Total primary government	<u>\$ 24,222,843</u>	<u>10,609,456</u>	<u>591,829</u>	<u>465,789</u>	<u>(10,755,054)</u>	<u>(1,800,715)</u>	<u>(12,555,769)</u>
General revenues:							
Taxes, including penalties and interest					9,000,106	-	9,000,106
Grants and entitlements not restricted to a specific purpose					1,352,643	-	1,352,643
Investment income					41,915	18,261	60,176
Permits, licenses and fees					747,992	-	747,992
Other					52,146	988,963	1,041,109
Transfers					(1,167,873)	1,167,873	-
Transfer of capital assets					(604,511)	604,511	-
Total general revenues and transfers					<u>9,422,418</u>	<u>2,779,608</u>	<u>12,202,026</u>
Change in net position					(1,332,636)	978,893	(353,743)
Net position, beginning of year					59,998,199	66,058,001	126,056,200
Prior period adjustment					-	441,503	441,503
Net position, beginning of year, as restated					59,998,199	66,499,504	126,497,703
Net Position, end of year					<u>\$ 58,665,563</u>	<u>67,478,397</u>	<u>126,143,960</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Balance Sheet - Governmental Funds

June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,121,797	1,468,235	5,590,032
Receivables, net	1,739,978	316,647	2,056,625
Inventory	77,189	-	77,189
Prepaid items	25,986	-	25,986
Investments	3,879,531	1,721,911	5,601,442
Due from other funds	361,426	-	361,426
Due from enterprise funds	985,208	-	985,208
Advances to enterprise funds	2,925,628	-	2,925,628
Total assets	\$ 14,116,743	3,506,793	17,623,536
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Accounts payable	289,527	53,113	342,640
Accrued payroll	156,277	13,039	169,316
Accrued liabilities	70,516	-	70,516
Due to other funds	-	361,426	361,426
Unearned revenue	19,984	38,548	58,532
Total liabilities	\$ 536,304	466,126	1,002,430
Deferred inflows of resources			
Taxes	325,698	-	325,698
Fund balances			
Nonspendable	3,028,803	-	3,028,803
Restricted	-	158,763	158,763
Committed	-	1,886,031	1,886,031
Assigned	-	1,057,267	1,057,267
Unassigned	10,225,938	(61,394)	10,164,544
Total fund balances	13,254,741	3,040,667	16,295,408
Total liabilities, deferred inflows and fund balances	\$ 14,116,743	3,506,793	17,623,536

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2017

Total fund balances for governmental funds		\$ 16,295,408
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets not being depreciated:		
Land	39,481,784	
Construction in progress	<u>209,629</u>	
Total capital assets not being depreciated		39,691,413
Depreciable capital assets:		
Improvements	2,003,841	
Buildings	12,542,773	
Equipment	4,166,916	
Infrastructure	9,404,270	
Vehicles	<u>1,488,913</u>	
Total depreciable capital assets		29,606,713
Accumulated depreciation		<u>(19,489,003)</u>
Total capital assets		49,809,123
Sales taxes not collected within 60 days of year end are not deemed available and are reported as unearned revenues in the fund statements.		325,698
Long term liabilities are not deemed due and payable in the current period and are therefore not reported as governmental fund liabilities.		
Accrued leave		(391,553)
Changes in deferred inflows and outflows of resources are the results of timing difference in the actuarial report:		
Pension related assets in the current fiscal year are presented as deferred outflows of resources		1,578,678
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources		(89,343)
Proportional share of the collective net pension liability		(8,015,186)
Internal service funds are used by the City to charge the cost of health insurance, and vehicle and equipment maintenance to individual funds. Internal service fund assets and liabilities are included with governmental activities in the Statement of Net Position.		(841,628)
Less amount reported for capital assets above		<u>(5,634)</u>
		<u>(847,262)</u>
Total net position of governmental activities		\$ <u>58,665,563</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

Year Ended June 30, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental:			
Federal sources	\$ 860,090	110,838	970,928
State of Alaska	492,553	625,785	1,118,338
Local Sources:			
Taxes	8,731,087	-	8,731,087
Charges for services	332,570	154,066	486,636
Rental income	2,690	-	2,690
Permits, licenses and fees	747,992	-	747,992
Income from investments	38,221	3,694	41,915
Miscellaneous	39,578	9,878	49,456
Total revenues	<u>11,244,781</u>	<u>904,261</u>	<u>12,149,042</u>
Expenditures			
Current:			
General government	2,464,266	-	2,464,266
Public safety	3,811,746	761,960	4,573,706
Public works	2,192,448	45,247	2,237,695
Community services	404,222	236,048	640,270
Capital outlay	-	426,815	426,815
Total expenditures	<u>8,872,682</u>	<u>1,470,070</u>	<u>10,342,752</u>
Excess (deficiency) of revenues over expenditures	<u>2,372,099</u>	<u>(565,809)</u>	<u>1,806,290</u>
Other Financing Sources (Uses)			
Transfers in	215,674	686,060	901,734
Transfers (out)	<u>(1,605,334)</u>	<u>(464,273)</u>	<u>(2,069,607)</u>
Net other financing sources (uses)	<u>(1,389,660)</u>	<u>221,787</u>	<u>(1,167,873)</u>
Net change in fund balances	982,439	(344,022)	638,417
Fund Balances , beginning of year	<u>12,272,302</u>	<u>3,384,689</u>	<u>15,656,991</u>
Fund Balances , end of year	<u>\$ 13,254,741</u>	<u>3,040,667</u>	<u>16,295,408</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

Net change in fund balances - total governmental funds		\$	638,417
The change in net position reported for governmental activities in the Statement of Activities is different because:			
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.			
Capital outlay	750,638		
Depreciation	<u>(842,809)</u>		(92,171)
Transfer of capital assets to business type-activities			(604,511)
Loss on disposal of capital assets			(19,169)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase (decrease) in unavailable tax revenue.			
			269,019
The issuance of long-term debt (e.g. bonds, notes, and accrued leave) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Difference in the treatment of long-term debt and related items include:			
Accrued leave increase			(54,634)
Increase in the collective share of the net pension liability			(1,817,563)
Changes in deferred outflows and inflows of resources are the result of timing differences in the actuarial report. Contributions to the pension plan in the current fiscal year are expenditures in the fund financial statements but are presented as changes in deferred outflows of resources in the government-wide statements.			
			623,615
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net loss of the internal service funds (excluding the portion allocated to business-type activities) is reported within the governmental activities			
	(268,164)		
Add change attributable to accrued leave above	(11,027)		
Less change attributable to depreciation above	<u>3,552</u>		(275,639)
Change in net position of governmental activities		\$	<u><u>(1,332,636)</u></u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
 Statements of Net Position
 Proprietary Funds
 June 30, 2017

	Major Enterprise Funds							Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	
Assets and Deferred Outflows of Resources								
Current assets:								
Cash and cash equivalents	\$ 2,030,354	3,222,216	173,744	3,848,533	3,566,476	-	12,841,323	-
Accounts receivable (net)	648,945	503,013	2,819	99,750	80,287	22,325	1,357,139	803
Inventory	50,098	63,201	6,614	3,276	23,179	4,636	151,004	242,530
Investments	-	2,378,833	-	-	-	-	2,378,833	-
Total current assets	<u>2,729,397</u>	<u>6,167,263</u>	<u>183,177</u>	<u>3,951,559</u>	<u>3,669,942</u>	<u>26,961</u>	<u>16,728,299</u>	<u>243,333</u>
Long-term assets:								
Restricted cash - bond reserve	-	-	689,515	-	-	-	689,515	-
Capital assets:								
Land	-	2,237,356	43,000	18,252	-	-	2,298,608	-
Construction in progress	2,655,517	889,267	-	-	-	-	3,544,784	-
Depreciable assets	36,137,853	31,162,647	9,876,329	1,332,565	23,297,167	445,745	102,252,306	97,902
Less accumulated depreciation	<u>(26,719,302)</u>	<u>(9,928,632)</u>	<u>(5,035,367)</u>	<u>(822,295)</u>	<u>(2,175,723)</u>	<u>(307,955)</u>	<u>(44,989,274)</u>	<u>(92,268)</u>
Net capital assets	<u>12,074,068</u>	<u>24,360,638</u>	<u>4,883,962</u>	<u>528,522</u>	<u>21,121,444</u>	<u>137,790</u>	<u>63,106,424</u>	<u>5,634</u>
Total long-term assets	<u>12,074,068</u>	<u>24,360,638</u>	<u>5,573,477</u>	<u>528,522</u>	<u>21,121,444</u>	<u>137,790</u>	<u>63,795,939</u>	<u>5,634</u>
Deferred outflows of resources -								
Pension deferrals	771,569	81,587	-	102,771	-	53,393	1,009,320	-
Total assets and deferred outflows of resources	<u>\$ 15,575,034</u>	<u>30,609,488</u>	<u>5,756,654</u>	<u>4,582,852</u>	<u>24,791,386</u>	<u>218,144</u>	<u>81,533,558</u>	<u>248,967</u>

(Continued)

City of Bethel, Alaska

Statements of Net Position , Continued

Proprietary Funds

	Major Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund		
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)								
Liabilities:								
Current liabilities:								
Accounts and claims payable	54,662	236,625	13,156	9,820	29,888	4,899	349,050	136,793
Accrued payroll	64,035	12,328	-	8,725	-	5,628	90,716	8,836
Accrued leave	119,358	11,031	-	38,895	-	17,312	186,596	8,402
Deposits	334,932	-	-	-	-	-	334,932	-
Due to other funds	-	-	-	-	-	48,644	48,644	936,564
Current portion - bonds payable	-	-	175,000	-	-	-	175,000	-
Accrued interest payable	-	-	7,754	-	-	-	7,754	-
Total current liabilities	<u>572,987</u>	<u>259,984</u>	<u>195,910</u>	<u>57,440</u>	<u>29,888</u>	<u>76,483</u>	<u>1,192,692</u>	<u>1,090,595</u>
Long-term liabilities								
Advances from other funds	1,996,668	-	928,960	-	-	-	2,925,628	-
Bonds payable, net of current portion	-	-	2,000,000	-	-	-	2,000,000	-
Unamortized bond premium	-	-	298,089	-	-	-	298,089	-
Landfill closure costs	-	-	-	2,457,167	-	-	2,457,167	-
Net pension liability	3,917,369	414,228	-	521,781	-	271,085	5,124,463	-
Total long-term liabilities	<u>5,914,037</u>	<u>414,228</u>	<u>3,227,049</u>	<u>2,978,948</u>	<u>-</u>	<u>271,085</u>	<u>12,805,347</u>	<u>-</u>
Deferred inflows of resources -								
Pension deferrals	43,667	4,617	-	5,816	-	3,022	57,122	-
Total liabilities and deferred inflows of resources	<u>6,530,691</u>	<u>678,829</u>	<u>3,422,959</u>	<u>3,042,204</u>	<u>29,888</u>	<u>350,590</u>	<u>14,055,161</u>	<u>1,090,595</u>
Net position (deficit)								
Net investment in capital assets	12,074,068	24,360,638	2,410,873	528,522	21,121,444	137,790	60,633,335	-
Restricted	400,390	-	689,515	-	-	-	1,089,905	-
Unrestricted (deficits)	(3,430,115)	5,570,021	(766,693)	1,012,126	3,640,054	(270,236)	5,755,157	(841,628)
Total net position (deficit)	<u>9,044,343</u>	<u>29,930,659</u>	<u>2,333,695</u>	<u>1,540,648</u>	<u>24,761,498</u>	<u>(132,446)</u>	<u>67,478,397</u>	<u>(841,628)</u>
Total liabilities and net position (deficit)	<u>\$ 15,575,034</u>	<u>30,609,488</u>	<u>5,756,654</u>	<u>4,582,852</u>	<u>24,791,386</u>	<u>218,144</u>	<u>81,533,558</u>	<u>248,967</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statements of Revenues, Expenses and Changes in Fund Net Position (Deficit)

Proprietary Funds

Year Ended June 30, 2017

Major Enterprise Funds

	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:								
Charges for services	\$ 6,586,719	1,296,827	619,788	1,186,561	400,477	32,448	10,122,820	3,117,666
Other	175,340	660,522	72,455	2,693	-	5,742	916,752	-
Total operating revenues	<u>6,762,059</u>	<u>1,957,349</u>	<u>692,243</u>	<u>1,189,254</u>	<u>400,477</u>	<u>38,190</u>	<u>11,039,572</u>	<u>3,117,666</u>
Operating expenses:								
Personnel	3,567,885	368,568	-	533,795	-	231,126	4,701,374	419,216
Travel and training	6,234	1,656	2,677	2,745	-	-	13,312	160
Materials and supplies	138,743	9,934	-	7,033	-	3,202	158,912	30,874
Utilities and fuel	744,215	49,539	126,220	39,065	314,578	38,005	1,311,622	107,817
Claims	-	-	-	-	-	-	-	1,677,832
Minor equipment and tools	128,506	8,585	-	15,993	11,007	2,008	166,099	24,097
Depreciation and amortization	1,069,568	741,348	338,614	32,747	811,781	45,054	3,039,112	3,552
Other purchased services	91,629	59,855	9,882	22,166	802,643	1,575	987,750	109,186
Insurance	140,169	20,272	18,838	11,079	27,035	9,499	226,892	586,380
Repairs and maintenance	633,732	131,171	92,962	102,875	2,704	14,858	978,302	288,180
Other expenses	41,183	55,933	-	11,232	39	16,950	125,337	-
Landfill closure costs	-	-	-	59,931	-	-	59,931	-
Bad debt expense	38,817	-	-	-	-	-	38,817	-
Indirect cost	246,651	47,590	-	62,763	-	-	357,004	138,536
Total operating expenses	<u>6,847,332</u>	<u>1,494,451</u>	<u>589,193</u>	<u>901,424</u>	<u>1,969,787</u>	<u>362,277</u>	<u>12,164,464</u>	<u>3,385,830</u>
Income (loss) from operations	<u>(85,273)</u>	<u>462,898</u>	<u>103,050</u>	<u>287,830</u>	<u>(1,569,310)</u>	<u>(324,087)</u>	<u>(1,124,892)</u>	<u>(268,164)</u>

(Continued)

City of Bethel, Alaska

Statements of Revenues, Expenses and Changes in Fund Net Position (Deficit), Continued

