

CITY OF BETHEL, ALASKA

Basic Financial Statements, Required Supplementary
Information, Additional Supplementary
Information and Single Audit Reports

Year Ended June 30, 2012

(This page left blank intentionally)

CITY OF BETHEL, ALASKA

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<u>Independent Auditors' Report</u>		1-3
<u>Management's Discussion and Analysis</u>		6-15
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	18
Statement of Activities	A-2	19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	B-1	20
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	B-2	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	B-3	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-4	23
Proprietary Funds:		
Statement of Net Assets	C-1	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	C-2	25
Statement of Cash Flows	C-3	26
Notes to Basic Financial Statements		27-49
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund	D-1	52
<u>Supplementary Information</u>		
General Fund –		
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	E-1	54-60
Nonmajor Governmental Funds:		
Combining Balance Sheet	F-1	61-62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	F-2	63-64

CITY OF BETHEL, ALASKA

Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
<u>Supplementary Information, continued</u>		
Schedule/Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) Special Revenue Funds:		
Police Asset Forfeiture	G-1	65
Bethel Youth Center Food Program	G-2	66
Community Service Patrol	G-3	67
ARRA JAG	G-4	68
ALPAR Litter Patrol	G-5	69
Energy Efficiency ARRA	G-6	70
Roads Repairs and Upgrades	G-7	71
Homeland Security	G-8	72
911 Surcharges	G-9	73
AVCP TANF Program	G-10	74
Alaska Territorial Guard	G-11	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – Endowment Permanent Fund		
	G-12	76
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit):		
Capital Project Funds:		
Land Planning Development	H-1	77
Multi-Use Recreation Center	H-2	78
Fire Station Roof Repair	H-3	79
New Bethel Police Station	H-4	80
Fleet Replacement	H-5	81
Enterprise Funds:		
Water and Sewer Utility:		
Statement of Net Assets	I-1	82
Statements of Revenues, Expenses, and Changes in Net Assets	I-2	83
Statements of Cash Flows	I-3	84
Municipal Dock:		
Statements of Net Assets	I-4	85
Statements of Revenues, Expenses, and Changes in Net Assets	I-5	86
Statements of Cash Flows	I-6	87

CITY OF BETHEL, ALASKA

Table of Contents, continued

	<u>Exhibit</u>	<u>Page</u>
<u>Supplementary Information, continued</u>		
Enterprise Funds, continued:		
Rental Facilities		
Statements of Net Assets	I-7	88
Statements of Revenues, Expenses and Changes in Net Assets	I-8	89
Statements of Cash Flows	I-9	90
Solid Waste		
Statements of Net Assets	I-10	91
Statements of Revenues, Expenses and Changes in Net Assets	I-11	92
Statements of Cash Flows	I-12	93
Public Transit		
Statements of Net Assets	I-13	94
Statements of Revenues, Expenses and Changes in Net Assets	I-14	95
Statements of Cash Flows	I-15	96
Internal Service Funds:		
Combining Statement of Net Assets	J-1	97
Combining Statement of Revenues, Expenses and Changes in Net Assets (Deficits)	J-2	98
Combining Statement of Cash Flows	J-3	99
Schedule of Expenditures of Federal Awards	K-1	100
Schedule of State Financial Assistance	K-2	101
Note to the Schedules of Expenditures of Federal Award and State Financial Assistance		102

Single Audit Reports

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	104-105
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	106-107

CITY OF BETHEL, ALASKA

Table of Contents, continued

	<u>Page</u>
<u>Single Audit Reports, continued</u>	
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	108-109
Schedule of Findings and Questioned Costs	110-111
Summary of Prior Year Audit Findings	112
Corrective Action Plan	113

Independent Auditors' Report

Honorable Mayor and City Council
City of 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 City of Bethel, Alaska, as of and for the year ended June 30, 2012, which collectively comprise the City of Bethel's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bethel's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Bethel, Alaska, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of City of Bethel'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council
City of Bethel, Alaska

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 15 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.

Our audit for the year ended June 30, 2012 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bethel's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance, and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2012, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole for the year ended June 30, 2012.

Honorable Mayor and City Council
City of Bethel, Alaska

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Bethel's basic financial statements for the year ended June 30, 2011 which are not presented with the accompanying financial statements. In our report dated November 16, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bethel's financial statements as a whole. The individual fund financial statements and schedules related to the June 30, 2011 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 21, 2012

(This page left blank intentionally)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BETHEL

Management's Discussion and Analysis

June 30, 2012

As management of the City of Bethel, we present to the readers of these Financial Statements a narrative overview and analysis of the City's financial activities for the fiscal year ending June 30, 2012. Comparable information from the previous fiscal year which ended June 30, 2011 has been provided to allow the reader to better understand the City's overall financial position.

Financial Highlights

- The assets of the City of Bethel exceeded its liabilities at the close of the most current fiscal year by \$103,773,561 (total net assets). Of this amount, \$15,018,451 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In total, net assets increased \$3,199,509. The net increase was derived from a governmental activities increase of \$3,206,219 coupled with a net asset decrease of \$(6,710) in the business type activities.
- The City had \$10,195,547 in expenses related to governmental activities; \$3,731,439 of these expenses were offset by program specific charges for services, grants and contributions. Governmental activities reported general revenues of \$9,670,327 (primarily from taxes, state-shared revenues, investments, and rentals). Overall, governmental activities net assets increased by \$3,206,219 from current year activities.
- The City had \$10,537,573 in expenses related to business-type activities; \$9,864,676 of these expenses were offset by program specific charges for services, grants and contributions. General revenues were recorded at \$666,187. Total business-type activities net assets decreased by \$(6,710) from current year activities.
- In the fund financial statements, the General Fund had \$11,210,450 in revenues. General Fund expenditures were \$8,978,968 and net transfers to other funds from General Fund were \$882,922. The General Fund's fund balance increased by \$1,348,560 from current operations resulting in ending fund balance of \$8,952,080.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. City of Bethel's basic financial statements are comprised of 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City's activities.

CITY OF BETHEL

Management's Discussion and Analysis, continued

- *Government-wide financial statements* provide both short-term and long-term information about the City's overall financial status.
- *Fund financial statements* focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

Fund financial statements include the governmental fund statements which tell how basic services, such as, City Administration, Public Safety, Public Works, Etc., were financed in the short-term as well as what remains for future spending.

The financial statements include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by two sections: 1) supplementary information and 2) compliance reports.

Government-wide Statements

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities, with the differences between the two reported as net assets.

The two Government-wide statements report the City's *net assets* and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial position, you need to consider additional nonfinancial factors such as the condition of buildings and other facilities.

The government-wide financial statements include all the City's *governmental activities*, which accounts for all of the City's basic services such as Administration, Public Works, Public Safety, etc. The *business-type activities* account for the operations of the City's Water, Sewer, Municipal Dock, Rental Properties and other enterprise activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of revenue and spending on particular programs. Some funds are required by state law and/or by governmental accounting standards. The City establishes other funds to control and manage money for a particular purpose or to show that it is properly using certain fund revenues (such as federal grants).

CITY OF BETHEL

Management's Discussion and Analysis, continued

The City has two kinds of funds:

- Governmental Funds:* Most of the City's basic services are included in governmental funds. Unlike the Government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as balances of spendable resources left at fiscal year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spend in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Bethel maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and individual budget to actual schedules elsewhere in this report.

- Proprietary Funds:* When the City charges customers for the services it provides, both to outside customers and to other units of the City, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same manner in the Statement of Net Assets and the Statement of Activities. The City's *Enterprise Funds* (one type of proprietary fund) are the same as the business-type activities reported in the Government-wide statements but provide more detail. The City uses two *Internal Service Funds* (the other kind of proprietary fund) to report activities of the City's Employee Health Insurance Benefit and Vehicle and Equipment Replacement.

Table 1 provides a summary of the City's net assets for 2012 compared to 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current assets	\$ 17,081,547	14,150,671	3,108,638	1,929,978	20,190,185	16,080,649
Capital assets	<u>48,916,685</u>	<u>47,909,120</u>	<u>43,162,213</u>	<u>44,719,782</u>	<u>92,078,898</u>	<u>92,628,902</u>
Total assets	<u>65,998,232</u>	<u>62,059,791</u>	<u>46,270,851</u>	<u>46,649,760</u>	<u>112,269,083</u>	<u>108,709,551</u>

CITY OF BETHEL

Management's Discussion and Analysis, continued

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Liabilities:						
Current liabilities	\$ 2,317,213	1,594,634	960,706	1,142,842	3,277,919	2,736,476
Long-term liabilities	<u>505,192</u>	<u>489,352</u>	<u>4,712,411</u>	<u>4,908,671</u>	<u>5,217,603</u>	<u>5,398,023</u>
Total liabilities	<u>2,822,405</u>	<u>2,083,986</u>	<u>5,673,117</u>	<u>6,051,513</u>	<u>8,495,522</u>	<u>8,135,499</u>
Net assets:						
Invested in capital assets (net)	48,916,685	47,909,120	39,838,425	41,258,742	88,755,110	89,167,862
Restricted	4,714,703	-	-	-	4,714,703	-
Unrestricted	<u>9,544,439</u>	<u>12,066,685</u>	<u>759,309</u>	<u>(660,495)</u>	<u>10,303,748</u>	<u>11,406,190</u>
Total net assets	<u>\$ 63,175,827</u>	<u>59,975,805</u>	<u>40,597,734</u>	<u>40,598,247</u>	<u>103,773,561</u>	<u>100,574,052</u>