Proprietary Funds

Major Enterprise Funds

	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Nonoperating revenues (expenses):								
Interest expense	-	-	(69,226)	-	-	-	(69,226)	-
Investment income	-	-	17,871	-	390	-	18,261	-
FTA grant	-	-	-	-	-	-	-	-
State capital grant	-	-	-	-	9,123	78,420	87,543	-
Federal sources	-	-	-	-	-	188,482	188,482	-
State PERS relief	66,592	7,042	-	8,870	-	4,608	87,112	-
Refunding costs	-	-	(52,982)	-	-	-	(52,982)	-
Pension benefit	-	72,211	-	-	-	-	72,211	-
Net nonoperating revenues (expenses)	<u>66,592</u>	<u>79,253</u>	<u>(104,337)</u>	<u>8,870</u>	<u>9,513</u>	<u>271,510</u>	<u>331,401</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>(18,681)</u>	<u>542,151</u>	<u>(1,287)</u>	<u>296,700</u>	<u>(1,559,797)</u>	<u>(52,577)</u>	<u>(793,491)</u>	<u>(268,164)</u>
Capital contributions	<u>368,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,048</u>	<u>-</u>	<u>604,511</u>	<u>-</u>
Transfers in	534,171	-	319,684	-	583,438	80,580	1,517,873	-
Transfers out	-	(300,000)	-	(50,000)	-	-	(350,000)	-
Total transfers	<u>534,171</u>	<u>(300,000)</u>	<u>319,684</u>	<u>(50,000)</u>	<u>583,438</u>	<u>80,580</u>	<u>1,167,873</u>	<u>-</u>
Change in net position	883,953	242,151	318,397	246,700	(740,311)	28,003	978,893	(268,164)
Net position (deficit), beginning of year, as previously stated	<u>7,718,887</u>	<u>29,688,508</u>	<u>2,015,298</u>	<u>1,293,948</u>	<u>25,501,809</u>	<u>(160,449)</u>	<u>66,058,001</u>	<u>(573,464)</u>
Prior period adjustment	441,503	-	-	-	-	-	441,503	-
Net position, beginning of year, as restated	<u>8,160,390</u>	<u>29,688,508</u>	<u>2,015,298</u>	<u>1,293,948</u>	<u>25,501,809</u>	<u>(160,449)</u>	<u>66,499,504</u>	<u>(573,464)</u>
Net Position (deficit), end of year	<u>\$ 9,044,343</u>	<u>29,930,659</u>	<u>2,333,695</u>	<u>1,540,648</u>	<u>24,761,498</u>	<u>(132,446)</u>	<u>67,478,397</u>	<u>(841,628)</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
 Statements of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2017

	Major Enterprise Funds							Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	
Cash flows from (for) operating activities:								
Receipts from customers	\$ 7,202,229	1,238,961	616,969	1,200,079	320,190	38,190	10,616,618	-
Receipts from interfund services provided	-	-	-	-	-	-	-	3,117,401
Payment to suppliers	(2,634,033)	(170,531)	(178,256)	(288,248)	(1,127,079)	(82,649)	(4,480,796)	(2,787,585)
Payment to employees	(2,797,489)	(396,609)	-	(372,780)	-	(211,784)	(3,778,662)	(427,707)
Net cash flows from (for) operating activities	<u>1,770,707</u>	<u>671,821</u>	<u>438,713</u>	<u>539,051</u>	<u>(806,889)</u>	<u>(256,243)</u>	<u>2,357,160</u>	<u>(97,891)</u>
Cash flows from (for) noncapital financing activities:								
Operating and capital grants	-	-	-	-	9,123	493,200	502,323	-
Transfers in	534,171	-	319,684	-	583,438	80,580	1,517,873	-
Transfers out	-	(300,000)	-	(50,000)	-	-	(350,000)	-
Increase (decrease) due to other funds	-	-	-	-	-	(219,512)	(219,512)	87,891
Increase (decrease) in advances from other funds	(1,456,783)	-	-	-	-	-	(1,456,783)	-
Net cash flows from (for) noncapital financing activities	<u>(922,612)</u>	<u>(300,000)</u>	<u>319,684</u>	<u>(50,000)</u>	<u>592,561</u>	<u>354,268</u>	<u>(6,099)</u>	<u>87,891</u>
Cash flows from (for) capital and related financing activities:								
Acquisition and construction of capital assets	(775,864)	(1,212,869)	(29,525)	(344,939)	-	(98,025)	(2,461,222)	-
Principal paid on long-term debt	-	-	(2,539,779)	-	-	-	(2,539,779)	-
Proceeds from issuance of debt	-	-	2,327,897	-	-	-	2,327,897	-
Refunding costs	-	-	(52,982)	-	-	-	(52,982)	-
Interest paid on long-term debt	-	-	(124,425)	-	-	-	(124,425)	-
Net cash flows from (for) capital and related financing activities	<u>(775,864)</u>	<u>(1,212,869)</u>	<u>(418,814)</u>	<u>(344,939)</u>	<u>-</u>	<u>(98,025)</u>	<u>(2,850,511)</u>	<u>-</u>
Cash flows from investing activities -								
Investment income received	-	-	17,871	-	390	-	18,261	-
Purchase of investments	-	(1,413,169)	-	-	-	-	(1,413,169)	-
Net cash flows from investing activities	<u>-</u>	<u>(1,413,169)</u>	<u>17,871</u>	<u>-</u>	<u>390</u>	<u>-</u>	<u>(1,394,908)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	72,231	(2,254,217)	357,454	144,112	(213,938)	-	(1,894,358)	(10,000)
Cash and cash equivalents, beginning of year	<u>1,958,123</u>	<u>5,476,433</u>	<u>505,805</u>	<u>3,704,421</u>	<u>3,780,414</u>	<u>-</u>	<u>15,425,196</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 2,030,354</u>	<u>3,222,216</u>	<u>863,259</u>	<u>3,848,533</u>	<u>3,566,476</u>	<u>-</u>	<u>13,530,838</u>	<u>(10,000)</u>
Composed of:								
Cash and cash equivalents	\$ 2,030,354	3,222,216	173,744	3,848,533	3,566,476	-	12,841,323	-
Restricted cash - bond reserve	-	-	689,515	-	-	-	689,515	-
Total cash and cash equivalents	<u>2,030,354</u>	<u>3,222,216</u>	<u>863,259</u>	<u>3,848,533</u>	<u>3,566,476</u>	<u>-</u>	<u>13,530,838</u>	<u>-</u>

(Continued)

City of Bethel, Alaska
 Statements of Cash Flows, Continued
 Proprietary Funds
 Year Ended June 30, 2017

	Major Enterprise Funds							Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:								
Income (loss) from operations	\$ (85,273)	462,898	103,050	287,830	(1,569,310)	(324,087)	(1,124,892)	(268,164)
Adjustments to reconcile income (loss) from operations to net cash from (for) operating activities:							-	
Depreciation and amortization	1,069,568	741,348	338,614	32,747	811,781	45,054	3,039,112	(6,448)
PERS on-behalf expense	(253,056)	7,042	-	(43,008)	-	(12,085)	(301,107)	-
(Increase) decrease in assets:								
Accounts receivable	(3,551)	(114,790)	(2,819)	10,825	(80,287)	-	(190,622)	(265)
Inventory	8,104	(13,622)	1,070	530	3,750	750	582	147,549
Prepaid expenses	-	-	-	-	20,520	-	20,520	-
Increase (decrease) in liabilities:								
Accounts and claims payable	9,245	227,626	(1,202)	(13,827)	6,657	2,698	231,197	37,928
Accrued leave	24,671	(33,787)	-	2,667	-	3,937	(2,512)	(11,027)
Accrued payroll	4,072	(1,296)	-	2,274	-	(2,493)	2,557	2,536
Deposits/unearned revenue	2,218	-	-	-	-	-	2,218	-
Unearned revenue	-	(603,598)	-	-	-	-	(603,598)	-
Unfunded pension liability	994,709	-	-	199,082	-	29,983	1,223,774	-
Landfill closure costs	-	-	-	59,931	-	-	59,931	-
Net cash flows from (for) operating activities	\$ 1,770,707	671,821	438,713	539,051	(806,889)	(256,243)	2,357,160	(97,891)
Noncash item -								
Capital assets transferred from governmental activities	\$ 368,463	-	-	-	236,048	-	604,511	-

See accompanying notes to basic financial statements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements

June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bethel, Alaska (City) was incorporated in 1957 as a second-class city and operates under a Council-Manager form of government. The City provides a variety of services including water, sewer, refuse, police and fire protection, street maintenance, public transit, municipal dock and community services.

The City of Bethel, Alaska is governed by an elected council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Bethel, Alaska only. There are no component units.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the government are described below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. *Governmental activities*, which normally are supported by local and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on user fees and charges for support. The effect of interfund activity, for the most part, has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who use, purchase, or directly benefit from the goods, services or privileges provided by a given segment or function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported as *general revenues*. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Taxes, charges for services, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measured and available only when received by the government.

The City reports the following major governmental fund:

The *General Fund* is the City's primary operating fund – it accounts for all financial resources of the City, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

The *Water and Sewer Utility Fund* – accounts for the distribution of water and sewer services for the City of Bethel.

The *Municipal Dock Fund* – accounts for all activities of the dock.

The *Rental Property Fund* – accounts for activities related to rents and leases of the Court complex and owned properties of the City of Bethel.

The *Solid Waste Fund* – accounts for solid waste disposal and the municipal landfill.

The *Multi-Use Recreation Center Fund* –accounts for the activities related to the Yukon-Kuskokwim recreational facility located in Bethel.

Additionally, the City reports the following fund types:

Internal Service Funds – the funds account for the employee health insurance benefits and vehicle and maintenance activities of the City and provide this service to other departments and agencies of the City on a cost-reimbursement basis.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, the useful lives of assets and related accumulated depreciation, accrued landfill closure and post-closure care costs, and health benefit claims incurred but not reported.

D. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Allowable investments include the following:

- a. U.S. Treasury bills, notes and bonds.
- b. Obligations of agencies of the United States.
- c. Commercial paper with quality rating not lower than A-1/P-1.
- d. Banks acceptances issued by banks with a long-term bond rating of not less than "A" or by branches of banks, whose parent is rated not less than "A".
- e. Insured or fully collateralized certificates of deposit of financial institutions.
- f. Money market mutual funds or other short-term investment funds which serve to insure full investment on a daily basis. The funds must meet the criteria set forth in a-e above.
- g. The Alaska Municipal League Investment Pool, Inc. as authorized under Alaska Statutes 37.23.010 through 37.23.900. The Finance Director is authorized to enter into the agreements and perform all acts required for the City's membership in the Pool.
- h. Repurchase agreements secured by Treasury, Agency and Instrumentality securities.

E. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amounts reported in the balance sheet and Statement of Net Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the City's investments. The carrying amount of the City's investments are determined based on quoted market prices.

The carrying amount of notes receivable and notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

F. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds" (i.e., the current portion of interfund loans) or "advances to other funds" or "advances from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All tax receivables and other receivables are shown net of an allowance for uncollectible receivables.

G. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method. The cost of governmental and business-type activities inventories are recorded as expenditures/expenses when consumed rather than when purchased.

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

H. Unearned Revenues

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met are recorded as unearned revenue.

I. Restricted Assets

Monies or other resources, the use of which is restricted by legal or contractual requirements are recorded as restricted assets. Restricted assets include monies required by bond covenants.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

J. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the City, is depreciated using the straight-line method over the following estimated useful lives:

Dock, seawall, water and sewer line and improvements	20-70
Buildings and improvements	30-35
Motor vehicles and motorized equipment	5-10
Furniture, machinery and equipment	5-10

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is recorded when earned in proprietary funds and is reported as a fund liability. Vacation and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental-fund type that will pay it. Amounts related to governmental-fund types not expected to be liquidated with expendable available financial resources are reported as long-term liabilities.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest on long-term obligations is recorded as an expenditure when due.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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.

M. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints placed are either externally imposed by creditors (such as through debt covenants), grantors, contributors, provisions or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

N. 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. Nonspendable fund balance 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.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) 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 ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. 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.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. 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 both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then committed, assigned, and unassigned—in order as needed.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and most Special Revenue Funds and Enterprise Funds. The Capital Project Funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

The budget is prepared by fund, function and department. Budgetary control is exercised at the department or function level. The City Manager is authorized to transfer budget amounts up to \$5,000 between expenditure/expense categories within any department; however, any supplemental appropriations that amend the total expenditures/expenses of any department, or transfers exceeding \$5,000, require City Council approval.

Encumbrance accounting is employed in governmental fund types. Encumbrances, if any, (e.g., purchase orders, contracts) outstanding at year end are reported as appropriate constraints of fund balance if they meet the definitions described in the fund balance section of these notes.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations as follows:

	<u>Amount of Over Expenditure</u>
General government:	
Technology	\$ 30,663
Fire Department	44,753
Administration	16,096
Special Projects	9,998
Special Revenue Funds:	
Community service patrol	240,329
LED Streetlights	68
911 surcharges	41,698
Volunteer fire assistance	21,163
APEI	16,976
Rasmuson	236,048

C. Deficit Fund Balance/Unrestricted Net Position

The following funds reported a fund deficit as of June 30, 2017:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Police Asset Forfeiture	\$ 61,384
Volunteer Firefighter Assistance	<u>10</u>
Internal Service Fund –	
Employee Health Insurance	<u>925,117</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

In addition, the following Enterprise Funds are reporting deficits in the unrestricted net position category:

	Unrestricted Deficit Balance
Water and Sewer Utility	\$ 3,635,068
Rental Property	766,693
Public Transit	270,236

These deficits are expected to be covered by future operations or transfers from the General Fund, or in the case of the Health Insurance Fund, possible premium increases.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents, and Investments

All deposits are carried at cash value plus accrued interest. The City's deposit and investment policy requires all cash deposits to be fully insured or collateralized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City requires all deposits to be insured or collateralized. At June 30, 2017, the City's bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remainder is collateralized by governmental securities held by the City's agent in the City's name.

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2017:

Bank deposits and money market funds	\$ 18,431,355
Investments	<u>7,980,275</u>
Total cash and investments	<u>\$ 26,411,630</u>
	Government-wide Statement of Net Position
Cash and cash equivalents	\$ 18,431,355
Investments	<u>7,980,275</u>
Cash and investments	<u>\$ 26,411,630</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

	Fair Value	Investment Maturities in Years		
		Less than 1	1 – 5	More than 5
Investment subject to interest rate risk:				
Certificates of deposit	\$ 4,111,117	741,725	3,369,392	-
US Treasury securities	1,164,553	1,164,553	-	-
U.S. government bonds	2,704,605	1,008,072	1,696,533	-
Total	\$ 7,980,275	2,914,350	5,065,925	-

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Certificates of Deposit	\$ 4,111,117	-	4,111,117	-
U.S. Treasury securities	1,164,553	1,164,553	-	-
U.S. Government Bonds	2,704,605	-	2,704,605	-
Total investments	\$ 7,980,275	1,164,553	6,815,722	-

Credit Risk

The City does not have a formal investment policy that restricts investments based on credit risk. At June 30, 2017 the City's investments in Certificates of Deposit were unrated and U.S. Government Bonds were rated AAA by Moody's Credit Rating.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

IV. ACCOUNTS RECEIVABLE

Receivables at June 30, 2017, for the City's individual major funds and other nonmajor funds, including applicable allowance for doubtful accounts, are as follows:

June 30, 2017	General Fund	Nonmajor Govern- mental Funds	Water and Sewer Utility Enterprise Fund	Municipal Dock Enterprise Fund	Rental Property
Grants receivable	-	316,647	-	-	-
Accounts receivable	440,057	-	808,975	547,858	-
Taxes receivable	1,721,629	-	-	-	22,516
Less allowance for doubtful accounts	(421,708)	-	(160,030)	(44,845)	(19,697)
Net Receivables	<u><u>1,739,978</u></u>	<u><u>316,647</u></u>	<u><u>648,945</u></u>	<u><u>503,013</u></u>	<u><u>2,819</u></u>

June 30, 2017	Solid Waste Enterprise Fund	Multi-Use Recreation Center	Nonmajor Public Transit Enterprise Fund	Employee Health Insurance Internal Service Fund	Totals
Grants receivable	-	-	22,325	-	338,972
Accounts receivable	148,671	80,287	-	803	2,026,651
Taxes receivable	-	-	-	-	1,744,145
Less allowance for doubtful accounts	(48,921)	-	-	-	695,201
Net Receivables	<u><u>99,750</u></u>	<u><u>80,287</u></u>	<u><u>22,325</u></u>	<u><u>803</u></u>	<u><u>3,414,567</u></u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	(Deletions) and Reclassifications	Balance June 30, 2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 39,481,784	-	-	39,481,784
Construction in progress	290,364	610,641	(691,376)	209,629
Capital assets not being depreciated	<u>39,772,148</u>	<u>610,641</u>	<u>(691,376)</u>	<u>39,691,413</u>
Capital assets being depreciated:				
Improvements	1,909,060	94,781	-	2,003,841
Buildings	12,542,773	-	-	12,542,773
Machinery and equipment	4,115,343	51,573	-	4,166,916
Infrastructure	9,692,527	-	(288,257)	9,404,270
Vehicles	2,478,680	80,508	(1,070,275)	1,488,913
Total capital assets being depreciated	<u>30,738,383</u>	<u>226,862</u>	<u>(1,358,532)</u>	<u>29,606,713</u>
Less accumulated depreciation for:				
Improvements	163,475	114,009	-	277,484
Buildings	5,482,797	315,790	-	5,798,587
Machinery and equipment	3,041,953	230,496	-	3,272,449
Infrastructure	9,031,769	96,541	(275,467)	8,852,843
Vehicles	2,265,563	85,973	(1,063,896)	1,287,640
Total accumulated depreciation	<u>19,985,557</u>	<u>842,809</u>	<u>(1,339,363)</u>	<u>19,489,003</u>
Net capital assets being depreciated	<u>10,752,826</u>	<u>(615,947)</u>	<u>(19,169)</u>	<u>10,117,710</u>
Total governmental activities capital assets, net	\$ <u>50,524,974</u>	<u>(5,306)</u>	<u>(691,376)</u>	<u>49,809,123</u>

*Governmental activities capital assets includes \$5,634 of capital assets, net of accumulated depreciation from internal service funds.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

	Balance July 1, 2016	Additions and Reclassifications	Deletions	Balance June 30, 2017
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,268,608	-	-	2,268,608
Construction in progress	2,327,188	1,247,596	-	3,574,784
Capital assets not being depreciated	4,595,796	1,247,596	-	5,843,392
Capital assets being depreciated:				
Seawall	22,716,641	-	-	22,716,641
Buildings, plants and lines	70,531,059	323,758	(15,467)	70,839,350
Machinery and equipment	3,099,428	443,242	(106,032)	3,436,638
Vehicles	4,571,908	1,051,139	(519,600)	5,103,447
Total capital assets being depreciated	100,919,036	1,818,139	(641,099)	102,096,076
Less accumulated depreciation for:				
Seawall	6,814,990	454,333	-	7,269,323
Buildings, plants and lines	29,727,752	2,221,114	(15,467)	31,933,399
Machinery and equipment	1,513,973	147,393	(106,032)	1,555,334
Vehicles	4,378,316	216,272	(519,600)	4,074,988
Total accumulated depreciation	42,435,031	3,039,112	(641,099)	44,833,044
Net capital assets being depreciated	58,484,005	(1,220,973)	-	57,263,032
Total business-type activities capital assets, net	\$ 63,079,801	26,623	-	63,106,424

Depreciation expense was charged to governmental functions as follows for the Year ended June 30, 2017:

Governmental Activities:	
General government	\$ 95,445
Public safety	369,750
Public works	377,614
Total depreciation expense – governmental activities	\$ 842,809
Business-Type Activities:	
Water and sewer	\$ 1,069,568
Municipal dock	741,348
Rental property	338,614
Solid waste	32,747
Public transit	45,054
Multi-use recreation	811,781
Total depreciation expense – business-type activities	\$ 3,039,112

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 361,426
	Public Transit Enterprise Fund	48,644
	Internal Service funds	936,564
		<u>\$ 1,346,634</u>

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain interfund balances have been deemed long-term in nature. As a result these items have been classified as long-term advances to/from (receivable/payable) from other funds as follows as of June 30, 2017:

	<u>Advances to (Receivable)</u>	<u>Advances From (Payable)</u>
General Fund	\$ 2,925,628	-
Water and Sewer Utility Enterprise Fund	-	1,996,668
Rental Property Enterprise Fund	-	928,960
	<u>\$ 2,925,628</u>	<u>2,925,628</u>

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Water and Sewer Enterprise Fund</u>	<u>Rental Property Enterprise Fund</u>
<u>Transfers Out</u>				
General Fund	\$ -	87,461	534,171	319,684
Other Governmental Funds	215,674	248,599	-	-
Municipal Dock	-	300,000	-	-
Solid Waste	-	50,000	-	-
	<u>\$ 215,674</u>	<u>686,060</u>	<u>534,171</u>	<u>319,684</u>

	<u>Multi-use Recreation Center</u>	<u>Public Transport</u>	<u>Total</u>
<u>Transfers Out</u>			
General Fund	\$ 583,438	80,580	1,605,334
Other Governmental Funds	-	-	464,273
Municipal Dock	-	-	300,000
Solid Waste	-	-	50,000
	<u>\$ 583,438</u>	<u>80,580</u>	<u>2,419,607</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

VII. UNEARNED AND UNAVAILABLE REVENUES

Governmental funds report *unavailable revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned and unavailable revenues* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund	\$ 325,698	19,984	345,682
Nonmajor governmental funds	<u>-</u>	<u>38,548</u>	<u>38,548</u>
Total unearned and unavailable revenues for governmental funds	\$ <u>325,698</u>	<u>58,532</u>	<u>384,230</u>

VIII. LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in liabilities payable from governmental activities.

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Amount Due in One Year</u>
Accrued leave	\$ <u>345,321</u>	<u>399,955</u>	<u>345,321</u>	<u>399,955</u>	<u>399,955</u>

* Long-term liabilities reported here include \$8,402 in accrued leave from the Internal Service Funds.

During the year ended June 30, 2017, the following changes occurred in long-term debt of business-type activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Amount Due in One Year</u>
Bonds payable	\$ 2,635,000	2,000,000	2,460,000	2,175,000	175,000
Premium	79,780	327,897	109,588	298,089	29,809
Landfill closure	2,397,236	59,931	-	2,457,167	-
Accrued leave	<u>189,107</u>	<u>186,596</u>	<u>189,107</u>	<u>186,596</u>	<u>186,596</u>
Total business-type activities	\$ <u>5,301,123</u>	<u>2,574,425</u>	<u>2,758,696</u>	<u>5,116,852</u>	<u>391,405</u>

IX. LEAVE REVENUE BONDS

In 2007, the City issued \$3,680,000 in 2007 Series Three General Obligation Bonds for the purpose of major renovations. The bonds were issued at a premium of \$145,048.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

In November 2016, the City issued \$2,000,000 Series Three and Four General Obligation Bonds with an average interest rate of 4.82% to advance refund \$2,295,000 of outstanding 2007 Series Three bonds. The bonds were issued at a premium of \$327,897. The net proceeds of \$2,274,915 (after payments of \$52,982 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Series Three bonds. As a result, the 2007 Series Three bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2017, the amount of defeased debt still outstanding was \$2,175,000.

The City advance refunded the 2007 Series One bonds to reduce its total debt service payments over the next 11 years by \$417,413, and to obtain an economic gain (difference of the present value of the debt service payments on the old and new debt) of \$377,924.

The bond premium is amortized over the life of the bond. \$29,808 is amortized each year through December 1, 2028.

Annual payments to maturity of the Lease Revenue Bonds is as follows:

Fiscal Year ended June 30,	Principal	Interest	Total
2018	\$ 175,000	154,800	329,800
2019	165,000	89,750	254,750
2020	170,000	83,050	253,050
2021	175,000	76,150	251,150
2022	185,000	68,950	253,950
2023-2027	1,060,000	199,000	1,259,000
2028-2029	245,000	6,125	251,125
	<u>\$ 2,175,000</u>	<u>677,825</u>	<u>2,852,825</u>

X. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Requirements come from the Environmental Protection Agency rule "Solid Waste Disposal Facility Criteria" parts 257 and 258. These requirements are being enforced by the United States Environmental Protection Agency and the State of Alaska Department of Environmental Conservation. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based upon an engineering study updated in 2016, at present fill rates, the landfill is expected to reach capacity in 2042, or approximately 25 years. The cost of landfill closure and post closure is estimated to be \$3,955,440. The City accrued \$59,931 in landfill closure costs for the year ended June 30, 2017, and has accrued a total liability of \$2,457,167 at June 30, 2017. These amounts are based on what it would cost to perform all the closure and post-closure functions in 2017. Actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

CITY OF BETHEL

Notes to Basic Financial Statements, Continued

Currently, no assets of the City are restricted for payment of closure and post-closure care costs. Future inflation costs and additional costs that might arise from changes in closure and post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

XI. FUND BALANCES

Fund balances, reported for the major funds and the non-major funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Nonmajor Funds	Totals
Non-spendable:			
Inventory	\$ 77,189	-	77,189
Prepaid items	25,986	-	25,986
Advances to other funds	2,925,625	-	2,925,628
Total nonspendable	<u>3,028,803</u>	<u>-</u>	<u>3,028,803</u>
Restricted:			
Rasmuson	-	4,430	4,430
E-911 Surcharges	-	154,333	154,333
Total restricted	<u>-</u>	<u>158,763</u>	<u>158,763</u>
Committed:			
Endowment	-	1,886,031	1,886,031
Assigned:			
Capital projects	-	1,057,267	1,057,267
Unassigned (Deficit)	10,225,938	(61,394)	10,164,544
Total Fund Balances	<u>\$ 13,254,741</u>	<u>3,040,667</u>	<u>16,295,408</u>

XII. NET POSITION

A. Designated Net Position

The City assesses a fee for the use for the petroleum dock facility. In 1997, the City Council authorized the designation of 50% of the fuel revenue for future maintenance of the seawall. Net position under this designation in the Municipal Dock Fund had a balance of \$3,560,442 at June 30, 2017.

In 2010, the City passed an ordinance establishing a bank account to hold cash associated with the designated net position for the seawall. At June 30, 2017, that account had a balance of \$1,634,600.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XIII. ENDOWMENT PERMANENT FUND

The city established an Endowment Permanent Fund to maximize income for the continuing operations of the general government. The Endowment Fund principal may not be spent by the City without approval of a majority of the voters at a general or special election. However, in accordance with the City Council's ordinance establishing the Endowment Fund, 70% of the Fund's prior year investment earnings are to be transferred to the General Fund on an annual basis to help offset operating costs. In 2017, the net contribution to the General Fund was \$15,785.

XIV. DEFINED BENEFIT PENSION PLAN

The City follows Governmental Accounting Standards Board (GASB) Codification P20, Accounting for Pensions by State and Local Governmental Employees and GASB Codification P50, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. GASB Codification P20 and GASB Codification P50 establish uniform standards for the measurement, recognition and display of pension and other post-employment benefits other than pensions (healthcare) expenditures/expense and related liabilities, assets, note disclosure and applicable required supplementary information in the financial reports of state and local governmental employers.

All full-time employees and certain permanent part-time employees of the City participate in either the State of Alaska Public Employees' Retirement System (PERS). In addition to the pension plan the system also administers other post-employment benefit plans.

The system is governed by the Alaska Retirement Management Board. The benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee.

Summary of Significant Accounting Policies. The financial statements for PERS are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

PERS acts as the common investment and administrative agencies for the following multiple-employer plans:

Plan Name	Type of Plan
Defined Benefit Pension Plan (DB)	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan (DC)	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits (DB)	
Occupational Death and Disability Plan	Cost-sharing, Defined Benefits OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefits OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefits OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System.

Alaska Retiree Healthcare Trust Plan (DB)

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a Healthcare Trust Fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

Healthcare Reimbursement Arrangement Plan (DC)

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants.

Alaska Public Employee Retirement System (PERS) – Defined Benefit Plan (DB)

Plan Description. The City participates in the Alaska Public Employees' Retirement System (PERS), a cost sharing multiple employer defined benefit pension plan. PERS provides retirement benefits, disability and death benefits, and post-employment healthcare to plan members and beneficiaries. The Public Employee's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/dr/pers>.

Pension Benefits. All tier employee benefits vest with five years of credited service. There are three tiers of employees based on entry date. Tier I employees enrolled prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For tier II and III employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. All tier employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

The PERS defined benefit is closed to new hires enrolled on or after July 1, 2006. New hires after this date participate in the PERS defined contribution plan (DC) described later in these notes.

Currently there are 159 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25 per month for each year of service when the calculated benefit is less.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Post-employment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, but before July 1, 2006 and who have not reached age 60 may elect to pay for major medical benefits.

Post Retirement Pension Adjustments. Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase. In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

Funding Policy. In April 2008 the Alaska Legislature passed legislation which statutorily capped the employer contribution, established a state funded "on-behalf" contribution, and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan (DC) described later in these footnotes. The state legislature capped the rate at 22%, with the State contributing an on-behalf payment for the difference between the actuarial contribution and the cap.

Salary Floor. During the 25th legislation session, Senate Bill 125 passed, which established a June 30, 2008 salary floor under AS 39.35.255(a)(2). The salary floor is the total base salaries paid by an employer to active employees of the system as of the fiscal year ending June 30, 2008. The statute requires the Division of Retirement and Benefits (Division) to collect employer contributions at a minimum based on FY 2008 base salaries.

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City's one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2016 the past service rate is 16.53%.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (4.59% pension costs and 2.16% OPEB) and non-teacher City employees are required to contribute 9.60% (6.53% pension and 3.07% OPEB) of their annual covered salary.

Employer and Other Contribution Rates. There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (14.96% pension costs and 7.04% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 26.14% (17.78% pension and 8.36% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2017 is 4.14% (2.82% pension and 1.32% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.30% healthcare discount rate. The current rate is 83.90% (27.26% pension and 56.64% OPEB).

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2017	369,093	173,696	542,789
2016	347,321	229,370	576,691
2015	362,102	271,392	633,494

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$303,565 (pension) and \$142,854 (OPEB).

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2017 the State of Alaska contributed \$276,162 (100% pension cost) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date of June 30, 2016 to a total of \$223,363, to represent the pension expense attributable to the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	13,139,649
State's proportionate share of the net pension liability		<u>1,656,986</u>
Total	\$	<u>14,796,635</u>

\$8,015,186 of the net pension liability is reported in the governmental activities, while \$5,124,463 is reported in the business-type activities

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the present value of contributions for FY2018 through FY2039, as determined by projections based on the June 30, 2016 valuation. At June 30, 2017, the City's proportion was 0.2351%, which is a increase of 0.0256% from its proportion measured as of June 30, 2016.