Table 2 shows the changes in net assets for fiscal years 2012 and 2011

Table 2
Change in Net Assets

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,358,624	8,928,752	10,287,376	1,188,733	8,583,358	9,772,091
Operating grants and contributions	923,950	669,872	1,593,822	706,575	386,604	1,093,179
Capital grants and contributions	<u>1,448,865</u>	<u>266,052</u>	<u>1,714,917</u>	<u>2,507,687</u>	<u>830,640</u>	<u>3,338,327</u>
Total program revenues	<u>3,731,439</u>	<u>9,864,676</u>	<u>13,596,115</u>	<u>4,402,995</u>	<u>9,800,602</u>	<u>14,203,597</u>
General revenues:						
Taxes	8,874,839	-	8,874,839	8,104,091	-	8,104,091
Payment in lieu of tax	832,360	-	832,360	767,620	-	767,620
Interest and investment earnings (expense)	32,440	23,893	56,333	32,625	19,598	52,223
Grants and entitlements	535,527	-	535,527	32,625	197,974	1,036,953
Other	30,203	7,252	37,455	57,963	7,252	65,215
Gain on disposal of assets	-	-	-	36,226	17,666	53,892
Total general revenues	<u>10,305,369</u>	<u>31,145</u>	<u>10,336,514</u>	<u>9,837,504</u>	<u>242,490</u>	<u>10,079,994</u>
Total revenues	<u>14,036,808</u>	<u>9,895,821</u>	<u>23,932,629</u>	<u>14,240,499</u>	<u>10,043,092</u>	<u>24,283,591</u>

CITY OF BETHEL

Management's Discussion and Analysis, continued

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Transfers	\$ (635,042)	635,042	-	(732,000)	732,000	-
Total revenues, transfers and special items	<u>13,401,766</u>	<u>10,530,863</u>	<u>23,932,629</u>	<u>13,508,499</u>	<u>10,775,092</u>	<u>24,283,591</u>
Expenses:						
General government	2,460,225	-	2,460,225	1,819,039	-	1,819,039
Public safety	4,468,134	-	4,468,134	4,181,604	-	4,181,604
Public works	2,317,399	-	2,317,399	2,463,557	-	2,463,557
Community services	949,789	-	949,789	1,070,793	-	1,070,793
Unallocated interest expense	-	-	-	-	-	-
Water and sewer utility	-	6,887,473	6,887,473	-	6,681,166	6,681,166
Municipal dock	-	1,364,732	1,364,732	-	1,498,778	1,498,778
Rental property	-	971,884	971,884	-	894,886	894,886
Solid waste	-	832,965	832,965	-	668,548	668,548
Public transportation	-	480,519	480,519	-	473,790	473,790
Total expenses	<u>10,195,547</u>	<u>10,537,573</u>	<u>20,733,120</u>	<u>9,534,993</u>	<u>10,217,168</u>	<u>19,752,161</u>
Changes in net assets	\$ <u>3,206,219</u>	<u>(6,710)</u>	<u>3,199,509</u>	<u>3,973,506</u>	<u>557,924</u>	<u>4,530,230</u>

The two largest revenue sources for the City are charges for services and tax revenues accounting for 43% and 37%, respectively, of the City's total revenues.

Compared to the prior fiscal year, the City's tax revenue increased \$770,748 from fiscal year 2011 which represents a 9.5% increase. Revenue generated from charges for services increased \$169,891 in the governmental activities from the prior year, an increase of 14% and \$345,394 in the business type activities, an increase of 4%.

Expenses from governmental activities were \$660,554 higher than the prior fiscal year representing an increase of 6.6%.

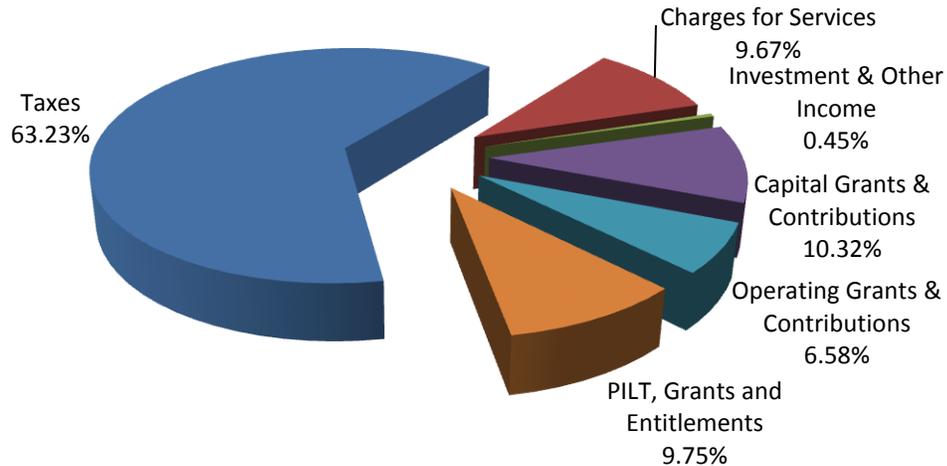
The City's business-type activity generated \$147,271 (1.5%) less revenues than it did in fiscal year 2011. Business-type expenses were \$320,405 (3%) higher than the prior year.

CITY OF BETHEL

Management's Discussion and Analysis, continued

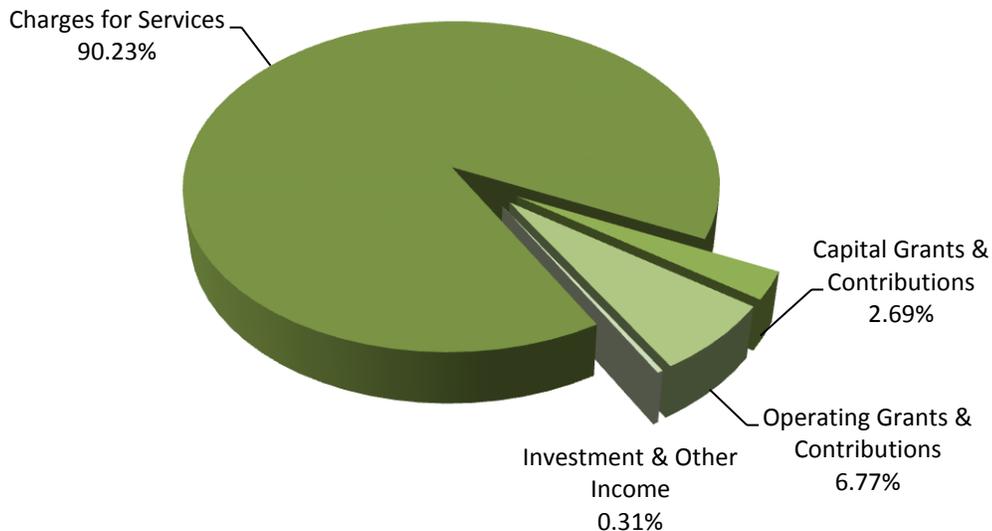
The following chart demonstrates revenue sources for governmental activities for fiscal year 2012. As is noted in the chart, 63.23% of the City's governmental activities revenues are generated from taxes. The remaining governmental-type revenue represents the following: charges for services (9.67%), investment and other income (0.45%), capital grants and contributions (10.32%) operating grants and contributions (6.58%), PILT, grants, and entitlements (9.75%).

Revenues Sources - Governmental Activities



The following chart breaks out revenue generated from the City's business-type activities. As you will notice in the chart, over 90% of the City's business-type revenue is a direct result from charges for services with an additional 6.77% from operating grants and contributions, 2.69% from capital grants and contributions, and less than 1% from investment and other income.

Revenue Sources - Business-type Activities

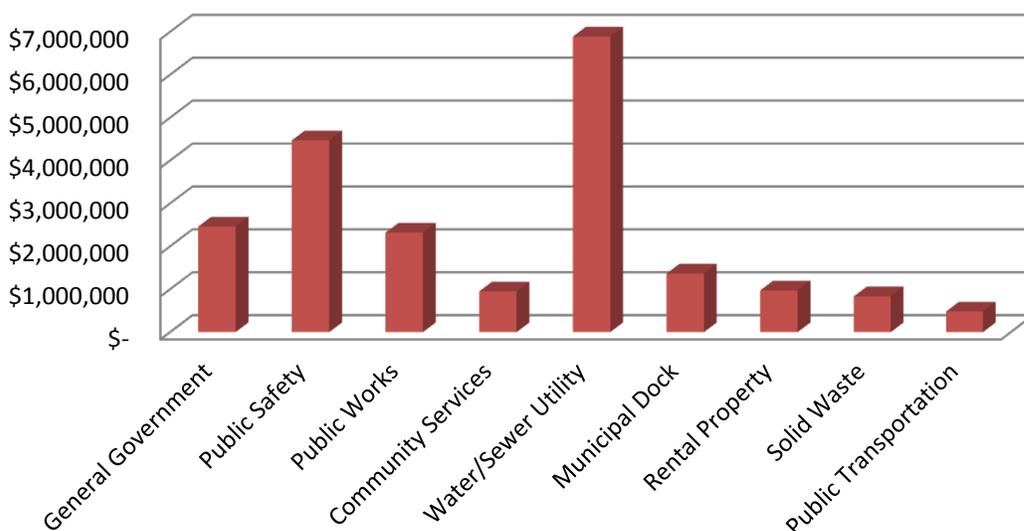


CITY OF BETHEL

Management's Discussion and Analysis, continued

The following graph denotes the City's fiscal year 2012 expenses by function. The function with the highest expenses was the Water and Sewer Utility followed by Public Safety, Public Works, and General Government. These four functions represent 78% of the City's overall expenses.