Based on the measurement date of June 30, 2016, the City recognized pension expense of \$2,853,312 for the year ended June 30, 2017. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,208	146,465
Changes of assumptions	60,603	-
Net difference between projected and actual earnings on pension plan investments	1,291,564	-
Changes in proportion and differences between City contributions and proportionate share of contributions	561,965	-
City contributions subsequent to the measurement date	<u>672,658</u>	<u>-</u>
Total	<u>\$ 2,587,998</u>	<u>146,465</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

\$672,658 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 653,790
2019	246,147
2020	527,995
2021	<u>340,943</u>
Total	<u>\$ 1,768,875</u>

For the year ended June 30, 2017, the City recognized \$858,710 of amortization of the net deferred outflows and inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2016 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)
Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

The long-term expected rate of return on pension plan investments was determined using the 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 ranges 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 adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55%
Private Equity	6.25%
Fixed Income	0.80%
Real Estate	3.65%
Absolute Return	4.70%

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 8%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease	Current Rate	1% Increase
	(7%)	(8%)	(9%)
Net pension liability	\$ <u>16,923,202</u>	<u>13,139,649</u>	<u>9,948,396</u>

Alaska Public Employee Retirement System (PERS) – Defined Contribution Plan (DC)

Plan Description and Funding Requirements. Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.18% for the retiree medical plan (DB), 0.17% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

- 2 years of service – 25%
- 3 years of service – 50%
- 4 years of service – 75%
- 5 years of service – 100%

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2017 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 181,454	290,324
Other post-employment benefits (DB):		
Retiree medical plan	42,823	-
Occupational death and disability benefits	8,810	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	119,115	-
Defined benefit unfunded liability (DBUL)	<u>446,419</u>	<u>-</u>
	\$ <u>798,621</u>	<u>290,324</u>

Actual contributions were equal to the annual required contributions. The Defined Benefit Unfunded Liability (DBUL) is computed as the difference between the statutory employer contribution rate less employer contributions for the defined contribution, major medical, occupational death and disability and the health reimbursement arrangement. The DBUL calculation is allocated 60% pension and 40% OPEB.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Employer contributions for the years ended June 30, 2017, 2016 and 2015 are as follows:

		Contributions/ Pensions	Other Post-Employment Benefits	Total
2017	\$	485,019	313,602	798,621
2016		405,000	337,396	742,396
2015		382,410	337,300	719,710

XV. RISK MANAGEMENT

The City is exposed to various risks of loss related to workers' compensation, torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Alaska Public Entity Insurance Association (APEI) which covers property and contents, torts, general and auto liability, public officials and employees' liability, and workers compensation. APEI is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. APEI made no supplemental assessments during the year ended June 30, 2017. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

The City maintains a health and medical benefit program which covers all full time employees. The City has retained a major portion of the risk for this plan and, accordingly, is liable for any employee health claims that are approved for payment. Stop loss coverage limits were \$60,000 for individual claims and \$1,000,000 for aggregate claims. The amount of insurance settlements has not exceeded the amount of the stop-loss coverage limits for each of the past three fiscal years. Health insurance expense for the year ended June 30, 2017 consisted of paid claims, stop-loss premiums, and administrative costs.

Accruals were made based upon estimates of the health claims at year end including claims incurred but not reported and are included in "Accounts and Claims Payable" in the Employee Health Insurance Internal Service Fund. A schedule of the changes in the claims liability for the years ended June 30, 2017 follows:

		Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2017	\$	76,444	1,677,280	1,640,380	113,349

XVI. LEASES

The City of Bethel leases various properties, including land, buildings, office and residential premises to the State of Alaska, local individuals, businesses and not-for-profit organizations. Lease terms vary from month to month for residential premises to 20 years for land and buildings. Rental rates are periodically adjusted to fair market value as determined by appraisal. All revenues and expenses associated with these activities are accounted for in the Rental Property Enterprise Fund.

The following is a summary of significant leases in effect at June 30, 2017:

Property	Monthly Rate	Lease Term
Courthouse – Office space	\$ 31,761	January 2017
Courthouse – Department of Law and Corrections	10,891	Month to month

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XVII. CONTINGENCIES/SUBSEQUENT EVENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and State governments. Any disallowed claims, including amounts already collected, would become a liability of the General Fund.

The City, from time to time, may be a participant in legal proceedings related to the conduct of its business. In the normal course of business, it also has various commitments and contingent liabilities, which are not reflected in the accompanying financial statements. In the opinion of management, any current legal proceedings, commitments or contingent liabilities will not materially affect the financial position of the City.

In 2016, the City entered into an agreement with the United States Department of Agriculture (USDA) for the rehabilitation of the Bethel Sewer Lagoon jetty at a total cost of approximately \$3,700,000. The USDA agreement contains several components, including a City match composed of City funds (\$206,000), non-USDA federal and state grant funding (\$950,000), a USDA loan (\$913,000) and a USDA grant (approximately \$1,700,000). Due to the size of the project and USDA requirements, the City was required to issue a utility revenue bond (bridge loan), which was completed in November 2017; the specific terms, including interest rate and maturity will be determined once the City makes the first draw on the bond, which is expected in fiscal year 2019. Once the project is completed the bridge loan will be paid off the USDA loan, which will require monthly principal and interest payments of \$2,895 over a 40-year period.

The agreement requires the City to establish a debt service reserve in an amount equivalent to the required annual debt service, \$34,740. The City is allowed to accumulate the reserve over a 10-year period in an amount of approximately \$300 per month. However, the City determined it was more prudent to fully fund the reserve at the time the agreement was signed. This amount is included in restricted net position in the Water/Sewer Fund at June 30, 2017.

The agreement requires the City to establish a short-lived asset reserve, as outlined in a preliminary engineering report, estimating 5-year, 10-year, and 15-year asset replacements. The City must reserve \$365,650 annually in a separate account for replacement of assets included in the preliminary engineering report. This amount is included as restricted net position in the Water/Sewer Fund at June 30, 2017.

At June 30, 2017, the project had yet to begin with the estimated cost to completion to be approximately \$3,700,000.

In the 1980's, the City of Bethel's waterfront suffered extensive storm damage. The City partnered with the Army Corp of Engineers to stabilize the seawall and shoreline shortly thereafter and has improved the seawall. The project has been ongoing and completion has been recognized in phases. Through June 30, 2017, the total project costs are estimated at \$35,000,000, of which 75% was funded federally and 25% locally. The project is ongoing and the cost to complete has yet to be determined.

In a prior year, the City received \$7,000,000 grant from the State of Alaska to construct a water well at the City Subdivision Water Treatment Plant as well as designing and constructing piping and infrastructure to support three of the project beneficiaries. The City has hired a contract to complete the major construction portion of the project. At June 30, 2017, the estimated cost to complete the project is \$5,075,000 with an estimated completion date of October 2018.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XVIII. PRIOR PERIOD ADJUSTMENT

During the year management of the City determined the unearned revenue in the Water and Sewer Utility fund to be overstated by \$441,503. The misstatement was a result of water and sewer subscription fees incorrectly being recorded as unearned revenue instead of being recognized as revenue in the period when they were earned. As a result, the City of Bethel has recorded an opening balance adjustment to decrease unearned revenue and increase beginning net position as follows:

Proprietary Funds:

Water and Sewer Utility Fund:

Opening net position, as originally presented	\$	7,718,887
Prior period adjustment	\$	<u>441,503</u>
Opening net position, as restated	\$	<u>8,160,390</u>

XIX. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates covering several topics as follows:

- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 81 – *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 82 – *Pension Issues* – an Amendment of GASB Statement No. 67, No. 68, and No. 73
- GASB 83 – *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 – *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.

Statement 81 is not expected to have any significant impact on the financial statements of the City.

GASB Statements No. 74 and 75, the objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position. Note disclosures and required supplemental information are addressed in these statements. GASB Statement 75 establishes standards for measuring liabilities, deferred inflow and outflows of resources, and expenses/expenditures.

GASB Statement No. 82 – The objective of this statement is to address certain pension issues. This statement defines covered payroll in required supplementary information as “the payroll on which contributions to a pension plan are based, and the ratios that use that measure”. This statement also addresses classification of employer paid member contributions as being member contributions. Finally this statement addresses selection of assumptions and clarifies that a deviation is not considered in conformity with the requirements of GASB Statements No. 67, No.68, or No.73.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Bethel, Alaska

Schedule of the City's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS)

June 30, 2017

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1582%	\$ 7,379,341	\$ 6,839,395	\$ 14,218,736	\$ 5,703,334	129%	62.37%
2016	0.2095%	\$ 10,160,037	\$ 2,721,922	\$ 12,881,959	\$ 6,158,985	165%	63.96%
2017	0.2351%	\$ 13,139,649	\$ 1,656,986	\$ 14,796,635	\$ 7,779,335	169%	59.55%

Notes to Schedule:

1. Information presented for 2017 is based upon Plan measurement date June 30, 2016.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

City of Bethel, Alaska
 Schedule of the City's Contributions
 Public Employees' Retirement System (PERS)

June 30, 2017

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 580,937	\$ (580,937)	\$ -	\$ 6,158,985	9.43%
2016	\$ 583,637	\$ (583,637)	\$ -	\$ 7,779,335	7.50%
2017	\$ 672,658	\$ (672,658)	\$ -	\$ 8,126,472	8.28%

Notes to schedule

1. Valuation date: June 30, 2015, which was rolled forward to June 30, 2016.
2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 6.36% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.35% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013. Actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 95% of all rates of the RP - 2000 Table Base Year provided to 2018 with projected scale BB.
13. In fiscal year 2017 the City implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Original and Final Budget and Actual

Year Ended June 30, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental:				
Federal sources	\$ 850,000	850,000	860,090	10,090
State of Alaska	831,906	828,656	492,553	(336,103)
Local sources:				
Taxes	8,402,000	8,405,000	8,731,087	326,087
Charges for services	165,500	168,500	332,570	164,070
Rental income	3,000	-	2,690	2,690
Permits, licenses and fees	656,900	675,650	747,992	72,342
Income from investments	16,000	16,000	38,221	22,221
Miscellaneous	24,600	24,600	39,578	14,978
Total revenues	<u>10,949,906</u>	<u>10,968,406</u>	<u>11,244,781</u>	<u>276,375</u>
Expenditures:				
General government:				
Administration	629,297	517,376	414,269	103,107
City clerk	230,240	192,662	170,096	22,566
Finance	1,174,401	947,655	844,625	103,030
Planning	291,662	291,663	248,138	43,525
Technology	633,504	539,008	569,671	(30,663)
City attorney	241,235	199,538	217,467	(17,929)
Public safety:				
Fire department	1,149,600	1,174,600	1,219,353	(44,753)
Police department	2,498,308	3,149,150	2,592,393	556,757
Public works:				
Administration	162,751	150,648	166,744	(16,096)
Operations	1,330,569	1,882,568	1,485,930	396,638
Property maintenance	788,733	722,469	539,774	182,695
Community services:				
Parks and recreation	356,214	356,214	217,904	138,310
Special projects	171,320	176,320	186,318	(9,998)
Total expenditures	<u>9,657,834</u>	<u>10,299,871</u>	<u>8,872,682</u>	<u>1,427,189</u>
Excess of revenues over expenditures	1,292,072	668,535	2,372,099	1,703,564
Other Financing Sources (Uses)				
Transfers in	62,949	-	215,674	215,674
Transfers out	(405,142)	(1,021,230)	(1,605,334)	(584,104)
Net Other Financing Sources (Uses)	<u>(342,193)</u>	<u>(1,021,230)</u>	<u>(1,389,660)</u>	<u>(368,430)</u>
Net change in fund balance	\$ <u>949,879</u>	<u>(352,695)</u>	982,439	1,335,134
Fund Balance , beginning of year			<u>12,272,302</u>	
Fund Balance , end of year			\$ <u>13,254,741</u>	

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	Budget	Actual	Variance
Revenues:			
Intergovernmental -			
Federal sources - payment in lieu of taxes	\$ 850,000	860,090	10,090
State of Alaska:			
State PERS relief	581,507	168,359	(413,148)
Community revenue sharing	247,149	247,489	340
Motor vehicle registration tax	-	49,063	49,063
Electric and telephone cooperative tax	-	20,142	20,142
Liquor license	-	7,500	7,500
Total State of Alaska	<u>828,656</u>	<u>492,553</u>	<u>(336,103)</u>
Local sources:			
Taxes, including penalty and interest	<u>8,405,000</u>	<u>8,731,087</u>	<u>326,087</u>
Charges for services:			
Public safety	168,500	332,503	164,003
Community services	-	67	67
Total charges for services	<u>168,500</u>	<u>332,570</u>	<u>164,070</u>
Rental income	<u>-</u>	<u>2,690</u>	<u>2,690</u>
Permits, licenses and fees:			
Gaming fees	450,000	548,402	98,402
Taxi permits	160,000	144,500	(15,500)
Business licenses	35,000	36,350	1,350
Animal control licenses/fees	1,500	2,410	910
Planning fees	400	1,850	1,450
Plat and recording fees	-	1,100	1,100
Site reviews	4,000	4,325	325
Parks and recreation	4,000	4,300	300
Other	20,750	4,755	(15,995)
Total permits, licenses and fees	<u>675,650</u>	<u>747,992</u>	<u>72,342</u>
Income from investments	16,000	38,221	22,221
Miscellaneous:			
Police department	9,000	13,123	4,123
Restitution payments	1,500	7,264	5,764
Book sales	-	50	50
Other	14,100	19,141	5,041
Total miscellaneous	<u>24,600</u>	<u>39,578</u>	<u>14,978</u>
Total local sources	<u>9,289,750</u>	<u>9,892,138</u>	<u>602,388</u>
Total revenues	<u>10,968,406</u>	<u>11,244,781</u>	<u>276,375</u>

(Continued)

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
General government:			
Administration:			
Personnel	\$ 392,023	327,787	64,236
Travel and training	9,000	10,597	(1,597)
Supplies	12,000	15,165	(3,165)
Utilities and fuel	102,700	69,307	33,393
Special projects	49,000	8,506	40,494
Repairs and maintenance	11,576	12,465	(889)
Other purchased services	10,000	54,270	(44,270)
Equipment	1,000	2,447	(1,447)
Insurance	6,500	8,460	(1,960)
Other expenditures	35,500	17,188	18,312
Indirect cost recovery	<u>(111,923)</u>	<u>(111,923)</u>	<u>-</u>
Total administration	<u>517,376</u>	<u>414,269</u>	<u>103,107</u>
City clerk:			
Personnel	166,636	157,629	9,007
Travel and training	24,200	14,349	9,851
Supplies	4,500	3,303	1,197
Utilities and fuel	275	-	275
Other purchased services	22,000	5,498	16,502
Equipment	500	-	500
Insurance	1,530	1,549	(19)
Other expenditures	10,600	25,347	(14,747)
Indirect cost recovery	<u>(37,579)</u>	<u>(37,579)</u>	<u>-</u>
Total city clerk	<u>192,662</u>	<u>170,096</u>	<u>22,566</u>
Finance:			
Personnel	881,362	743,402	137,960
Travel and training	15,930	14,001	1,929
Supplies	8,000	38,512	(30,512)
Utilities and fuel	1,650	1,236	414
Repairs and maintenance	5,625	3,276	2,349
Other purchased services	174,786	168,547	6,239
Equipment	31,848	1,248	30,600
Insurance	5,300	16,233	(10,933)
Other expenditures	49,900	84,915	(35,015)
Indirect cost recovery	<u>(226,746)</u>	<u>(226,745)</u>	<u>(1)</u>
Total finance	<u>947,655</u>	<u>844,625</u>	<u>103,030</u>

(Continued)

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures, continued:			
General government, continued:			
Planning:			
Personnel	\$ 241,414	211,329	30,085
Travel and training	5,000	4,735	265
Supplies	4,600	3,929	671
Utilities and fuel	15,961	10,572	5,389
Repairs and maintenance	3,688	2,204	1,484
Other purchased services	18,500	11,696	6,804
Insurance	1,500	3,332	(1,832)
Other expenditures	1,000	341	659
Total planning	<u>291,663</u>	<u>248,138</u>	<u>43,525</u>
Technology:			
Personnel	267,883	180,522	87,361
Travel and training	10,000	751	9,249
Supplies	2,500	5,130	(2,630)
Utilities and fuel	36,450	211,926	(175,476)
Repairs and maintenance	1,576	3,399	(1,823)
Other purchased services	170,000	114,293	55,707
Equipment	152,400	139,562	12,838
Insurance	2,000	3,386	(1,386)
Other expenditures	700	14,675	(13,975)
Indirect cost recovery	(104,501)	(103,973)	(528)
Total technology	<u>539,008</u>	<u>569,671</u>	<u>(30,663)</u>
City attorney:			
Personnel	195,735	205,562	(9,827)
Travel and training	7,000	5,420	1,580
Supplies	800	1,045	(245)
Other purchased services	32,000	38,866	(6,866)
Insurance	700	1,672	(972)
Other expenditures	5,000	6,595	(1,595)
Indirect cost recovery	(41,697)	(41,693)	(4)
Total city attorney	<u>199,538</u>	<u>217,467</u>	<u>(17,929)</u>
Total general government	<u>2,687,902</u>	<u>2,464,266</u>	<u>223,636</u>

(Continued)

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, Continued

	Budget	Actual	Variance
Expenditures, continued:			
Public safety:			
Fire department:			
Personnel	\$ 906,949	945,008	(38,059)
Travel and training	10,750	10,740	10
Supplies	30,766	33,122	(2,356)
Utilities and fuel	62,230	63,222	(992)
Repairs and maintenance	27,400	81,964	(54,564)
Other purchased services	84,200	20,744	63,456
Equipment	5,800	(4,266)	10,066
Insurance	16,290	49,065	(32,775)
Other expenditures	30,215	19,754	10,461
Total fire department	<u>1,174,600</u>	<u>1,219,353</u>	<u>(44,753)</u>
Police department:			
Personnel	2,579,791	2,135,164	444,627
Travel and training	30,000	31,992	(1,992)
Supplies	33,609	51,855	(18,246)
Utilities and fuel	224,750	136,850	87,900
Repairs and maintenance	50,000	115,230	(65,230)
Other purchased services	33,500	27,540	5,960
Equipment	92,500	32,435	60,065
Insurance	85,000	61,029	23,971
Other expenditures	20,000	298	19,702
Total police department	<u>3,149,150</u>	<u>2,592,393</u>	<u>556,757</u>
Total public safety	<u>4,323,750</u>	<u>3,811,746</u>	<u>512,004</u>
Public works:			
Administration:			
Personnel	123,848	118,992	4,856
Travel and training	2,000	6,298	(4,298)
Supplies	3,000	10,631	(7,631)
Utilities and fuel	21,293	21,842	(549)
Repairs and maintenance	2,250	2,786	(536)
Other purchased services	2,500	1,741	759
Equipment	2,000	-	2,000
Insurance	4,860	14,879	(10,019)
Other expenditures	1,000	1,678	(678)
Indirect cost recovery	(12,103)	(12,103)	-
Total administration	<u>150,648</u>	<u>166,744</u>	<u>(16,096)</u>

(Continued)

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, Continued

	Budget	Actual	Variance
Expenditures , continued			
Public works, continued:			
Operations:			
Personnel	\$ 653,840	601,794	52,046
Travel and training	1,000	-	1,000
Supplies	130,300	393,570	(263,270)
Utilities and fuel	245,050	122,222	122,828
Repairs and maintenance	269,278	337,635	(68,357)
Other purchased services	8,000	7,363	637
Equipment	3,000	858	2,142
Insurance	19,400	21,410	(2,010)
Other expenditures	552,700	1,078	551,622
Total operations	<u>1,882,568</u>	<u>1,485,930</u>	<u>396,638</u>
Property maintenance:			
Personnel	513,408	418,703	94,705
Travel and training	3,500	-	3,500
Supplies	133,400	52,396	81,004
Utilities and fuel	39,000	36,381	2,619
Repairs and maintenance	16,875	54,449	(37,574)
Other purchased services	65,000	24,495	40,505
Equipment	9,000	3,732	5,268
Insurance	8,550	10,971	(2,421)
Other expenditures	-	97	(97)
Indirect cost recovery	(66,264)	(61,450)	(4,814)
Total property maintenance	<u>722,469</u>	<u>539,774</u>	<u>182,695</u>
Total public works	<u>2,755,685</u>	<u>2,192,448</u>	<u>563,237</u>
Community services:			
Parks and recreation:			
Personnel	231,826	145,664	86,162
Travel and training	3,000	-	3,000
Supplies	6,300	5,759	541
Utilities and fuel	60,184	42,194	17,990
Repairs and maintenance	31,604	7,584	24,020
Other purchased services	6,000	2,202	3,798
Equipment	5,000	5,000	-
Insurance	8,500	6,658	1,842
Other expenditures	3,800	2,843	957
Total parks and recreation	<u>356,214</u>	<u>217,904</u>	<u>138,310</u>

(Continued)

City of Bethel, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual, Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures , continued			
Community services, continued:			
Special projects:			
Library contribution	\$ 50,700	50,700	-
ONC senior bus contribution	4,220	4,220	-
UAF 4-H contribution	112,000	112,000	-
Other expenditures	9,400	19,398	(9,998)
Total special projects	<u>176,320</u>	<u>186,318</u>	<u>(9,998)</u>
Total community services	<u>532,534</u>	<u>404,222</u>	<u>128,312</u>
Total expenditures	<u>10,299,871</u>	<u>8,872,682</u>	<u>1,427,189</u>
Excess of revenues over expenditures	<u>668,535</u>	<u>2,372,099</u>	<u>1,703,564</u>
Other financing sources (uses)			
Transfers in:			
Wind Turbine Capital Project Fund	-	199,889	199,889
Endowment Permanent Fund	-	15,785	15,785
Total transfers in	<u>-</u>	<u>215,674</u>	<u>215,674</u>
Transfers out:			
Other governmental funds	(446,230)	(87,461)	358,769
Enterprise Funds	(575,000)	(1,517,873)	(942,873)
Total transfers out	<u>(1,021,230)</u>	<u>(1,605,334)</u>	<u>(584,104)</u>
Net other financing sources (uses)	<u>(1,021,230)</u>	<u>(1,389,660)</u>	<u>(368,430)</u>
Net change in fund balance	<u>\$ (352,695)</u>	982,439	<u>1,335,134</u>
Fund Balance, beginning of year		<u>12,272,302</u>	
Fund Balance, end of year		<u>\$ 13,254,741</u>	

City of Bethel, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds								
	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Homeland Security	LED Streetlights	911 Surcharges	Volunteer Fire Assistance	Lagoon Upgrades Design	APEI Safety Grant
Assets:									
Cash and cash equivalents	\$ 5,397	4,430	17,242	-	-	161,261	7,443	-	-
Accounts receivable, net	-	-	-	51,286	27,174	-	-	29	8,488
Investments	-	-	-	-	-	-	-	-	-
Total Assets	<u>5,397</u>	<u>4,430</u>	<u>17,242</u>	<u>51,286</u>	<u>27,174</u>	<u>161,261</u>	<u>7,443</u>	<u>29</u>	<u>8,488</u>
Liabilities and Fund Balances (Deficits)									
Liabilities:									
Accounts payable	-	-	-	-	26,056	-	-	-	-
Accrued payroll	-	-	5,965	-	-	6,928	-	-	-
Due to other funds	66,781	-	-	51,286	1,118	-	-	29	8,488
Unearned revenue	-	-	11,277	-	-	-	7,453	-	-
Total liabilities	<u>66,781</u>	<u>-</u>	<u>17,242</u>	<u>51,286</u>	<u>27,174</u>	<u>6,928</u>	<u>7,453</u>	<u>29</u>	<u>8,488</u>
Fund balances (deficits):									
Restricted	-	4,430	-	-	-	154,333	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned (deficits)	(61,384)	-	-	-	-	-	(10)	-	-
Total fund balances (deficits)	<u>(61,384)</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,333</u>	<u>(10)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,397</u>	<u>4,430</u>	<u>17,242</u>	<u>51,286</u>	<u>27,174</u>	<u>161,261</u>	<u>7,443</u>	<u>29</u>	<u>8,488</u>

(Continued)

City of Bethel, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet, Continued

	Permanent Fund	Capital Project Funds						Total Nonmajor Governmental Funds
	Endowment	Institutional Corridor	Land Planning Development	Park Development	Sewage Lagoon	Fleet Replacement	Public Safety Building	
Assets:								
Cash and cash equivalents	\$ 195,330	-	21,173	20,550	19,865	1,015,544	-	1,468,235
Accounts receivable, net	-	177,449	-	-	-	-	52,221	316,647
Investments	1,721,911	-	-	-	-	-	-	1,721,911
Total Assets	<u>1,917,241</u>	<u>177,449</u>	<u>21,173</u>	<u>20,550</u>	<u>19,865</u>	<u>1,015,544</u>	<u>52,221</u>	<u>3,506,793</u>
Liabilities and Fund Balances (Deficits)								
Liabilities:								
Accounts payable	-	27,057	-	-	-	-	-	53,113
Accrued payroll	-	85	-	-	47	-	14	13,039
Due to other funds	31,210	150,307	-	-	-	-	52,207	361,426
Unearned revenue	-	-	-	-	19,818	-	-	38,548
Total Liabilities	<u>31,210</u>	<u>177,449</u>	<u>-</u>	<u>-</u>	<u>19,865</u>	<u>-</u>	<u>52,221</u>	<u>466,126</u>
Fund Balances (Deficits)								
Restricted	-	-	-	-	-	-	-	158,763
Committed	1,886,031	-	-	-	-	-	-	1,886,031
Assigned	-	-	21,173	20,550	-	1,015,544	-	1,057,267
Unassigned (deficits)	-	-	-	-	-	-	-	(61,394)
Total Fund Balances (Deficits)	<u>1,886,031</u>	<u>-</u>	<u>21,173</u>	<u>20,550</u>	<u>-</u>	<u>1,015,544</u>	<u>-</u>	<u>3,040,667</u>
Total Liabilities and Fund Balances (deficits)	<u>\$ 1,917,241</u>	<u>177,449</u>	<u>21,173</u>	<u>20,550</u>	<u>19,865</u>	<u>1,015,544</u>	<u>52,221</u>	<u>3,506,793</u>

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances (Deficits)

Year Ended June 30, 2017

Special Revenue Funds

	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Homeland Security	LED Streetlights	911 Surcharges	Volunteer Firefighter Assistance
Revenues:							
Intergovernmental:							
Federal sources	\$ -	-	-	91,671	-	-	19,138
State of Alaska	-	-	220,365	-	27,174	-	-
Local sources:							
Charges for services	-	-	-	-	-	154,066	-
Income from investments	2	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>2</u>	<u>-</u>	<u>220,365</u>	<u>91,671</u>	<u>27,174</u>	<u>154,066</u>	<u>19,138</u>
Expenditures:							
Current:							
Public safety	-	-	240,329	91,671	-	408,797	21,163
Public works	-	-	-	-	27,242	-	-
Community services	-	236,048	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>236,048</u>	<u>240,329</u>	<u>91,671</u>	<u>27,242</u>	<u>408,797</u>	<u>21,163</u>
Excess of revenues over (under) expenditures	<u>2</u>	<u>(236,048)</u>	<u>(19,964)</u>	<u>-</u>	<u>(68)</u>	<u>(254,731)</u>	<u>(2,025)</u>
Other financing sources (uses):							
Transfers in	-	-	19,964	-	68	-	2,015
Transfers (out)	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>19,964</u>	<u>-</u>	<u>68</u>	<u>-</u>	<u>2,015</u>
Net change in fund balances (deficits)	2	(236,048)	-	-	-	(254,731)	(10)
Fund balances (deficits), beginning of year	<u>(61,386)</u>	<u>240,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,064</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ (61,384)</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,333</u>	<u>(10)</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances (Deficits), Continued

	Special Revenue Funds			Permanent Fund	Capital Project Funds		
	Lagoon Upgrade Design	Safety Grant	APEI	Endowment	Institutional Corridor	Land Planning Development	Park Development
Revenues:							
Intergovernmental:							
Federal sources	\$ 29	-	-	-	-	-	-
State of Alaska	-	-	-	-	368,463	-	-
Locals sources:							
Charges for services	-	-	-	-	-	-	-
Income from investments	-	-	-	3,692	-	-	-
Miscellaneous	-	1,000	8,488	-	-	-	-
Total revenues	<u>29</u>	<u>1,000</u>	<u>8,488</u>	<u>3,692</u>	<u>368,463</u>	<u>-</u>	<u>-</u>
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	-
Public works	29	1,000	16,976	-	-	-	-
Community services	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	368,463	-	5,654
Total expenditures	<u>29</u>	<u>1,000</u>	<u>16,976</u>	<u>-</u>	<u>368,463</u>	<u>-</u>	<u>5,654</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(8,488)</u>	<u>3,692</u>	<u>-</u>	<u>-</u>	<u>(5,654)</u>
Other financing sources (uses):							
Transfers in	-	-	8,488	-	-	-	-
Transfers out	-	-	-	(15,785)	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,488</u>	<u>(15,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	-	-	-	(12,093)	-	-	(5,654)
Fund balances (deficits), beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,898,124</u>	<u>-</u>	<u>21,173</u>	<u>26,204</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1,886,031</u>	<u>-</u>	<u>21,173</u>	<u>20,550</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances (Deficits), Continued

	Capital Project Funds				Total Nonmajor Governmental Funds
	Sewage Lagoon	Fleet Replacement	Public Safety Building	Wind Turbine	
Revenues:					
Intergovernmental:					
Federal sources	\$ -	-	-	-	110,838
State of Alaska	477	-	9,306	-	625,785
Local sources;					
Charges for services	-	-	-	-	154,066
Income from investments	-	-	-	-	3,694
Miscellaneous	-	-	390	-	9,878
Total revenues	<u>477</u>	<u>-</u>	<u>9,696</u>	<u>-</u>	<u>904,261</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	761,960
Public works	-	-	-	-	45,247
Community services	-	-	-	-	236,048
Capital outlay	477	-	52,221	-	426,815
Total expenditures	<u>477</u>	<u>-</u>	<u>52,221</u>	<u>-</u>	<u>1,470,070</u>
Excess of revenues over (under) expenditures	-	-	(42,525)	-	(565,809)
Other financing sources (uses):					
Transfers in	-	613,000	42,525	-	686,060
Transfers (out)	-	(248,599)	-	(199,889)	(464,273)
Net other financing sources (uses)	<u>-</u>	<u>364,401</u>	<u>42,525</u>	<u>(199,889)</u>	<u>221,787</u>
Net change in fund balances (deficits)	-	364,401	-	(199,889)	(344,022)
Fund balances (deficits), beginning of year	<u>-</u>	<u>651,143</u>	<u>-</u>	<u>199,889</u>	<u>3,384,689</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>1,015,544</u>	<u>-</u>	<u>-</u>	<u>3,040,667</u>

City of Bethel, Alaska

Police Asset Forfeiture Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - Income from investments	\$ <u>-</u>	<u>2</u>	<u>2</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>2</u>	<u><u>2</u></u>
Fund balance (deficit), beginning of year		<u>(61,386)</u>	
Fund balance (deficit), end of year		\$ <u><u>(61,384)</u></u>	

City of Bethel, Alaska

Rasmuson Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ -	-	-
Expenditures:			
Community services -			
Equipment	-	236,048	(236,048)
(Deficiency) of revenues over expenditures	\$ -	(236,048)	(236,048)
Fund Balance, beginning of year		<u>240,478</u>	
Fund Balance, end of year		\$ <u>4,430</u>	