City Expenses by Function



Financial Analysis of the City's Major Funds

The General Fund is the City of Bethel's only major Government Fund. There are four major business-type funds, Water and Sewer, Municipal Dock, Rental Property, and Solid Waste enterprise funds.

The General Fund is accounted for using the modified accrual basis. The General Fund is responsible for generating 80% of total governmental fund revenues, by far the largest of these is tax revenues which at \$8,209,030 makes up 75% of the general fund revenues and 57% of governmental fund revenues.

Other significant revenue streams in the general fund were State of Alaska grants at \$953,650, federal payment in lieu of tax \$832,360, and other self-generated revenues (such as fees and other charges for services) comprised \$1,215,410.

Of the \$8,978,968 in General Fund expenditures, personnel and related benefit costs make up the majority of costs at \$6,269,292 or 70% of the total. In addition to regular expenses, the general fund recorded net transfers to other funds of \$882,922.

CITY OF BETHEL

Management's Discussion and Analysis, continued

In 2012 the City's Water and Sewer Utility, Municipal Dock, and Rental Property funds reported a negative change in net assets. The Water and Sewer Utility fund reported a net loss of \$377,882. Municipal Dock and Rental Property funds reported net losses of \$111,591 and \$146,580, respectively.

The Solid Waste fund achieved a net income of \$498,742. Included in this amount is \$238,879 in capital contributions.

General Fund Budgetary Highlights

The City's budget is prepared according to Alaska law using a basis of accounting that is consistent with accounting principles generally accepted in the United States of America. The most significant budgeted fund is the General Fund.

The City Council amended the General Fund for fiscal year 2012. The amended budget provided for decrease in expenditures totaling \$58,617. General government received the largest share of the increases, while other functions received overall decreases.

The actual revenues were \$649,888 greater than the amount budgeted. Tax revenue exceeded the budget by \$251,430 and State of Alaska funding exceeded the budget by \$361,228.

The actual expenditures were \$48,984 over budget. Significant amounts and percentages are as follows:

<u>Function</u>	Amount (Over) Under <u>Budget</u>	Percent (Over) Under <u>Budget</u>
Public safety	(67,346)	(1.74%)
Public works	(61,809)	(3.12%)
Community services	86,524	9.69%

It is important to note that the cause of the expenditures being over budget was the allocation of PERS On Behalf of funding by department. This allocation represents no actual cash outlay to the City but is an internal allocation only.

Capital Assets

At June 30, 2012, the City's capital assets had a total net book value of \$92,078,898. A number of capital assets were placed into service during fiscal year 2012. Some of the most notable of those assets included the QFC Sewer Liftstation and Force Main Upgrades to the piped sewer system, the purchase of a new refuse truck, construction work in process of the Salmonberry Police Station renovation, and the purchase of two new Ford Escapes for the Police Department.

CITY OF BETHEL

Management's Discussion and Analysis, continued

The table below compares the net book values at June 30, 2012 and June 30, 2011.

Capital Assets and Debt Administration

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 41,332,681	41,332,681	2,245,310	2,204,828	43,577,991	43,537,509
Construction in progress	4,640,385	3,520,621	604,272	2,095,676	5,244,657	5,616,297
Seawall	-	-	17,718,982	18,173,315	17,718,982	18,173,315
Improvements	72,936	19,451	-	-	72,936	19,451
Buildings, plants and lines	1,093,031	1,186,465	21,411,731	21,087,409	22,504,762	22,273,874
Machinery and equipment	489,055	408,788	533,439	301,198	1,022,494	709,986
Infrastructure	907,876	984,553	-	-	907,876	984,553
Vehicles	<u>380,721</u>	<u>456,561</u>	<u>648,479</u>	<u>857,357</u>	<u>1,029,200</u>	<u>1,313,918</u>
	<u>\$ 48,916,685</u>	<u>47,909,120</u>	<u>43,162,213</u>	<u>44,719,783</u>	<u>92,078,898</u>	<u>92,628,903</u>

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

Debt Administration

Lease revenue bond payable of \$3,080,000 is recorded in the Business-type Activities column of the Statement of Net Assets. Additional information relating to debt is summarized in the Notes to the Financial Statements.

Debt Outstanding at June 30th

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Landfill closure	\$ -	-	1,226,410	1,187,970	1,226,410	1,187,970
Lease revenue bonds payable	-	-	3,215,000	3,345,000	3,215,000	3,345,000
Accrued leave	<u>505,192</u>	<u>502,875</u>	<u>162,213</u>	<u>259,661</u>	<u>667,405</u>	<u>762,536</u>
	<u>\$ 505,192</u>	<u>502,875</u>	<u>4,603,623</u>	<u>4,792,631</u>	<u>5,108,815</u>	<u>4,995,506</u>

CITY OF BETHEL

Management's Discussion and Analysis, continued

Economic Condition Summary

The Financial Statements of the City demonstrate that the City government currently enjoys overall economic stability. While there are certain areas which need improvement financially, the General Fund of the City experienced a gain of \$1,348,560 to fund balance for fiscal year 2012.

One of the greatest challenges facing the City financially is that of significant amounts owed to the Central Treasury from certain funds which experienced operational deficits in earlier years. We have been successful in greatly reducing these deficits in some funds such as the Employee Group Health Benefits Internal Service Fund which has been reduced to \$132,002 from over \$500,000 in fiscal year 2010.

The largest of these amounts owed to central treasury exists in three funds. They are as follows:

- Water and Sewer Enterprise Fund - \$4,532,145
- Leased Properties Enterprise Fund - \$946,364
- Vehicle and Equipment Maintenance Internal Service Fund - \$250,286

The General Fund of the City effectively bears the financial impact of these deficits until they are repaid. The City may want to consider appropriating some of the gain experienced in fiscal year 2012 to help repay these deficits. Going forward, we plan to address these deficits in future annual budgets as we successfully did with the Employee Group Health Benefits Fund.

Finally, City management strongly intends to continue exemplifying a conservative and responsible approach to City operations. We are committed to providing the highest quality services to our citizens in the most financially efficient manner.

Contacting the City's Financial Management

This financial report is designed to provide the City's citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Bethel, Attention: Finance Director, City of Bethel, P.O. Box 1388, Bethel, Alaska 99559.

(This page left blank intentionally)

BASIC FINANCIAL STATEMENTS

CITY OF BETHEL, ALASKA

Statement of Net Assets

June 30, 2012

<u>Assets</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current assets:			
Cash and investments	\$ 13,167,518	1,627,182	14,794,700
Accounts receivable (net)	2,566,548	1,189,121	3,755,669
Prepaid items	59,912	-	59,912
Inventory	1,068,111	137,798	1,205,909
Internal balances	219,458	(219,458)	-
Restricted cash and investments	-	373,995	373,995
Total current assets	<u>17,081,547</u>	<u>3,108,638</u>	<u>20,190,185</u>
Long-term assets:			
Capital assets not being depreciated	45,973,066	2,849,582	48,822,648
Depreciable capital assets	20,409,642	72,857,329	93,266,971
Accumulated depreciation	<u>(17,466,023)</u>	<u>(32,544,698)</u>	<u>(50,010,721)</u>
Total long-term assets	<u>48,916,685</u>	<u>43,162,213</u>	<u>92,078,898</u>
Total assets	<u>\$ 65,998,232</u>	<u>46,270,851</u>	<u>112,269,083</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable	823,849	94,192	918,041
Accrued liabilities	250,515	-	250,515
Utility deposits	-	250,666	250,666
Unearned revenue	830,342	615,848	1,446,190
Retainage payable	412,507	-	412,507
Total current liabilities	<u>2,317,213</u>	<u>960,706</u>	<u>3,277,919</u>
Long-term liabilities:			
Due within one year:			
Accrued leave	505,192	162,213	667,405
Bonds payable	-	135,000	135,000
Due in more than one year:			
Bonds payable	-	3,080,000	3,080,000
Unamortized bond premium	-	108,788	108,788
Liabilities for landfill closure	-	1,226,410	1,226,410
Total long-term liabilities	<u>505,192</u>	<u>4,712,411</u>	<u>5,217,603</u>
Total liabilities	<u>2,822,405</u>	<u>5,673,117</u>	<u>8,495,522</u>
Net assets:			
Invested in capital assets, net of related debt	48,916,685	39,838,425	88,755,110
Restricted	4,714,703	-	4,714,703
Unrestricted	9,544,439	759,309	10,303,748
Total net assets	<u>63,175,827</u>	<u>40,597,734</u>	<u>103,773,561</u>
Total liabilities and net assets	<u>\$ 65,998,232</u>	<u>46,270,851</u>	<u>112,269,083</u>