City of Bethel, Alaska

Community Service Patrol Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental - State of Alaska	\$ -	220,365	220,365
Expenditures:			
Public safety:			
Personnel	-	172,088	(172,088)
Supplies	-	11,746	(11,746)
Utilities and fuel	-	583	(583)
Equipment	-	50,636	(50,636)
Insurance	-	5,276	(5,276)
Total expenditures	<u>-</u>	<u>240,329</u>	<u>(240,329)</u>
(Deficiency) of revenues over expenditures	-	(19,964)	(19,964)
Other financing sources:			
Transfer in	-	19,964	19,964
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		<u>\$ -</u>	

City of Bethel, Alaska
Homeland Security Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ <u>184,372</u>	<u>91,671</u>	<u>(92,701)</u>
Expenditures -			
Public safety - equipment	<u>184,372</u>	<u>91,671</u>	<u>92,701</u>
Excess of revenues over expenditures	\$ <u> -</u>	<u> -</u>	<u> -</u>
Fund balance , beginning of year		<u> -</u>	
Fund balance , end of year		\$ <u> -</u>	

City of Bethel, Alaska

LED Streetlights Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
State of Alaska	\$ 27,174	27,174	-
Expenditures -			
Public works - minor equipment	27,174	27,242	(68)
(Deficiency) of revenues over expenditures	-	(68)	(68)
Other financing sources -			
Transfers in	-	68	68
Net change in fund balance	\$ -	-	-
Fund balance , beginning of year		-	
Fund balance , end of year		\$ -	

City of Bethel, Alaska

911 Surcharges Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - charges for services	\$ 200,000	154,066	(45,934)
Expenditures:			
Public safety:			
Personnel	283,699	260,429	23,270
Travel and training	7,500	513	6,987
Utilities and fuel	8,600	1,602	6,998
Supplies	1,000	731	269
Equipment	6,000	921	5,079
Other purchased services	32,500	113,863	(81,363)
Rents and leases	4,800	4,806	(6)
Insurance	1,000	3,932	(2,932)
Other expenditures	22,000	22,000	-
Total expenditures	<u>367,099</u>	<u>408,797</u>	<u>(41,698)</u>
(Deficiency) revenues over expenditures	\$ <u>(167,099)</u>	(254,731)	<u>(87,632)</u>
Fund balance , beginning of year		<u>409,064</u>	
Fund balance , end of year		\$ <u>154,333</u>	

City of Bethel, Alaska

Volunteer Fire Assistance Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ -	19,138	19,138
Expenditures			
Public safety - minor equipment	-	21,163	(21,163)
(Deficiency) of revenues over expenditures		(2,025)	(2,025)
Other financing sources:			
Transfer in	\$ -	2,015	2,015
Fund balance , beginning of year		-	
Fund balance (deficit) , end of year		\$ (10)	

City of Bethel, Alaska

Lagoon Upgrade Design Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental - federal sources	\$ <u>29</u>	<u>29</u>	<u>-</u>
Expenditures			
Public-works - advertising	<u>29</u>	<u>29</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		\$ <u><u>-</u></u>	

City of Bethel, Alaska

Safety Grant Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - miscellaneous	\$ <u>1,000</u>	<u>1,000</u>	<u>-</u>
Expenditures			
Public works - minor equipment	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		\$ <u><u>-</u></u>	

City of Bethel, Alaska

APEI Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - miscellaneous	\$ -	8,488	8,488
Expenditures			
Public works - supplies	-	16,976	(16,976)
(Deficiency) of revenues over expenditures	-	(8,488)	(8,488)
Other financing uses -			
Transfers in	-	8,488	8,488
Net change in fund balance	\$ -	-	-
Fund balance , beginning of year		-	
Fund balance , end of year		\$ -	

City of Bethel, Alaska

Endowment Permanent Fund

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual

Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - investment income	\$ <u>17,000</u>	<u>3,692</u>	<u>(13,308)</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	17,000	3,692	13,308
Other financing uses -			
Transfers out	<u>(11,900)</u>	<u>(15,785)</u>	<u>3,885</u>
Net change in fund balance	\$ <u><u>5,100</u></u>	<u>(12,093)</u>	<u><u>17,193</u></u>
Fund balance , beginning of year		<u>1,898,124</u>	
Fund balance , end of year		\$ <u><u>1,886,031</u></u>	

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 2,030,354
Accounts receivable (net of allowance)	648,945
Inventory	50,098
Total current assets	<u>2,729,397</u>

Capital assets:

Construction in progress	2,655,517
Depreciable assets	36,137,853
Less accumulated depreciation	(26,719,302)
Net capital assets	<u>12,074,068</u>

Deferred outflows of resources -

Pension deferrals	<u>771,569</u>
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Total assets and deferred outflows of resources	<u>\$ 15,575,034</u>
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Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:

Current liabilities:

Accounts payable	54,662
Accrued payroll	64,035
Accrued leave	119,358
Security deposits	334,932
Total current liabilities	<u>572,987</u>

Long-term Liabilities:

Advances from other funds	1,996,668
Net pension liability	3,917,369
Total long-term liabilities	<u>5,914,037</u>

Total liabilities	<u>6,487,024</u>
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Deferred inflows of resources -

Pension deferrals	<u>43,667</u>
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Net position:

Net investment in capital assets	12,074,068
Restricted	400,390
Unrestricted	(3,430,115)
Total net position	<u>9,044,343</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 15,575,034</u>
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City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 6,586,719
Other	175,340
Total operating revenues	<u>6,762,059</u>
Operating expenses:	
Personnel	3,567,885
Travel and training	6,234
Materials and supplies	138,743
Utilities and fuel	744,215
Minor equipment and tools	128,506
Depreciation	1,069,568
Other purchased services	91,629
Insurance	140,169
Repairs and maintenance	633,732
Other expenses	41,183
Bad debt expense	38,817
Indirect cost	246,651
Total operating expenses	<u>6,847,332</u>
Loss from operations	(85,273)
Nonoperating revenues -	
State PERS relief	<u>66,592</u>
Loss before transfers and contributions	(18,681)
Transfers	
Transfer in - Fleet Replacement Capital Project Fund	60,599
Transfers in - General Fund	473,572
Total Transfers	<u>534,171</u>
Capital contributions	<u>368,463</u>
Change in net position	883,953
Net position, beginning of year, as previously stated	<u>7,718,887</u>
Prior period adjustment	441,503
Net position, beginning of year, as restated	8,160,390
Net position, end of year	<u>\$ 9,044,343</u>

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 7,202,229
Payment to suppliers	(2,634,033)
Payment to employees	<u>(2,797,489)</u>
Net cash flows from operating activities	<u>1,770,707</u>
Cash flows from (for) noncapital financing activities:	
Transfers in	534,171
(Decrease) in advances from other funds	<u>(1,456,783)</u>
Net cash flows (for) noncapital financing activities	<u>(922,612)</u>
Cash Flows from (for) Capital and Related Financing Activities:	
Acquisition of capital assets	(775,864)
Net cash flows (for) capital and related financing activities	<u>(775,864)</u>
Net increase in cash and cash equivalents	<u>72,231</u>
Cash and cash equivalents, beginning of year	<u>1,958,123</u>
Cash and cash equivalents, end of year	<u>\$ 2,030,354</u>
Reconciliation of loss from operations to net cash flows from operating activities:	
Loss from operations	\$ (85,273)
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation	1,069,568
Pension expense	(253,056)
(Increase) decrease in assets:	
Accounts receivable	(3,551)
Inventory	8,104
Increase (decrease) in liabilities:	
Accounts payable	9,245
Accrued payroll	4,072
Accrued leave	24,671
Deposits	2,218
Unfunded pension liability	994,709
Net cash flows from operating activities	<u>\$ 1,770,707</u>
Noncash items:	
Capital assets transferred from governmental funds	<u>\$ 368,463</u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 3,222,216
Investments	2,378,833
Accounts receivable (net of allowance)	503,013
Inventory	63,201
Total current assets	<u>6,167,263</u>

Capital assets:

Land	2,237,356
Construction in progress	889,267
Depreciable assets	31,162,647
Less accumulated depreciation	<u>(9,928,632)</u>
Net capital assets	<u>24,360,638</u>

Deferred outflows of resources -

Pension deferrals	<u>81,587</u>
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Total assets and deferred outflows of resources	<u><u>\$ 30,609,488</u></u>
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Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:

Accounts payable	236,625
Accrued payroll	12,328
Accrued leave	11,031
Total current liabilities	<u>259,984</u>

Long-term liabilities -

Net pension liability	<u>414,228</u>
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Total liabilities	<u>674,212</u>
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Deferred inflows of resources -

Pension deferrals	<u>4,617</u>
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Net position:

Net investment in capital assets	24,360,638
Unrestricted	5,570,021
Total net position	<u>29,930,659</u>

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 30,609,488</u></u>
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City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 1,296,827
Other	660,522
Total operating revenues	<u>1,957,349</u>
Operating expenses:	
Personnel	368,568
Travel and training	1,656
Materials and supplies	9,934
Utilities and fuel	49,539
Minor equipment and tools	8,585
Depreciation	741,348
Other purchased services	59,855
Insurance	20,272
Repairs and maintenance	131,171
Other expenses	55,933
Indirect cost	47,590
Total operating expenses	<u>1,494,451</u>
Income from operations	462,898
Nonoperating revenues:	
State PERS relief	7,042
Pension Benefit	72,211
Total nonoperating revenues	<u>79,253</u>
Income before transfers	542,151
Transfers out - Fleet Replacement Special Revenue Fund	<u>(300,000)</u>
Change in net position	<u>242,151</u>
Net position, beginning of year	<u>29,688,508</u>
Net position, end of year	<u>\$ 29,930,659</u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,238,961
Payment to suppliers	(170,531)
Payment to employees	(396,609)
Net cash flows from operating activities	<u>671,821</u>
Cash flows (for) investing activities -	
Purchases of investments	(1,413,169)
Cash flows (for) noncapital financing activities:	
Transfers to other funds	<u>(300,000)</u>
Cash flows (for) capital and related financing activities:	
Acquisition of capital assets	<u>(1,212,869)</u>
Net (decrease) in cash and cash equivalents	(2,254,217)
Cash and cash equivalents, beginning of year	<u>5,476,433</u>
Cash and cash equivalents, end of year	<u>\$ 3,222,216</u>
Reconciliation of income from (for) operations to net cash flows from operating activities:	
Income from operations	\$ 462,898
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation and amortization	741,348
Pension expense	7,042
(Increase) decrease in assets:	
Accounts receivable	(114,790)
Inventory	(13,622)
Increase (decrease) in liabilities:	
Accounts payable	227,626
Unearned revenue	(603,598)
Accrued payroll	(1,296)
Accrued leave	(33,787)
Net cash flows from operating activities	<u>\$ 671,821</u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statements of Net Position
June 30, 2017

Assets**Current assets:**

Cash and cash equivalents	\$ 173,744
Accounts receivable (net of allowance)	2,819
Inventory	6,614
Total current assets	<u>183,177</u>

Long-term assets -

Restricted cash - bond reserve	<u>689,515</u>
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Capital assets:

Land	43,000
Depreciable assets	9,876,329
Less accumulated depreciation	<u>(5,035,367)</u>
Net capital assets	<u>4,883,962</u>

Total long-term assets	<u>5,573,477</u>
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Total assets	<u>\$ 5,756,654</u>
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Liabilities and Net Position**Liabilities****Current liabilities:**

Accounts payable	13,156
Current portion - bonds payable	175,000
Accrued interest payable	7,754
Total current liabilities	<u>195,910</u>

Long-term Liabilities:

Advances from other funds	928,960
Bonds payable, net of current portion	2,000,000
Unamortized bond premium	298,089
Total long-term liabilities	<u>3,227,049</u>

Total liabilities	<u>3,422,959</u>
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Net position:

Net investment in capital assets	2,410,873
Restricted - bond reserve	689,515
Unrestricted	<u>(766,693)</u>
Total net position	<u>2,333,695</u>

Total liabilities and net position	<u>\$ 5,756,654</u>
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City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 619,788
Other	72,455
Total operating revenues	<u>692,243</u>
Operating expenses:	
Utilities and fuel	126,220
Training	2,677
Depreciation and amortization	338,614
Other purchased services	9,882
Insurance	18,838
Repairs and maintenance	92,962
Total operating expenses	<u>589,193</u>
Income from operations	103,050
Nonoperating revenues (expenses):	
Investment income	17,871
Interest expense	(69,226)
Refunding costs	(52,982)
Net nonoperating revenues (expenses)	<u>(104,337)</u>
Loss before transfers	(1,287)
Transfers in - General Fund	<u>319,684</u>
Change in net position	318,397
Net position, beginning of year	<u>2,015,298</u>
Net position, end of year	<u>\$ 2,333,695</u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 616,969
Payment to suppliers	(178,256)
Net cash flows from operating activities	<u>438,713</u>
Cash Flows from Noncapital Financing Activities	
Transfers in - General Fund	<u>319,684</u>
Cash flows (for) capital and related financing activities:	
Acquisition of capital assets	(29,525)
Payments on long-term debt	(2,539,779)
Proceeds from issuance of debt	2,327,897
Refunding costs	(52,982)
Interest paid on long-term debt	(124,425)
Net cash flows (for) capital and related financing activities	<u>(418,814)</u>
Cash flows from investing activities -	
Investment income	<u>17,871</u>
Net increase in cash and cash equivalents	357,454
Cash and cash equivalents, beginning of year	<u>505,805</u>
Cash and cash equivalents, end of year	<u>\$ 863,259</u>
Reconciliation of income from operations to net cash flows from operating activities:	
Income from operations	\$ 103,050
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation and amortization	338,614
Increase in allowance for doubtful accounts	-
(Increase) decrease in assets:	
Accounts receivable	(2,819)
Inventory	1,070
Increase (decrease) in liabilities:	
Accounts payable	(1,202)
Net cash flows from operating activities	<u>\$ 438,713</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 173,744
Restricted cash - bond reserve	689,515
	<u>\$ 863,259</u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 3,848,533
Accounts receivable, net of allowance	99,750
Inventory	3,276
Total current assets	3,951,559

Capital assets:

Land	18,252
Depreciable assets	1,332,565
Less accumulated depreciation	(822,295)
Net capital assets	528,522

Deferred outflows of resources -

Pension deferrals	102,771

Total assets and deferred outflows of resources	\$ 4,582,852
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Liabilities, deferred inflows of resources and net position

Liabilities:

Current liabilities:

Accounts payable	9,820
Accrued payroll	8,725
Accrued leave	38,895
Total current liabilities	57,440

Long-term liabilities:

Landfill closure costs	2,457,167
Net pension liability	521,781
Total long-term liabilities	2,978,948

Total liabilities	3,036,388
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Deferred inflows of resources -

Pension deferrals	5,816

Net position

Net investment in capital assets	528,522
Unrestricted	1,012,126
Total net position	1,540,648

Total liabilities, deferred inflows of resources and net position	\$ 4,582,852
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City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenues:	
Charges for services	\$ 1,186,561
Other	2,693
Total operating revenues	<u>1,189,254</u>
Operating expenses:	
Personnel	533,795
Travel and training	2,745
Materials and supplies	7,033
Utilities and fuel	39,065
Minor equipment and tools	15,993
Depreciation	32,747
Other purchased services	22,166
Insurance	11,079
Repairs and maintenance	102,875
Landfill closure costs	59,931
Other expenses	11,232
Indirect cost	62,763
Total operating expenses	<u>901,424</u>
Income from operations	<u>287,830</u>
Nonoperating revenues -	
State PERS relief	<u>8,870</u>
Income before transfers	296,700
Transfers out - Fleet Replacement Special Revenue Fund	<u>(50,000)</u>
Change in net position	246,700
Net position, beginning of year	<u>1,293,948</u>
Net position, end of year	<u>\$ 1,540,648</u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,200,079
Payment to suppliers	(288,248)
Payment to employees	(372,780)
Net cash flows from operating activities	<u>539,051</u>
Cash flows (for) noncapital financing activities:	
Transfers out - Fleet Replacement Special Revenue Fund	<u>(50,000)</u>
Cash flows (for) capital related financing activities:	
Acquisition of capital assets	<u>(344,939)</u>
Net increase in cash and cash equivalents	144,112
Cash and cash equivalents , beginning of year	<u>3,704,421</u>
Cash and cash equivalents , end of year	<u>\$ 3,848,533</u>
Reconciliation of income from operations to net cash flows from operating activities:	
Income from operations	287,830
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation	32,747
Pension expense	(43,008)
(Increase) decrease in assets:	
Accounts receivable	10,825
Inventory	530
Increase (decrease) in liabilities:	
Accounts payable	(13,827)
Accrued payroll	2,274
Accrued leave	2,667
Landfill closure costs	59,931
Unfunded pension liability	199,082
Net cash flows from operating activities	<u>\$ 539,051</u>

City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Net Position
June 30, 2017

Assets

Current assets:

Cash and cash equivalents	\$ 3,566,476
Accounts Receivable	80,287
Inventory	23,179
Total current assets	<u>3,669,942</u>

Capital assets:

Depreciable assets	23,297,167
Less accumulated depreciation	<u>(2,175,723)</u>
Net capital assets	<u>21,121,444</u>

Total assets	\$ <u><u>24,791,386</u></u>
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Liabilities and Net Position

Liabilities -

Current liabilities -	
Accounts payable	<u>29,888</u>

Net position:

Net investment in capital assets	21,121,444
Unrestricted	<u>3,640,054</u>
Total net position	<u>24,761,498</u>

Total liabilities and net position	\$ <u><u>24,791,386</u></u>
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City of Bethel, Alaska

Multi-Use Recreation Center Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

Operating Revenues:	
Charges for services:	
Pro-shop and concession revenue	\$ 79,320
Facility rental income	12,098
Permits, licenses and fees	309,059
Total operating revenues	<u>400,477</u>
Operating expenses:	
Repairs and maintenance	2,704
Other purchased services	802,643
Depreciation	811,781
Insurance	27,035
Utilities and fuel	314,578
Minor equipment and tools	11,007
Other expenses	39
Total operating expenses	<u>1,969,787</u>
Loss from operations	(1,569,310)
Nonoperating revenues:	
State capital grant	9,123
Investment income	390
Total nonoperating revenues	<u>9,513</u>
Loss before contributions and transfers	(1,559,797)
Transfers in - General fund	<u>583,438</u>
Capital contributions	<u>236,048</u>
Change in net position	(740,311)
Net position, beginning of year	<u>25,501,809</u>
Net position, end of year	<u>\$ 24,761,498</u>

City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 320,190
Payment to suppliers	(1,127,079)
Net cash flows (for) operating activities	<u>(806,889)</u>
Cash flows from noncapital financing activities:	
Capital grants	9,123
Transfers in - General Fund	583,438
Net cash flows from noncapital financing activities	<u>592,561</u>
Cash flows from investing activities -	
Investment income received	<u>390</u>
Net (decrease) in cash and cash equivalents	(213,938)
Cash and cash equivalents, beginning of year	<u>3,780,414</u>
Cash and cash equivalents, end of year	<u>\$ 3,566,476</u>
Reconciliation of loss from (for) operations to net cash flows for operating activities:	
Loss from operations	\$ (1,569,310)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:	
Depreciation	811,781
(Increase) decrease in assets:	
Accounts receivable	(80,287)
Inventory	3,750
Prepaid expenses	20,520
Increase (decrease) in liabilities:	
Accounts payable	<u>6,657</u>
Net cash flows (for) operating activities	<u>\$ (806,889)</u>
Noncash items:	
Capital assets transferred from governmental activities	<u>\$ 236,048</u>

City of Bethel, Alaska
Public Transit Enterprise Fund
Statement of Net Position
June 30, 2017

Assets and Deferred Outflows of Resources

Current assets:	
Receivables - grants	\$ 22,325
Inventory	4,636
Total current assets	<u>26,961</u>
Capital assets:	
Depreciable assets	445,745
Less accumulated depreciation	(307,955)
Net capital assets	<u>137,790</u>
Deferred outflows of resources -	
Pension deferrals	<u>53,393</u>
Total assets and deferred outflows of resources	<u>\$ 218,144</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accounts payable	4,899
Accrued payroll	5,628
Accrued leave	17,312
Due to other funds	48,644
Total current liabilities	<u>76,483</u>
Long-term-	
Net pension liability	<u>271,085</u>
Total liabilities	<u>347,568</u>
Deferred inflows of resources -	
Pension deferrals	<u>3,022</u>
Total liabilities and deferred inflows of resources	<u>350,590</u>
Net position:	
Net investment in capital assets	137,790
Unrestricted	(270,236)
Total net position	<u>(132,446)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 218,144</u>

City of Bethel, Alaska

Public Transit Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

Operating revenues -	
Charges for services	\$ 32,448
Other	5,742
Total Operating Revenues	<u>38,190</u>
Operating expenses:	
Personnel	231,126
Materials and supplies	3,202
Utilities and fuel	38,005
Minor equipment and tools	2,008
Depreciation and amortization	45,054
Other purchased services	1,575
Insurance	9,499
Repairs and maintenance	14,858
Other expenses	16,950
Total operating expenses	<u>362,277</u>
Loss from operations	(324,087)
Nonoperating revenues:	
Federal sources	188,482
State Sources	78,420
State PERS relief	4,608
Total nonoperating revenues	<u>271,510</u>
Loss before transfers	(52,577)
Transfers in - General Fund	<u>80,580</u>
Change in net position	<u>28,003</u>
Net position, beginning of year	<u>(160,449)</u>
Net position, end of year	<u>\$ (132,446)</u>

City of Bethel, Alaska
Public Transit Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from (for) operating activities:	
Receipts from customers	\$ 38,190
Payment to suppliers	(82,649)
Payment to employees	(211,784)
Net cash flows (for) operating activities	<u>(256,243)</u>
Cash flows from (for) noncapital financing activities:	
Operating grants received	493,200
Transfers in - General Fund	80,580
Increase (decrease) in due to central treasury	(219,512)
Net cash flows from noncapital financing activities	<u>354,268</u>
Cash flows for capital and related financing activities -	
Acquisition of capital assets	<u>(98,025)</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of loss from (for) operations to net cash flows (for) operating activities:	
Loss from operations	\$ (324,087)
Adjustments to reconcile loss from operations to net cash flows (for) operating activities:	
Depreciation and amortization	45,054
Pension expense	(12,085)
(Increase) decrease in assets:	
Inventory	750
Increase (decrease) in liabilities:	
Accounts payable	2,698
Accrued payroll	(2,493)
Accrued leave	3,937
Unfunded pension liability	29,983
Net cash flows (for) operating activities	<u><u>\$ (256,243)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Net Position
June 30, 2017

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets -			
Accounts receivable	\$ 803	-	803
Inventory	-	242,530	242,530
Total current assets	<u>803</u>	<u>242,530</u>	<u>243,333</u>
Capital assets:			
Depreciable assets	-	97,902	97,902
Less accumulated depreciation	-	(92,268)	(92,268)
Net capital assets	<u>-</u>	<u>5,634</u>	<u>5,634</u>
Total assets	<u>\$ 803</u>	<u>248,164</u>	<u>248,967</u>
Liabilities and net position:			
Current liabilities:			
Accounts and claims payable	113,349	23,444	136,793
Accrued payroll	-	8,836	8,836
Accrued leave	-	8,402	8,402
Due to other funds	812,571	123,993	936,564
Total current liabilities	<u>925,920</u>	<u>164,675</u>	<u>1,090,595</u>
Net position - unrestricted	<u>(925,117)</u>	<u>83,489</u>	<u>(841,628)</u>
Total liabilities and net position	<u>\$ 803</u>	<u>248,164</u>	<u>248,967</u>

City of Bethel, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Operating revenues -			
Interfund charges for services	\$ 2,314,676	802,990	3,117,666
Operating expenses:			
Personnel	-	419,216	419,216
Claims	1,677,832	-	1,677,832
Travel and training	-	160	160
Materials and supplies	-	30,874	30,874
Utilities and fuel	-	107,817	107,817
Minor equipment and tools	-	24,097	24,097
Depreciation	-	3,552	3,552
Other purchased services	94,515	14,671	109,186
Insurance	580,022	6,358	586,380
Repairs and maintenance	-	288,180	288,180
Indirect costs	79,373	59,163	138,536
Total operating expenses	<u>2,431,742</u>	<u>954,088</u>	<u>3,385,830</u>
Loss from operations	(117,066)	(151,098)	(268,164)
Net position, beginning of year	<u>(808,051)</u>	<u>234,587</u>	<u>(573,464)</u>
Net position, end of year	\$ <u><u>(925,117)</u></u>	<u><u>83,489</u></u>	<u><u>(841,628)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2017

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Cash flows from (for) operating activities:			
Receipts from interfund services provided	\$ 2,314,411	802,990	3,117,401
Payment to suppliers	(2,394,842)	(392,743)	(2,787,585)
Payment to employees	-	(427,707)	(427,707)
Net cash flows from (for) operating activities	<u>(80,431)</u>	<u>(17,460)</u>	<u>(97,891)</u>
Cash flows from noncapital financing activities -			
Increase in due to other funds	<u>80,431</u>	<u>7,460</u>	<u>87,891</u>
Net increase in cash and cash equivalents	-	(10,000.00)	(10,000.00)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>(10,000.00)</u>	<u>(10,000.00)</u>
Reconciliation of loss from operations to net cash flows (for) operating activities:			
Income (loss) from operations	(117,066)	(151,098)	(268,164)
Adjustments to reconcile loss from operations to net cash flows (for) operating activities:			
Depreciation	-	(6,448)	(6,448)
(Increase) decrease in assets:			
Accounts receivable	(265)	-	(265)
Inventory	-	147,549	147,549
Increase (decrease) in liabilities:			
Accounts and claims payable	36,900	1,028	37,928
Accrued payroll	-	2,536	2,536
Accrued leave	-	(11,027)	(11,027)
Net Cash Flows (for) Operating Activities	<u>\$ (80,431)</u>	<u>(17,460)</u>	<u>(97,891)</u>

City of Bethel, Alaska
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2017

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Total Grant Award</u>	<u>Federal Share of Expenditures</u>
U.S. Department of Agriculture				
Passed through the State of Alaska Department of Natural Resources -				
Volunteer Firefighter Assistance	None	10.664	\$ <u>19,138</u>	<u>19,138</u>
U.S. Department of the Interior				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development -				
Payment in Lieu of Taxes	None	15.226	<u>892,000</u>	<u>860,090</u>
U.S. Department of Transportation				
Passed through the State of Alaska Department of Transportation and Public Facilities -				
Formula Grants for Other Than Urbanized Areas - Rural Public Transit	AK-2016-008	20.509	<u>267,841</u>	<u>188,482</u>
Environmental Protection Agency				
Passed through the State of Alaska Department of Environmental Conservation Village Safe Water Program -				
Lagoon Upgrade Design	16EP29	66.202	<u>157,000</u>	<u>29</u>
U.S. Department of Homeland Security				
Passed through the State of Alaska Department of Military and Veterans Affairs -				
State Homeland Security	EMW-2015-SS-00026-S01	97.067	103,987	11,286
State Homeland Security	EMW-2016-SS-0002	97.067	<u>80,385</u>	<u>80,385</u>
Total Department of Homeland Security			<u>184,372</u>	<u>91,671</u>
Total Expenditures of Federal Awards			\$ <u><u>1,520,351</u></u>	<u><u>1,159,410</u></u>
Reconciliation to Statement of Revenues, Expenditures and changes in Fund Balances - Governmental Funds				
Less: federal sources per Exhibit C-2				
Total sources per Exhibit B-3			\$ <u>(188,482)</u>	<u>970,928</u>

CITY OF BETHEL, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Bethel under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Bethel, it is not intended to and does not present the basic financial statements of the City of Bethel.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Bethel has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.

Note 3. Passed Through Awards

No amounts were passed through to subrecipients.

City of Bethel, Alaska
 Schedule of State Financial Assistance
 Year Ended June 30, 2017

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expenditures</u>
Department of Commerce, Community and Economic Development			
Aquatic Training and Health Center	13-DC-629	\$ 23,075,000	9,123
* Community Revenue Sharing	None	375,190	247,489
* Sewer and Water Project Institutional Corridor	14-DC-042	7,000,000	368,463
LED Streetlights	12-DC-332	350,000	27,174
New Bethel Police Station	11-DC-192	3,000,000	9,306
Sewage Lagoon	15-DC-038	700,000	477
Total Department of Commerce, Community and Economic Development		<u>34,500,190</u>	<u>662,032</u>
Department of Administration			
Motor Vehicle Registration Tax	None	55,000	49,063
Electric Cooperative Revenue Sharing	None	-	20,142
Liquor License	None	-	7,500
* PERS on Behalf	None	276,162	276,162
Total Department of Administration		<u>331,162</u>	<u>352,867</u>
Department of Health and Social Services			
* Community Service Patrol	602-203-1702	323,081	220,365
Department of Transportation			
* Public Transport	None	78,420	78,420
Total State Financial Assistance			\$ <u><u>1,313,684</u></u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			
State Financial Assistance per Schedule			\$ <u>1,313,684</u>
Adjustments:			
State financial assistance recorded in proprietary funds			(174,655)
PERS on-behalf adjustment for full accrual pension expense under GASB 68			<u>(20,691)</u>
Total State of Alaska revenues per exhibit B-3			\$ <u><u>1,118,338</u></u>

City of Bethel

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2017

Note 1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City of Bethel under programs of the State of Alaska for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City of Bethel, it is not intended to and does not present the basic financial statements of the City of Bethel.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the City of Bethel's basic financial statements.

Note 3. Subrecipients

No state funds were passed through to Subrecipients.

Note 4. Major Programs

* denotes a major program for compliance audit purposes.

COMPLIANCE REPORTS

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

Members of the Council
City of Bethel, Alaska
Bethel, Alaska

We have audited, in accordance with the 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Federal Schedules of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Federal Schedule of Findings and Questioned Costs as Findings 2017-001, 2017-002, 2017-004, 2017-005, and 2017-006 to be material weaknesses.

Members of the Council
City of Bethel

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. We consider the deficiency described in the accompanying Federal Schedule of Findings and Questioned Costs as Finding 2016-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bethel, Alaska'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.

The City of Bethel, Alaska's Response to Findings

The City of Bethel, Alaska's response to the findings identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and the Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 communication is not suitable for any other purpose.



Anchorage, Alaska
August 28, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance as Required by the *Uniform Guidance*

Independent Auditor's Report

Members of the Council
City of Bethel, Alaska
Bethel, Alaska

Report on Compliance for Each Major Federal Program

We have audited City of Bethel, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Bethel, Alaska's major federal programs for the year ended June 30, 2017. City of Bethel, Alaska's major federal program is identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bethel, Alaska's major federal 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 the major federal program. However, our audit does not provide a legal determination of the City of Bethel, Alaska's compliance.