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA

Statement of Activities
Year Ended June 30, 2012

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants and Contri- butions	Capital Grants and Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 2,460,225	926,045	133,996	-	(1,400,184)	-	(1,400,184)
Public safety	4,468,134	416,994	652,311	1,105,510	(2,293,319)	-	(2,293,319)
Public works	2,317,399	-	47,633	315,931	(1,953,835)	-	(1,953,835)
Community services	949,789	15,585	90,010	27,424	(816,770)	-	(816,770)
Total governmental activities	10,195,547	1,358,624	923,950	1,448,865	(6,464,108)	-	(6,464,108)
Business-type activities:							
Water and sewer utility	6,887,473	5,685,115	222,872	22,026	-	(957,460)	(957,460)
Municipal dock	1,364,732	1,284,938	15,511	5,147	-	(59,136)	(59,136)
Rental property	971,884	764,641	-	-	-	(207,243)	(207,243)
Solid waste	832,965	1,144,739	28,711	238,879	-	579,364	579,364
Public transit	480,519	49,319	402,778	-	-	(28,422)	(28,422)
Total business-type activities	10,537,573	8,928,752	669,872	266,052	-	(672,897)	(672,897)
Total primary government	\$ 20,733,120	10,287,376	1,593,822	1,714,917	(6,464,108)	(672,897)	(7,137,005)
General revenues:							
Taxes, including penalties and interest					\$ 8,874,839	-	8,874,839
Payments in lieu of taxes					832,360	-	832,360
Grants and entitlements not restricted to a specific purpose					535,527	-	535,527
Investment income					19,583	23,893	43,476
Restricted investment earnings - endowment					12,857	-	12,857
Other					30,203	7,252	37,455
Transfers					(635,042)	635,042	-
Total general revenues and transfers					9,670,327	666,187	10,336,514
Change in net assets					3,206,219	(6,710)	3,199,509
Net assets, beginning of year, as restated					59,969,608	40,604,444	100,574,052
Net assets, end of year					\$ 63,175,827	40,597,734	103,773,561

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA
 Balance Sheet - Governmental Funds
 June 30, 2012

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 8,385,215	4,782,303	13,167,518
Receivable from central treasury	-	991,955	991,955
Receivables, net	1,403,349	903,926	2,307,275
Inventory	59,846	839,855	899,701
Prepaid items	59,912	-	59,912
Advances to other funds	<u>5,728,795</u>	<u>-</u>	<u>5,728,795</u>
 Total assets	 \$ <u>15,637,117</u>	 <u>7,518,039</u>	 <u>23,155,156</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	144,758	174,966	319,724
Accrued liabilities	250,515	-	250,515
Payable to central treasury	6,179,472	421,467	6,600,939
Deferred revenue	110,292	796,911	907,203
Retainage payable	<u>-</u>	<u>412,507</u>	<u>412,507</u>
Total liabilities	<u>6,685,037</u>	<u>1,805,851</u>	<u>8,490,888</u>
Fund balances:			
Nonspendable	5,848,553	834,476	6,683,029
Restricted	-	4,714,703	4,714,703
Assigned	-	861,849	861,849
Unassigned (deficit)	<u>3,103,527</u>	<u>(698,840)</u>	<u>2,404,687</u>
Total fund balances	<u>8,952,080</u>	<u>5,712,188</u>	<u>14,664,268</u>
 Total liabilities and fund balances	 \$ <u>15,637,117</u>	 <u>7,518,039</u>	 <u>23,155,156</u>

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2012

Total fund balances for governmental funds		\$	14,664,268
Total net assets reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Capital assets not being depreciated:			
Land	\$	41,332,681	
Construction in progress		<u>4,640,385</u>	
Total capital assets not being depreciated			45,973,066
Depreciable capital assets:			
Improvements		98,155	
Buildings		5,661,159	
Equipment		2,701,260	
Infrastructure		9,593,208	
Vehicles		<u>2,355,860</u>	
Total depreciable capital assets			20,409,642
Accumulated depreciation			<u>(17,466,023)</u>
Total capital assets			48,916,685
Sales taxes not collected within 60 days of year end are not deemed available and are deferred in the fund statements.			
			76,861
Long term liabilities are not deemed due and payable in the current period and are therefore not reported as governmental fund liabilities.			
Accrued leave			(480,726)
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 Assets.			
			<u>(1,261)</u>
Total net assets of governmental activities		\$	<u><u>63,175,827</u></u>

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
Revenues:			
Federal sources	\$ 832,360	135,568	967,928
State of Alaska	953,650	1,740,168	2,693,818
Local sources:			
Taxes	8,209,030	683,845	8,892,875
Charges for services	181,566	192,827	374,393
Rental	3,790	-	3,790
Permits, licenses and fees	922,180	-	922,180
Interest income	19,410	12,963	32,373
Miscellaneous	88,464	79,023	167,487
Total revenues	<u>11,210,450</u>	<u>2,844,394</u>	<u>14,054,844</u>
Expenditures:			
Current:			
General government	2,189,036	-	2,189,036
Public safety	3,938,678	504,299	4,442,977
Public works	2,045,078	236,935	2,282,013
Community services	806,176	73,739	879,915
Capital outlay	-	1,516,917	1,516,917
Total expenditures	<u>8,978,968</u>	<u>2,331,890</u>	<u>11,310,858</u>
Excess of revenues over expenditures	2,231,482	512,504	2,743,986
Other financing sources (uses):			
Transfers in	22,755	270,635	293,390
Transfers out	<u>(905,677)</u>	<u>(22,755)</u>	<u>(928,432)</u>
Net other financing sources (uses)	<u>(882,922)</u>	<u>247,880</u>	<u>(635,042)</u>
Net change in fund balances	1,348,560	760,384	2,108,944
Fund balances, beginning of year, as restated	<u>7,603,520</u>	<u>4,951,804</u>	<u>12,555,324</u>
Fund balances, end of year	\$ <u><u>8,952,080</u></u>	<u><u>5,712,188</u></u>	<u><u>14,664,268</u></u>

See accompanying notes to the 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, 2012

Net change in fund balances - total governmental funds	\$ 2,108,944
The change in nets assets 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	\$ 1,434,753
Depreciation	<u>(427,188)</u>
	1,007,565
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 in deferred tax revenue.	(18,036)
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 assets. Differences in the treatment of long-term debt and related items include:	
Accrued leave	(4,007)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net income of the internal service funds (excluding the portion allocated to business-type activities) is reported within the governmental activities.	<u>111,753</u>
Change in net assets of governmental activities	\$ <u><u>3,206,219</u></u>

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Major Enterprise Funds				Nonmajor Enterprise Fund	Total	Governmental Activities
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Public Transit	Enterprise Funds	Internal Service Funds
<u>Assets</u>							
Current assets:							
Cash and investments	\$ -	1,627,182	-	-	-	1,627,182	-
Receivable from central treasury	21,878	3,619,486	-	1,909,280	-	5,550,644	92,785
Accounts receivable (net)	512,950	459,578	12,886	104,205	99,502	1,189,121	259,273
Inventory	74,795	48,752	9,682	4,569	-	137,798	168,410
Total current assets	<u>609,623</u>	<u>5,754,998</u>	<u>22,568</u>	<u>2,018,054</u>	<u>99,502</u>	<u>8,504,745</u>	<u>520,468</u>
Long-term assets:							
Restricted cash - bond reserve	-	-	373,995	-	-	373,995	-
Capital assets:							
Land	-	2,184,058	43,000	18,252	-	2,245,310	-
Construction in progress	604,272	-	-	-	-	604,272	-
Depreciable assets	35,256,646	26,200,595	9,794,679	1,327,317	278,092	72,857,329	-
Less accumulated depreciation	(21,340,399)	(6,730,647)	(3,376,621)	(975,975)	(121,056)	(32,544,698)	-
Net capital assets	<u>14,520,519</u>	<u>21,654,006</u>	<u>6,461,058</u>	<u>369,594</u>	<u>157,036</u>	<u>43,162,213</u>	<u>-</u>
Total long-term assets	<u>14,520,519</u>	<u>21,654,006</u>	<u>6,835,053</u>	<u>369,594</u>	<u>157,036</u>	<u>43,536,208</u>	<u>-</u>
Total assets	\$ <u>15,130,142</u>	<u>27,409,004</u>	<u>6,857,621</u>	<u>2,387,648</u>	<u>256,538</u>	<u>52,040,953</u>	<u>520,468</u>
<u>Liabilities and Net Assets</u>							
Liabilities:							
Current liabilities:							
Accounts and claims payable	53,086	13,471	19,479	7,468	688	94,192	504,125
Accrued leave	104,927	6,794	-	47,911	2,581	162,213	24,466
Deposits	250,666	-	-	-	-	250,666	-
Unearned revenue	-	603,721	-	-	12,127	615,848	-
Payable to central treasury	-	-	-	-	34,445	34,445	-
Current portion - bonds payable	-	-	135,000	-	-	135,000	-
Total current liabilities	<u>408,679</u>	<u>623,986</u>	<u>154,479</u>	<u>55,379</u>	<u>49,841</u>	<u>1,292,364</u>	<u>528,591</u>
Long-term liabilities:							
Advances from other funds	4,532,145	-	946,364	-	-	5,478,509	250,286
Bonds payable, net of current portion	-	-	3,080,000	-	-	3,080,000	-
Unamortized bond premium	-	-	108,788	-	-	108,788	-
Liabilities for landfill closure	-	-	-	1,226,410	-	1,226,410	-
Total long-term liabilities	<u>4,532,145</u>	<u>-</u>	<u>4,135,152</u>	<u>1,226,410</u>	<u>-</u>	<u>9,893,707</u>	<u>250,286</u>
Total liabilities	<u>4,940,824</u>	<u>623,986</u>	<u>4,289,631</u>	<u>1,281,789</u>	<u>49,841</u>	<u>11,186,071</u>	<u>778,877</u>
Net assets:							
Invested in capital assets, net of related debt	14,520,519	21,654,006	3,137,270	369,594	157,036	39,838,425	-
Unrestricted (deficits)	(4,331,201)	5,131,012	(569,280)	736,265	49,661	1,016,457	(258,409)
Total net assets (deficits)	<u>10,189,318</u>	<u>26,785,018</u>	<u>2,567,990</u>	<u>1,105,859</u>	<u>206,697</u>	<u>40,854,882</u>	<u>(258,409)</u>
Total liabilities and net assets	\$ <u>15,130,142</u>	<u>27,409,004</u>	<u>6,857,621</u>	<u>2,387,648</u>	<u>256,538</u>	<u>52,040,953</u>	<u>520,468</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(257,148)	
Net assets of business-type activities						\$ <u>40,597,734</u>	