Basis for Qualified Opinion on CFDA #15.226 Payment in Lieu of Taxes

As described in the accompanying Federal Schedule of Findings and Questioned Costs, the City of Bethel, Alaska did not comply with requirements regarding CFDA #15.226 Payment in Lieu of Taxes as described in Finding 2017-007 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Bethel, Alaska to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #15.226 Payment in Lieu of Taxes

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Bethel, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Payment in Lieu of Taxes Program for the year ended June 30, 2017.

Other Matters

City of Bethel, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying Federal Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Bethel, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no such opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Bethel, Alaska 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 City of Bethel, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City of Bethel, Alaska'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 federal 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider to be a material weakness. 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 federal 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.

The City of Bethel, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The City of Bethel, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska
August 28, 2018

CITY OF BETHEL, ALASKA

Federal 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 on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report?

_____ Yes x No

Internal control over financial reporting:

Material weakness(es) identified?

x Yes _____ No

Significant deficiency(ies) identified?

x Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes x No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified
(2 CFR 200.516 (a)(1))?

x Yes _____ No

Significant deficiency(ies) identified
(2 CFR 200.516 (a)(1))?

_____ Yes x None reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?

x Yes _____ No

Type of auditor’s report issued on compliance for major programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200, Section .516(a) (3) or (4)?

_____ Yes x No

Identification of major program:

CFDA Number

15.226

Name of Federal Program

Payment in Lieu of Taxes

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes x No

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2017-001
Material Weakness

Internal Controls Over Endowment Fund

- Condition:** The City moved funds out of the designated endowment fund account into a separate financial institution account recorded in the General Fund.
- Criteria:** According to City of Bethel Ordinance Ord. 08-19 § 2; Ord 93-27 § 1. The principal of the bethel endowment fund shall not be invaded unless approved by a majority of the voters at a general or special election called for that purpose by the City Council.
- Context:** \$195,330 was transferred out of a total principal balance of \$1,917,241 into a separate investment account in the general fund without the required voter approval. The full amount was moved back into the endowment upon learning of the Ordinance.
- Cause:** Management was not aware of the Ordinance and was attempting to move funds to gather greater returns.
- Effect:** This is a violation of City of Bethel Ordinance Ord. 08-19 § 2; Ord 93-27 § 1.
- Recommendation:** The City should review applicable Ordinances before moving funds from the endowment fund.
- Management Response:** Management agrees with this finding, see corrective action plan.

Finding 2017-002
Material Weakness

Internal Controls Over Harbor Billing

- Condition:** During internal control testwork over Harbor Billing we found three errors of the City failing to follow policies and procedures, and miscalculation of valuation for charges.
- Criteria:** The City should follow its policies and procedures for all Harbor billing transactions to ensure they are recorded correctly and for the correct amount.
- Context:** We attempted to test 40 transactions out of the Harbor billing, but abandoned testwork after finding three errors within the first few transactions reviewed. The errors related to incorrect rate charges for services rendered and clerical calculation errors of total charges when re-calculating supporting documentation compared to total invoiced.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Cause: Policies and procedures were not followed for calculation of hours charged at dockage, lack of adequate review resulted in miscalculation of charges, as well as lacking adequate supporting documentation.

Effect: Could result in misstatements to the Harbor revenue.

Recommendation: Greater oversight and review of the Harbor billing process.

Management Response: Management agrees with this finding, see corrective action plan.

Finding 2017-003 **Internal Control Over Cash Receipts**
Significant Deficiency

Condition: Several cash receipts lacked proper supporting documentation or approval.

Criteria: All transactions should be supported by supporting documentation.

Context: We found three errors in the first 24 transactions tested from our sample of 40 total transactions that lacked supporting deposit slips, approval or verification forms as required by the policies and procedures of the City.

Cause: Lack of internal control over the cash receipts system.

Effect: Lack of supporting documentation could result in misstated transactions.

Recommendation: The City should maintain adequate supporting documentation for all transactions.

Management Response: Management agrees with this finding, see corrective action plan.

Finding 2017-004 **Internal Control over P-cards**
Material Weakness

Condition: There is a lack of internal controls over the P-cards at the City. There was no list of open P-cards maintained and documentation of reconciliation or review of the charges could not be provided. This is a repeat of finding 2016-006.

Criteria: The City should maintain adequate supporting documentation for all transactions.

Context: We tested 5 individual p-cards, all of which lacked a reconciliation which includes coding and a process for review and approval. Therefore we were unable to test the coding of the transactions. Three of the five tested did not have supporting statements due to the statement being older than 13 months at the time of fieldwork. All transactions had supporting receipts and we did not identify coding that was unreasonable under the circumstances of the transaction. We were unable to rely on controls over P-card transactions and had to abandon testwork.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Cause: Insufficient document retention and review over P-card transactions.

Effect: Could result in unapproved charges and miscoding of expenditures.

Recommendation: The City should review all P-card transactions and statements and document approval over those transactions.

Management Response: Management agrees with the finding, see corrective action plan.

Finding 2017-005 **Internal Control over the Multi-Use Recreation Center Operations**
Material Weakness

Condition: Revenue had not been recorded in the Multi-use Recreation Center Enterprise fund during the year.

Criteria: All transactions should be properly recorded in the general ledger on a timely basis.

Context: There was \$400,477 of revenue activity in the fund that had not been recorded throughout the year. The City utilizes a contractor to operate the facility and failed to obtain sufficient documentation to be able to record monthly revenues timely from the Multi-use Recreation Center.

Cause: Lack of internal control over the operations of Multi-use Recreation Center fund. The City did not properly monitor the contractor's activities.

Effect: Total activity was misstated and the fund was misstated before adjustments.

Recommendation: The City should monitor all contract services and have them provide monthly reconciliations of activity and review and record that activity throughout the year.

Management Response: Management agrees with the finding, see corrective action plan.

Finding 2017-006 **Internal Control over Water-Sewer Subscription Fee Revenue- Prior**
Material Weakness **Period Adjustment**

Condition: Water-Sewer subscription fee deferred revenue was overstated in prior years by \$441,503.

Criteria: Revenues should be recorded in the period for which they were earned.

Context: In FY2017 the City changed their position that the water-sewer subscription fees should be recognized in the period collected rather than deferred and recognized when infrastructure improvements were performed. This resulted in a prior period adjustment of \$441,503.

Cause: Change in revenue recognition by management.



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Summary of Prior Audit Findings

June 30, 2017

Section IV – Summary of Prior Audit Findings

Financial Statement Findings

Finding 2016-001
Material Weakness

Internal Controls Over Beginning Balances

Condition:

During the course of our audit work we noted that beginning fund balance/net position did not agree to the prior year audited financial statements and would require adjustment

Status:

Finding resolved.

Finding 2016-002
Significant Deficiency

Lack of Internal controls over Capital Assets

Condition:

During the course of our audit work over capital assets in the business type and governmental funds, we noted several errors in the depreciation schedule relating to accumulated depreciation, current year depreciation, and construction in progress that did not agree to the general ledger prior to adjustments, including beginning balances.

Status:

Finding resolved.

Finding 2016-003
Significant deficiency

Internal Control Over Payroll Disbursements

Condition:

During the course of our testing of internal control over the payroll system we noted a lack of internal control over the processing of payroll transactions

Status:

Finding resolved.

CITY OF BETHEL, ALASKA

Summary of Prior Audit Findings, Continued

Finding 2016-004
Material Weakness

Internal Control over Harbor Billings

Condition: During the audit management disclosed to the auditors that there was a fire at the port office and necessary supporting documentation for billing transactions was destroyed.

Status: Finding resolved.

Finding 2016-005
Material Weakness

Internal Control over Sales Tax Revenues

Condition: During our testing of internal control over the sales tax system we noted a lack of supporting documentation for a significant portion of the sales tax returns tested.

Status: Finding resolved.

Finding 2016-006
Material Weakness

Internal Control over Credit Card Transactions

Condition: During the course of our testing of internal control over credit card transactions we noted a lack of supporting documentation for multiple transactions.

Status: Finding repeated as 2017-004.

Federal Award Findings

Finding 2016-007
**Material Weakness/
Material Noncompliance**

**Internal Control over Reporting – U.S. Department of Interior - CFDA
#15.226 Payment in Lieu of Taxes- Award year 2016**

Condition: The Organization did not adhere to the OMB Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period.

Status: Finding repeated as Finding 2017-006.

CITY OF BETHEL, ALASKA

Summary of Prior Audit Findings, Continued

State Award Findings

Finding 2016-008
**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – All State Programs

Condition:

The Organization did not adhere to the State of Alaska Audit Guide requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period.

Status:

This finding has been repeated as Finding 2017-008.

Finding 2016-009
**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – Department of Health and Social Services; 602-203-1602; Community Service Patrol

Condition:

During our audit procedures we noted that two quarterly reports were not submitted within 30 days of the end of the quarter.

Status:

This finding has been resolved.

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

Members of the Council
City of Bethel, Alaska
Bethel, Alaska

Report on Compliance for Each Major State Program

We have audited the City of Bethel, Alaska's compliance 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 City of Bethel, Alaska's major state programs for the year ended June 30, 2017. The City of Bethel, Alaska'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 City of Bethel, Alaska'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 audit requirements of 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 City of Bethel, Alaska'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 City of Bethel, Alaska's compliance.

Basis for Qualified Opinion on Major State Programs

As described in Finding 2017-008 in the accompanying State Schedule of Findings and Questioned Costs, the City of Bethel, Alaska did not comply with requirements regarding reporting for each Major State Program. Compliance with such requirements is necessary in our opinion, for City of Bethel, Alaska to comply with the requirements applicable to those programs.

Qualified Opinion on Major State Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Bethel, Alaska 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.

Other Matters

City of Bethel, Alaska's response to the noncompliance finding identified in our audit is described in the accompanying State Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Bethel, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Bethel, Alaska, 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 City of Bethel'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 City of Bethel, Alaska'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 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, yet important enough to merit attention by those charged with governance.

Members of the Council
City of Bethel, Alaska

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-008 that we consider to be a material weakness.

City of Bethel, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying State Schedule of Findings and Questioned Costs and the Corrective Action Plan. City of Bethel, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls 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
August 28, 2018

City of Bethel, Alaska

State 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:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

Is a material noncompliance disclosed?

 Yes X No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Type of auditor's report issued on compliance
for major programs:

Qualified

Dollar threshold used to distinguish
a state major program:

\$ 75,000

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs

State Schedule of Findings and Questioned Costs, Continued

Section III – State Award Findings and Questioned Costs

Finding 2017-008

Material Weakness/

Material Noncompliance

Internal Control over Reporting – All Major State Programs

Condition:	The Organization did not adhere to the State of Alaska Audit Guide requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period.
Criteria:	The State of Alaska Audit Guide and Compliance Supplement for State Single Audits requires that single audit reports be submitted to the State within earlier of 30 days after the report is issued or nine months of year end.
Context:	The Organization was not prepared for the annual audit which resulted in significant delays.
Cause:	Management failed to retain and schedule the annual audit with sufficient time to complete the audit before nine months after the end of the fiscal year.
Effect:	Late reporting could jeopardize grant funding.
Questioned costs:	None.
Recommendation:	We recommend the City to reconcile general ledger accounts in a timely manner and schedule the annual audit with sufficient time to meet the deadline.
Management’s Response:	Management concurs with finding. See corrective action plan.



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Corrective Action Plan

June 30, 2017

Finding 2017-001
Material Weakness

Internal Controls Over Endowment Fund

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

Management is aware of the requirement to maintain the endowment fund in its entirety and not transfer to other funds or bank accounts. Going forward, all account activity will be reviewed and approved by the City Manager and/or contracted Finance Director to ensure no monies are transferred from the endowment fund.

Proposed Completion Date:

Effective Immediately.

Finding 2017-002
Material Weakness

Internal Controls Over Harbor Billing

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

Management will gain a thorough understanding of the processes related to Harbor Billings to ensure they are in agreement with established policies and procedures. If it is determined that policies and procedures are lacking, they will be revised to ensure proper controls are in place for all transactions. Training will be provided to employees as needed.

Proposed Completion Date:

December 31, 2018..

Finding 2017-003
Significant Deficiency

Internal Controls Over Cash Receipts

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

Management will gain a thorough understanding of the processes related to Cash Receipts to ensure they are in agreement with established policies and procedures. If it is determined that policies and procedures are lacking, they will be revised to ensure proper controls are in place for all transactions. Training will be provided to employees as needed.

Proposed Completion Date:

December 31, 2018.

CITY OF BETHEL, ALASKA

Corrective Action Plan, Continued

Finding 2017-04
Significant Deficiency

Internal Controls Over P-cards

Name of Contact: Jim Sharpe, contracted Finance Director

Corrective Action Plan: Management will gain a thorough understanding of the processes related to P-Card transactions to ensure they are in agreement with established policies and procedures. If it is determined that policies and procedures are lacking, they will be revised to ensure proper controls are in place for all transactions. Training will be provided to employees as needed.

All P-card transactions will be subjected to the same documentation requirements as disbursement transactions. Furthermore, the monthly statements will be reconciled and all transactions will contain the necessary documentation. Management will provide a greater amount of oversight in the use of the P-cards to ensure due diligence is exercised in the usage of them.

Proposed Completion Date: December 31, 2018.

Finding 2017-005
Significant Deficiency

Internal Controls Over the Multi-Use Recreation Center Operations

Name of Contact: Jim Sharpe, contracted Finance Director

Corrective Action Plan: Management will review the contract with the Management Company (Contractor) to ascertain reporting and documentation requirements of the Contractor. We will work closely with the Contractor to ensure both parties are in compliance with the agreement. We will monitor Multi-Use Recreation Center activity and documentation provided to ensure that it is complete and provided timely.

Proposed Completion Date: December 31, 2018.

CITY OF BETHEL, ALASKA

Corrective Action Plan, Continued

Finding 2017-006

Internal Control over Water-Sewer Subscription Fee Revenue- Prior Period Adjustment

Material Weakness

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

Management does not believe this finding represents a breakdown in internal controls and are not agreement with this finding. The City previously relied upon the expertise of the auditor in its determination that the treatment of water-sewer subscription fees was in accordance with GAAP. Upon subsequent research by the City's Management it was determined that the previous treatment was not in accordance with GAAP, and the City chose to correct the error in the current year audit in order to be GAAP compliant.

Proposed Completion Date:

Effective immediately.

Finding 2017-007

**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – U.S. Department of Interior - CFDA #15.226 Passed through the State of Alaska Department of Commerce, Community, and Economic Development – Payment in Lieu of Taxes – Award Year 2017

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

The City has implemented a financial close and reporting process that will allow us to review and reconcile account balances more timely. Additionally, the City has established a timeline for completion of the fiscal year 2018 audit, and subsequent years, to ensure the annual audit will be completed prior to the statutory deadline of 9 months subsequent to fiscal year end.

Proposed Completion Date:

Effective immediately.

Finding 2017-008

**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – All Major State Programs

Name of Contact:

Jim Sharpe, contracted Finance Director

Corrective Action Plan:

The City has implemented a financial close and reporting process that will allow us to review and reconcile account balances more timely. Additionally, the City has established a timeline for completion of the fiscal year 2018 audit, and subsequent years, to ensure the audit will be completed prior to the statutory deadline of 9 months subsequent to fiscal year end.

Proposed Completion Date:

Effective immediately.