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Major Enterprise Funds				Nonmajor Enterprise Fund	Total	Govern- mental Activities
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Public Transit	Enterprise Funds	Internal Service Funds
Operating revenues:							
Charges for services	\$ 5,570,984	1,249,074	764,641	1,144,683	48,526	8,777,908	3,128,398
Other	114,131	35,864	-	56	793	150,844	-
Total operating revenues	<u>5,685,115</u>	<u>1,284,938</u>	<u>764,641</u>	<u>1,144,739</u>	<u>49,319</u>	<u>8,928,752</u>	<u>3,128,398</u>
Operating expenses:							
Personnel	3,284,297	369,291	-	455,436	336,112	4,445,136	711,594
Travel and training	5,352	4,310	-	8,028	5,953	23,643	6,083
Materials and supplies	181,110	9,002	-	7,288	8,974	206,374	231,088
Utilities and fuel	1,441,473	67,045	383,259	99,547	58,265	2,049,589	107,519
Claims	-	-	-	-	-	-	1,281,591
Minor equipment and tools	61,189	1,133	2,400	41,187	2,080	107,989	9,804
Depreciation and amortization	1,106,474	606,498	326,183	56,776	32,643	2,128,574	-
Other purchased services	57,339	30,343	35,965	19,700	3,196	146,543	42,549
Insurance	87,159	23,188	5,672	5,492	8,419	129,930	532,693
Repairs and maintenance	621,358	237,777	54,430	72,405	18,275	1,004,245	7,497
Landfill closure costs	-	-	-	38,440	-	38,440	-
Other overhead	82,404	19,792	-	34,288	10,503	146,987	20,572
Other	57,218	1,854	-	-	320	59,392	1,079
Total operating expenses	<u>6,985,373</u>	<u>1,370,233</u>	<u>807,909</u>	<u>838,587</u>	<u>484,740</u>	<u>10,486,842</u>	<u>2,952,069</u>
Income (loss) from operations	(1,300,258)	(85,295)	(43,268)	306,152	(435,421)	(1,558,090)	176,329
Nonoperating revenues (expenses):							
Interest expense	-	-	(163,975)	-	-	(163,975)	-
Amortization of bond premium	-	-	7,252	-	-	7,252	-
Investment income	6,761	3,046	14,086	-	-	23,893	-
FTA grant	-	-	-	-	270,956	270,956	-
State grant	-	-	-	-	18,675	18,675	-
Local grant	-	-	-	-	89,304	89,304	-
State PERS relief	222,872	15,511	-	28,711	23,843	290,937	48,668
Net nonoperating revenues (expenses)	<u>229,633</u>	<u>18,557</u>	<u>(142,637)</u>	<u>28,711</u>	<u>402,778</u>	<u>537,042</u>	<u>48,668</u>
Income (loss) before contributions and transfers	(1,070,625)	(66,738)	(185,905)	334,863	(32,643)	(1,021,048)	224,997
Capital contributions	22,026	5,147	-	238,879	-	266,052	-
Transfers in	820,717	-	39,325	-	50,000	910,042	-
Transfers out	(150,000)	(50,000)	-	(75,000)	-	(275,000)	-
Change in net assets	(377,882)	(111,591)	(146,580)	498,742	17,357	(119,954)	224,997
Net assets (deficit), beginning of year, as restated	<u>10,567,200</u>	<u>26,896,609</u>	<u>2,714,570</u>	<u>607,117</u>	<u>189,340</u>	<u>-</u>	<u>(483,406)</u>
Net assets (deficit), end of year	\$ <u>10,189,318</u>	<u>26,785,018</u>	<u>2,567,990</u>	<u>1,105,859</u>	<u>206,697</u>		<u>(258,409)</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						<u>113,244</u>	
Change in net assets of business-type activities						\$ <u>(6,710)</u>	

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Major Enterprise Funds				Nonmajor Enterprise Fund	Total Enterprise Funds	Govern- mental Activities Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Public Transit		
Cash flows from operating activities:							
Receipts from customers	\$ 5,649,253	1,138,533	752,746	1,146,546	49,319	8,736,397	2,869,125
Payment to suppliers	(2,756,478)	(301,599)	(480,312)	(288,047)	(104,905)	(3,931,341)	(1,977,296)
Payment to employees	(3,165,818)	(363,174)	-	(401,808)	(320,847)	(4,251,647)	(651,093)
Net cash flows from operating activities	(273,043)	473,760	272,434	456,691	(376,433)	553,409	240,736
Cash flows from noncapital financing activities:							
Operating grants	-	-	-	-	680,641	680,641	-
Transfers in	820,717	-	39,325	-	50,000	910,042	-
Transfers out	(150,000)	(50,000)	-	(75,000)	-	(275,000)	-
Increase in receivable from central treasury	(21,878)	63,797	-	(381,691)	-	(339,772)	(92,785)
Increase (decrease) in payable to central treasury	(1,279,735)	-	-	-	(354,208)	(1,633,943)	-
Decrease in advances from other funds	(233,267)	-	10,178	-	-	(223,089)	(147,951)
Net cash flows from noncapital financing activities	(864,163)	13,797	49,503	(456,691)	376,433	(881,121)	(240,736)
Cash flows from capital and related financial activities:							
Acquisition and construction of capital assets	(261,496)	(45,630)	(25,000)	-	-	(332,126)	-
Capital contributions received	1,391,941	5,147	-	-	-	1,397,088	-
Principal paid on long-term debt	-	-	(130,000)	-	-	(130,000)	-
Interest paid on long-term debt	-	-	(163,975)	-	-	(163,975)	-
Net cash flows from capital and related financing activities	1,130,445	(40,483)	(318,975)	-	-	770,987	-
Cash flows from investing activities - investment income received	6,761	3,046	14,086	-	-	23,893	-
Net increase (decrease) in cash and cash equivalents	-	450,120	17,048	-	-	467,168	-
Cash and cash equivalents, beginning of year	-	1,177,062	356,947	-	-	1,534,009	-
Cash and cash equivalents, end of year	\$ -	1,627,182	373,995	-	-	2,001,177	-
Composed of:							
Cash and cash equivalents	-	1,627,182	-	-	-	1,627,182	-
Cash and cash equivalents bond reserve	-	-	373,995	-	-	373,995	-
	\$ -	1,627,182	373,995	-	-	2,001,177	-
Reconciliation of income (loss) from operations to net cash flows from operating activities:							
Operating income (loss)	(1,300,258)	(85,295)	(43,268)	306,152	(435,421)	(1,558,090)	176,329
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:							
Depreciation and amortization	1,106,474	606,498	326,183	56,776	32,643	2,128,574	-
PERS on-behalf expense	222,872	15,511	-	28,711	23,843	290,937	48,668
Increase in allowance for doubtful accounts	17,716	-	712	3,509	-	21,937	-
(Increase) decrease in assets:							
Accounts receivable	(44,569)	(150,126)	(11,895)	(1,807)	-	(208,397)	(257,973)
Prepaid expenses	-	-	-	-	-	-	40,995
Inventory	33,382	86,873	(1,636)	973	-	119,592	(56,790)
Increase (decrease) in liabilities:							
Accounts payable	(195,258)	5,972	2,338	(980)	(1,047)	(188,975)	277,674
Accrued leave	(104,393)	(9,394)	-	24,917	(8,578)	(97,448)	11,833
Deposits/Unearned revenue	(9,009)	3,721	-	-	12,127	6,839	-
Landfill closure costs	-	-	-	38,440	-	38,440	-
Net cash flows from operating activities	\$ (273,043)	473,760	272,434	456,691	(376,433)	553,409	240,736

See accompanying notes to the financial statements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements

June 30, 2012

(1) 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, garbage, police and fire protection, and street maintenance.

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.

The City of Bethel 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 only. There are no component units based on operational and financial relationship criteria.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets 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 operations or capital requirements of a particular function or segment. 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

Summary of Significant Accounting Policies, 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 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 90 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Additionally, the City reports the following fund types:

Internal Service Funds – the funds account for the employee health insurance benefits, information technology, 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.

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 of the City's internal service fund 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 benefits claimed at year end including claims incurred but not reported.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

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. 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 "receivable from central treasury" or "payable to central treasury" (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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

F. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs 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.

G. 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.

H. 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 of more than \$5,000. Such assets are recorded at historical cost or estimated historical 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 years
Buildings and improvements	30-35 years
Motor vehicles and motorized equipment	5-10 years
Furniture, machinery and equipment	5-10 years

I. 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 debt.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

J. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 issuance 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.

K. Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints placed on net assets use 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.

L. 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or 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 delegated authority to the City Manager 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 unrestricted resources—committed, assigned, and unassigned—in order as needed.

(2) **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. 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Stewardship, Compliance, and Accountability, continued

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the General Fund as follows:

	<u>Amount of Over Expenditure</u>
General government:	
City clerk	\$ 4,205
Finance	7,400
Planning	6,816
Technology	13,612
Public safety:	
Police department	182,178
Public works:	
Operations	80,754

C. Deficit Fund Equity

The following funds had a fund deficit as of June 30, 2012:

Special revenue fund -	
Police Asset Forfeiture	\$ 64,316
Internal service funds:	
Employee Health Insurance	132,002
Vehicle and Equipment	126,407

These deficits are expected to be covered by future operations or transfers from the General Fund.

(3) **Cash 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.

	<u>Carrying Balance</u>
Bank deposits	\$ 4,319,338
Money market funds	3,238,902
Investments	<u>7,610,455</u>
	<u>\$ 15,168,695</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Cash and investments reported in the Statement of Net Assets are as follows:

	<u>Carrying Balance</u>
Cash and investments	\$ 14,794,700
Restricted cash and investments	<u>373,995</u>
	<u>\$ 15,168,695</u>

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 to it. The City requires all deposits to be insured or collateralized. At June 30, 2012, 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.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>More Than 5</u>
Investments subject to interest rate risk:				
Certificates of deposit	\$ 6,610,750	4,004,502	2,232,253	373,995
U.S. Agency securities	<u>999,705</u>	<u>-</u>	<u>743,250</u>	<u>256,455</u>
Total	<u>\$ 7,610,455</u>	<u>4,004,502</u>	<u>2,975,503</u>	<u>630,450</u>

(4) **Accounts Receivable**

Receivables at June 30, 2012, for the City’s individual major funds and other nonmajor funds, including applicable allowance for uncollectable accounts, are as follows:

	<u>General Fund</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Water and Sewer Utility</u>	<u>Municipal Dock</u>	<u>Rental Properties</u>	<u>Solid Waste</u>	<u>Nonmajor Public Transit</u>	<u>Internal Service Funds</u>	<u>Totals</u>
Grants receivable	\$ -	903,926	28,122	-	-	-	99,502	-	1,031,550
Accounts receivable	-	-	551,365	488,655	13,757	112,105	-	259,273	1,425,155
Taxes receivable:									
Lodging	145,996	-	-	-	-	-	-	-	145,996
Sales	1,404,833	-	-	-	-	-	-	-	1,404,833
Gaming	159,976	-	-	-	-	-	-	-	159,976
Other	11,522	-	-	-	-	-	-	-	11,522
Less: allowance for doubtful accounts	<u>(318,978)</u>	<u>-</u>	<u>(66,537)</u>	<u>(29,077)</u>	<u>(871)</u>	<u>(7,900)</u>	<u>-</u>	<u>-</u>	<u>(423,363)</u>
Net receivables	<u>\$ 1,403,349</u>	<u>903,926</u>	<u>512,950</u>	<u>459,578</u>	<u>12,886</u>	<u>104,205</u>	<u>99,502</u>	<u>259,273</u>	<u>3,755,669</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011 <u>(as restated)</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, 2012
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 41,332,681	-	-	41,332,681
Construction in progress	<u>3,520,621</u>	<u>1,119,764</u>	<u>-</u>	<u>4,640,385</u>
Total capital assets, not being depreciated	<u>44,853,302</u>	<u>1,119,764</u>	<u>-</u>	<u>45,973,066</u>
Capital assets, being depreciated:				
Improvements	36,671	61,484	-	98,155
Buildings	5,661,159	-	-	5,661,159
Machinery and equipment*	2,563,265	137,995	-	2,701,260
Infrastructure	9,593,208	-	-	9,593,208
Vehicles	<u>2,240,350</u>	<u>115,510</u>	<u>-</u>	<u>2,355,860</u>
Total capital assets being depreciated	<u>20,094,653</u>	<u>314,989</u>	<u>-</u>	<u>20,409,642</u>
Less accumulated depreciation:				
Improvements	17,220	7,999	-	25,219
Buildings	4,474,694	93,434	-	4,568,128
Machinery and equipment*	2,154,477	57,728	-	2,212,205
Infrastructure	8,608,655	76,677	-	8,685,332
Vehicles	<u>1,783,789</u>	<u>191,350</u>	<u>-</u>	<u>1,975,139</u>
Total accumulated depreciation	<u>17,038,835</u>	<u>427,188</u>	<u>-</u>	<u>17,466,023</u>
Net capital assets, being depreciated	<u>3,055,818</u>	<u>(112,199)</u>	<u>-</u>	<u>2,943,619</u>
 Total governmental activities capital assets, net	 <u>\$ 47,909,120</u>	 <u>1,007,565</u>	 <u>-</u>	 <u>48,916,685</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

	Balance July 1, <u>2011</u>	Additions and Reclassi- fications	Deletions and Reclassi- fications	Balance June 30, <u>2012</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,204,828	40,482	-	2,245,310
Construction in progress	<u>2,095,676</u>	<u>200,696</u>	<u>(1,692,100)</u>	<u>604,272</u>
Total capital assets, not being depreciated	<u>4,300,504</u>	<u>241,178</u>	<u>(1,692,100)</u>	<u>2,849,583</u>
Capital assets, being depreciated:				
Seawall	22,716,644	-	-	22,716,644
Buildings, plants and lines	42,428,894	1,692,100	-	44,120,994
Machinery and equipment	1,281,591	329,827	-	1,611,418
Vehicles	<u>4,408,273</u>	<u>-</u>	<u>-</u>	<u>4,408,273</u>
Total capital assets being depreciated	<u>70,835,402</u>	<u>2,021,927</u>	<u>-</u>	<u>72,857,329</u>
Less accumulated depreciation:				
Seawall	4,543,329	454,333	-	4,997,662
Buildings, plants and lines	21,341,487	1,367,776	-	22,709,263
Machinery and equipment	980,394	97,585	-	1,077,979
Vehicles	<u>3,550,914</u>	<u>208,880</u>	<u>-</u>	<u>3,759,794</u>
Total accumulated depreciation	<u>30,416,124</u>	<u>2,128,574</u>	<u>-</u>	<u>32,544,698</u>
Net capital assets, being depreciated	<u>40,419,278</u>	<u>(106,647)</u>	<u>-</u>	<u>40,312,631</u>
Total business-type activities capital assets, net	\$ <u>44,719,782</u>	<u>134,531</u>	<u>(1,692,100)</u>	<u>43,162,213</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities:

General government	\$ 51,143
Public safety	120,876
Public works	133,585
Community services	<u>121,584</u>
Total depreciation expense	\$ <u>427,188</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Depreciation expense was charged to functions of the City as follows, continued:

Business-type activities:

Water and Sewer	\$ 1,106,474
Municipal Dock	606,498
Rental Property	326,183
Solid Waste	56,776
Public Transit	<u>32,643</u>
Total depreciation expense	\$ <u>2,128,574</u>

(6) **Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2012, is as follows:

Payable to / Receivable from the Central Treasury:

Payable to the Central Treasury from:

General Fund for short-term operating advances	\$ 6,179,472
Nonmajor governmental funds for short-term operating advances	421,467
Nonmajor enterprise fund for short-term operating advances	<u>34,445</u>

Total payable to the Central Treasury \$ 6,635,384

Payable to / Receivable from the Central Treasury, continued:

Nonmajor governmental funds for short-term operating advances	\$ 991,955
Water and Sewer Utility Enterprise Fund for short-term operating advances	21,878
Municipal Dock Enterprise Fund for short-term operating advances	3,619,486
Solid Waste Enterprise Fund for short-term operating advances	1,909,280
Internal Service fund for short-term operating advances	<u>92,785</u>

Total receivable from the Central Treasury \$ 6,635,384

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables, and Transfers, continued

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:

	Advance To <u>(Receivable)</u>	Advance From <u>(Payable)</u>
General Fund	\$ 5,728,795	\$ -
Water/Sewer Enterprise Fund	-	4,532,145
Rental Property Enterprise Fund	-	946,364
Vehicle and Equipment Internal Service Fund	<u>-</u>	<u>250,286</u>
Total	\$ <u>5,728,795</u>	\$ <u>5,728,795</u>

Transfers:

From the General Fund to:

Water and Sewer Utility Enterprise Fund for operating subsidies	\$ 623,779
Water and Sewer Utility Enterprise Fund for disallowed costs	146,938
Water and Sewer Utility Enterprise Fund for capital projects	50,000
Rental Property Enterprise Fund for operating subsidies	39,325
Nonmajor governmental funds for operating subsidies and capital grant matching requirements	45,635

From nonmajor governmental funds to the General Fund
for annual budget operating subsidy

22,755

From the Water and Sewer Utility Enterprise Fund to:

Fleet Replacement Capital Project Fund for capital projects	150,000
-------------------------------------------------------------	---------

From the Municipal Dock Enterprise Fund to the Public Transit
Enterprise Fund for grant matching requirements

50,000

From the Solid Waste Enterprise Fund to:

Fleet Replacement Capital Project Fund for capital projects	<u>75,000</u>
-------------------------------------------------------------	---------------

Total transfers to other funds

\$ 1,203,432

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(7) **Long-term Debt**

During the year ended June 30, 2012, the following changes occurred in liabilities payable from governmental funds.

	Balance July 1, 2011 <u>As restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2012	Amount Due in <u>One Year</u>
Accrued leave *	\$ <u>502,875</u>	<u>317,469</u>	<u>(315,152)</u>	<u>505,192</u>	<u>505,192</u>

* Long-term liabilities reported here include \$24,466 in accrued leave from the Internal Service Funds.

Lease Revenue Bonds

The bond payable, with an outstanding balance of \$3,215,000 as of June 30, 2012 is recorded in the Rental Property Enterprise Fund. The initial principal amount of the bond was \$3,680,000. Interest payments are payable semi-annually on September 1st and March 1st, and principal payments are payable annually on September 1st. Interest is charged at a variable rate, currently at 4.5%. The bond covenants require a reserve account be established to pay each year's principal and interest. The balance of the reserve at June 30, 2012 is \$373,995.

Lease revenue bonds payable requirements to maturity are as follows:

Fiscal Year <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 135,000	158,344	293,344
2014	140,000	152,413	292,413
2015	150,000	145,225	295,225
2016	155,000	136,838	291,838
2017	165,000	128,038	293,038
2018-2022	960,000	501,750	1,461,750
2023-2027	1,225,000	230,375	1,455,375
2027-2028	<u>285,000</u>	<u>7,125</u>	<u>292,125</u>
	3,215,000	<u>1,460,108</u>	<u>4,675,108</u>
Less current portion	<u>135,000</u>		
Long-term portion	\$ <u>3,080,000</u>		

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Long-term Debt, continued

Lease Revenue Bonds, continued

Bond premiums of \$145,048 are amortized over the life of the lease revenue bonds. For the year ended June 30, 2012 amortization of \$7,252 was recorded. The remaining unamortized balance is \$108,788.

Changes in Long-term Debt – Business-type Activities

During the year ended June 30, 2012, the following changes occurred in long-term debt of enterprise funds:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2012</u>	Amount Due in One <u>Year</u>
Bonds payable	\$ 3,345,000	-	130,000	3,215,000	135,000
Landfill closure	1,187,970	38,440	-	1,226,410	-
Accrued leave	<u>259,661</u>	<u>-</u>	<u>97,448</u>	<u>162,213</u>	<u>162,213</u>
	<u>\$ 4,792,631</u>	<u>38,440</u>	<u>227,448</u>	<u>4,603,623</u>	<u>297,213</u>

(8) **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 2009, at present fill rates, the landfill is expected to reach capacity in 2038, or approximately 29 years. The cost of landfill closure is estimated to be \$1,767,420 and post-closure costs is estimated to be approximately \$14,000 per year for 30 years (\$420,000). The City accrued \$38,440 in landfill closure costs for the year ended June 30, 2012, and has accrued a total liability of \$1,226,410 at June 30, 2012. These amounts are based on what it would cost to perform all the closure and post-closure functions in 2011. 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, ALASKA

Notes to Basic Financial Statements, continued

Landfill Closure and Post-Closure Liability, 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.

(9) **Information Technology Internal Service Fund – Restatement**

The City closed the Information Technology Internal Service Fund in 2012.

<u>Governmental Fund Balance</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Beginning Fund Balances	\$ 7,646,998	4,951,804	12,598,802
Adjustment from conversion	<u>(43,478)</u>	<u>-</u>	<u>(43,478)</u>
Beginning Fund Balances, as restated	\$ <u>7,603,520</u>	<u>4,951,804</u>	<u>12,555,324</u>

<u>Proprietary Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Beginning Net Assets	\$ (522,199)
Adjustment from conversion	<u>38,793</u>
Beginning Net Assets, as restated	\$ <u>(483,406)</u>

<u>Government Wide</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Net Assets	\$ 59,975,805	40,598,247	100,574,502
Adjustment from conversion	<u>(6,197)</u>	<u>6,197</u>	<u>-</u>
Beginning Net Assets, as restated	\$ <u>59,969,608</u>	<u>40,604,444</u>	<u>100,574,502</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(10) **Fund Balances**

The City has implemented the provisions of GASB Statement Number 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2012. Fund balances, reported for the major funds and the nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:			
Inventory	\$ 59,846	834,476	894,322
Prepaid items	59,912	-	59,912
Advances to other funds	<u>5,728,795</u>	<u>-</u>	<u>5,728,795</u>
Total nonspendable	<u>5,848,553</u>	<u>834,476</u>	<u>6,683,029</u>
Restricted:			
Endowment	-	1,853,615	1,853,615
Multi-use recreation center	<u>-</u>	<u>2,861,088</u>	<u>2,861,088</u>
Total restricted	<u>-</u>	<u>4,714,703</u>	<u>4,714,703</u>
Assigned:			
Multi-use recreation center	-	192,485	192,485
Capital projects	-	442,316	442,316
Public safety	<u>-</u>	<u>227,048</u>	<u>227,048</u>
Total assigned	<u>-</u>	<u>861,849</u>	<u>861,849</u>
Unassigned (deficit)	<u>3,103,527</u>	<u>(698,840)</u>	<u>2,404,687</u>
Total fund balances	<u>\$ 8,952,080</u>	<u>5,712,188</u>	<u>14,664,268</u>

(11) **Net Assets**

Designated Net Assets

The City assesses a fee for the use of the petroleum dock facility. In 1997, the City Council authorized the designation of 50% of the fuel throughput revenue for future maintenance of the seawall. Net assets under this designation had a balance of \$ 3,344,166 at June 30, 2012.

In 2010, the City passed an ordinance establishing a bank account to hold cash associated with the designated net assets for the seawall. At June 30, 2012, that account had a balance of \$1,024,875.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(12) **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. The transfer for the year ended June 30, 2012 was \$22,756.

(13) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. Legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (3.21% for pension and 3.54% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.57% for pension and 3.93% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%, however, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate, generally consistent with the actuarially determined rate.

The City's contribution rates for 2012 were determined as part of the June 30, 2009 actuarial valuation and are as follows:

	Contractual	ARM Board	
	<u>Rate</u>	<u>Adopted</u>	<u>GASB 45*</u>
		<u>Rate</u>	<u>Rate</u>
Pension	10.48%	14.65%	13.72%
Postemployment healthcare	<u>11.52%</u>	<u>16.11%</u>	<u>49.98%</u>
Total contribution rate	<u>22.00%</u>	<u>30.76%</u>	<u>63.70%</u>

* This rate uses a 4.7% OPEB discount rate and disregards all future Medicare Part D payments.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 8.76% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf amount of \$757,727 as revenue and expenditures. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contributions</u>	<u>% of TBC Contributed</u>
2012	\$ 539,199	\$ 592,859	\$ 1,132,058	\$ 1,132,058	100%
2011	408,438	736,228	1,144,666	1,144,666	100 %
2010	453,676	769,471	1,223,147	1,223,147	100 %

(14) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary, and the City is required to make the following contributions:

	<u>Others Tier IV</u>	<u>Police/Fire Tier IV</u>
Individual account	5.00 %	5.00 %
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62 %</u>	<u>9.48 %</u>

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

Defined Contribution Pension Plan, continued

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2012 were \$278,449 and \$267,050, respectively.

(15) **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, 2012. 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 \$50,000 for individual claims and \$1,040,871 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, 2012 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, 2012 and 2011 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2012	\$ <u>200,512</u>	<u>1,281,591</u>	<u>998,043</u>	<u>484,060</u>
2011	\$ <u>159,267</u>	<u>825,167</u>	<u>783,922</u>	<u>200,512</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(16) 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, 2012:

<u>Property</u>	<u>Monthly Rate</u>	<u>Lease Term</u>
Courthouse – office space	\$ 30,864	January 2017
Courthouse – Department of Law and Corrections	\$ 12,826	Month-to-Month

The City currently leases computer equipment under an operating lease. Lease expense related to this equipment for the year ended June 30, 2012 was \$12,639. The following are required future minimum lease payments:

<u>Year</u>	<u>Amount</u>
2013	\$ 12,639
2014	12,639

(17) Contingencies

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.

A local taxpayer has filed an appeal of taxes owed to the City in an amount estimated at \$50,000. Administrative hearings are in process in accordance with City Code. Final resolution of this matter is unclear at this time and no liability or adjustment has been reflected in this financial statement.

In 2012, the City was contacted by the IRS regarding a possible discrepancy in the 2009 payroll tax filings in the amount of \$177,000. The City has researched and reconciled the payroll amount to within an insignificant variance. The City does not believe it has any liability with respect to this matter and has not reflected any liabilities or adjustment to these financial statements.

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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, continued

(18) **Subsequent Events**

Subsequent to year end the City entered into a purchase commitment for construction materials in excess of \$500,000. These materials will be used to fund the construction of the recently approved aquatic center project. In addition, following year end, the City purchased seven new vehicles for a cost of approximately \$168,000.

(19) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed many new accounting standards with upcoming implementation dates covering several topics. Of these, the following statements will have some effect on the City's financial reporting, though the actual impact has not yet been determined.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – Effective for yearend June 30, 2013 – This statement will result in a change to the City's presentation of proprietary fund statements and government-wide statements from a traditional "Balance Sheet" to a new "Statement of Net Position" format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

GASB 65 – Items Previously Reported as Assets and Liabilities – Effective for yearend June 30, 2014 – This statement is a companion to GASB Statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, and certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows.

GASB 68 – Accounting and Reporting for Pensions – Effective for yearend June 30, 2015 – This statement will require all governments that participate in defined benefit pension plans to report any "net pension liability" (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation date.

(This page left blank intentionally)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BETHEL, ALASKA
 General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Federal sources	\$ 856,895	805,500	832,360	26,860
State of Alaska	563,868	592,422	953,650	361,228
Local sources:				
Taxes	7,780,000	7,957,600	8,209,030	251,430
Other	1,237,343	1,205,040	1,215,410	10,370
Total revenues	10,438,106	10,560,562	11,210,450	649,888
Expenditures:				
Current:				
General government:				
Administration	757,585	760,379	734,699	25,680
City clerk	183,785	191,600	195,805	(4,205)
Finance	779,337	733,970	741,370	(7,400)
Planning	268,121	268,484	275,300	(6,816)
Technology	437,033	228,250	241,862	(13,612)
Public safety:				
Fire department	1,067,196	1,067,196	952,364	114,832
Police department	2,691,575	2,804,136	2,986,314	(182,178)
Public works:				
Administration	157,918	216,689	211,076	5,613
Operations	1,172,793	1,094,370	1,175,124	(80,754)
Property maintenance	696,786	672,210	658,878	13,332
Community services:				
Teen center	674,022	718,250	674,207	44,043
Special projects	102,450	174,450	131,969	42,481
Total expenditures	8,988,601	8,929,984	8,978,968	(48,984)
Excess of revenues over expenditures	1,449,505	1,630,578	2,231,482	600,904
Other financing sources (uses):				
Transfers in	14,000	14,000	22,755	8,755
Transfers out	(1,298,568)	(1,537,698)	(905,677)	632,021
Net other financing sources (uses)	(1,284,568)	(1,523,698)	(882,922)	640,776
Net change in fund balance	\$ 164,937	106,880	1,348,560	1,241,680
Fund balance, beginning of year, as restated			7,603,520	
Fund balance, end of year		\$	8,952,080	

SUPPLEMENTARY INFORMATION

CITY OF BETHEL, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012
 (with comparative amounts for 2011)

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Revenues:				
Federal sources:				
Payment in lieu of taxes	\$ 805,500	832,360	26,860	767,620
Community economic stimulus grant	-	-	-	170,244
Total federal sources	<u>805,500</u>	<u>832,360</u>	<u>26,860</u>	<u>937,864</u>
State of Alaska:				
SAFER grant	56,895	-	(56,895)	-
State PERS relief	-	418,123	418,123	281,705
Community revenue sharing	535,527	535,527	-	387,030
Total State of Alaska	<u>592,422</u>	<u>953,650</u>	<u>361,228</u>	<u>668,735</u>
Local sources:				
Taxes, including penalty and interest	<u>7,957,600</u>	<u>8,209,030</u>	<u>251,430</u>	<u>7,438,010</u>
Charges for services:				
Public safety	162,560	166,001	3,441	117,527
Community services	18,000	15,565	(2,435)	13,837
Total charges for services	<u>180,560</u>	<u>181,566</u>	<u>1,006</u>	<u>131,364</u>
Rental income	<u>7,500</u>	<u>3,790</u>	<u>(3,710)</u>	<u>5,630</u>
Permits, licenses and fees:				
Gaming fees	600,000	594,201	(5,799)	561,446
Taxi permits	133,820	157,580	23,760	134,845
Business licenses	35,000	33,720	(1,280)	30,387
Animal control licenses/fees	1,500	3,136	1,636	4,204
Planning fees	1,000	900	(100)	675
Plat and recording fees	500	-	(500)	810
Site reviews	91,900	93,536	1,636	9,240
Parks and recreation	24,050	37,702	13,652	13,537
Other	-	1,405	1,405	1,703
Total permits, licenses and fees	<u>887,770</u>	<u>922,180</u>	<u>34,410</u>	<u>756,847</u>
Miscellaneous:				
ONC gravel contract	50,000	-	(50,000)	50,000
Police department	56,000	58,166	2,166	56,925
Youth center donations and user fees	150	20	(130)	29
Restitution payments	1,000	75	(925)	150
Income from investments	12,500	19,410	6,910	-
Other	9,560	30,203	20,643	56,763
Total miscellaneous	<u>129,210</u>	<u>107,874</u>	<u>(21,336)</u>	<u>163,867</u>
Total local sources	<u>9,162,640</u>	<u>9,424,440</u>	<u>261,800</u>	<u>8,495,718</u>
Total revenues	<u>10,560,562</u>	<u>11,210,450</u>	<u>649,888</u>	<u>10,102,317</u>

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Expenditures:				
General government:				
Administration:				
Personnel	\$ 402,947	434,469	(31,522)	372,268
Travel and training	15,700	17,787	(2,087)	3,045
Supplies	8,710	9,557	(847)	12,902
Utilities and fuel	105,850	106,004	(154)	97,781
Legal fees	185,000	119,323	65,677	193,781
Repairs and maintenance	2,756	5,153	(2,397)	1,926
Other purchased services	69,144	76,491	(7,347)	106,701
Equipment	3,000	58	2,942	36
Insurance	4,670	4,670	-	5,700
Other expenditures	12,500	13,549	(1,049)	12,165
Indirect cost recovery	(49,898)	(52,362)	2,464	(131,588)
Total administration	<u>760,379</u>	<u>734,699</u>	<u>25,680</u>	<u>674,717</u>
City clerk:				
Personnel	136,900	147,029	(10,129)	136,788
Travel and training	23,000	21,664	1,336	20,936
Supplies	2,165	1,552	613	1,807
Utilities and fuel	1,965	1,008	957	1,906
Other purchased services	20,875	18,441	2,434	38,002
Equipment	916	-	916	500
Insurance	2,069	1,584	485	1,933
Other expenditures	7,350	8,349	(999)	7,677
Indirect cost recovery	(3,640)	(3,822)	182	(6,698)
Total city clerk	<u>191,600</u>	<u>195,805</u>	<u>(4,205)</u>	<u>202,851</u>
Finance:				
Personnel	529,897	560,831	(30,934)	540,812
Travel and training	9,500	10,999	(1,499)	8,004
Supplies	7,000	7,634	(634)	4,756
Utilities and fuel	4,159	6,241	(2,082)	4,128
Professional services	159,320	144,452	14,868	214,066
Repairs and maintenance	6,270	4,978	1,292	4,812
Other purchased services	22,560	17,081	5,479	71,753
Equipment	4,000	2,875	1,125	1,468
Insurance	9,012	6,898	2,114	8,419
Other expenditures	27,620	26,939	681	28,918
Indirect cost recovery	(45,368)	(47,558)	2,190	(181,153)
Total finance	<u>733,970</u>	<u>741,370</u>	<u>(7,400)</u>	<u>705,983</u>

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Expenditures, continued:				
General government, continued:				
Planning:				
Personnel	\$ 217,921	223,305	(5,384)	187,128
Travel and training	6,000	12,466	(6,466)	4,774
Supplies	3,928	4,437	(509)	5,941
Utilities and fuel	13,299	16,306	(3,007)	12,964
Professional services	3,000	1,663	1,337	2,200
Repairs and maintenance	5,167	3,680	1,487	967
Other purchased services	9,242	7,489	1,753	50,383
Equipment	1,000	1,000	-	762
Insurance	3,427	2,623	804	3,202
Rents and Leases	2,000	-	2,000	-
Other expenditures	3,500	2,331	1,169	5,068
Total planning	<u>268,484</u>	<u>275,300</u>	<u>(6,816)</u>	<u>273,389</u>
Technology:				
Personnel	214,887	238,829	(23,942)	-
Travel and training	14,750	13,985	765	-
Supplies	1,000	1,397	(397)	-
Utilities and fuel	6,309	3,327	2,982	-
Repairs and maintenance	9,500	12,814	(3,314)	-
Equipment	57,000	45,070	11,930	-
Insurance	4,581	3,506	1,075	-
Other expenditures	14,750	17,461	(2,711)	-
Indirect cost recovery	(94,527)	(94,527)	-	-
Total technology	<u>228,250</u>	<u>241,862</u>	<u>(13,612)</u>	<u>-</u>
Total general government	<u>2,182,683</u>	<u>2,189,036</u>	<u>(6,353)</u>	<u>1,856,940</u>

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Expenditures, continued:				
Public safety:				
Fire department:				
Personnel	\$ 867,314	771,480	95,834	729,225
Travel and training	11,640	9,050	2,590	1,529
Supplies	35,913	33,516	2,397	34,175
Repairs and maintenance	19,531	20,880	(1,349)	12,912
Utilities and fuel	89,968	78,731	11,237	73,362
Other purchased services	7,700	9,088	(1,388)	38,521
Equipment	10,302	9,021	1,281	1,390
Insurance	21,343	17,231	4,112	21,343
Other expenditures	3,485	3,367	118	342
Capital outlay	-	-	-	49
Total fire department	<u>1,067,196</u>	<u>952,364</u>	<u>114,832</u>	<u>912,848</u>
Police department:				
Personnel	2,175,245	2,404,085	(228,840)	2,103,745
Travel and training	31,000	30,555	445	19,523
Supplies	33,000	24,588	8,412	38,885
Utilities and fuel	169,215	160,911	8,304	151,726
Repairs and maintenance	52,162	54,584	(2,422)	46,228
Other purchased services	155,000	139,858	15,142	126,174
Equipment	20,000	10,835	9,165	16,344
Capital outlay	70,000	63,922	6,078	35,665
Insurance	94,014	94,014	-	82,600
Other expenditures	4,500	2,962	1,538	3,358
Total police department	<u>2,804,136</u>	<u>2,986,314</u>	<u>(182,178)</u>	<u>2,624,248</u>
Total public safety	<u>3,871,332</u>	<u>3,938,678</u>	<u>(67,346)</u>	<u>3,537,096</u>
Public works:				
Administration:				
Personnel	125,134	137,317	(12,183)	160,897
Travel and training	1,000	935	65	1,935
Supplies	3,500	4,422	(922)	3,355
Utilities and fuel	84,583	67,568	17,015	20,666
Repairs and maintenance	2,508	3,716	(1,208)	1,610
Other purchased services	6,766	4,958	1,808	19,803
Equipment	1,000	574	426	576

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Expenditures, continued:				
Public works, continued:				
Administration, continued:				
Insurance	\$ 3,740	3,740	-	4,565
Other expenditures	250	185	65	743
Indirect cost recovery	(11,792)	(12,339)	547	(94,580)
Total administration	<u>216,689</u>	<u>211,076</u>	<u>5,613</u>	<u>119,570</u>
Operations:				
Personnel	582,601	588,394	(5,793)	552,235
Travel and training	2,500	1,387	1,113	1,897
Supplies	22,000	20,369	1,631	26,460
Utilities and fuel	120,816	199,237	(78,421)	167,510
Repairs and maintenance	300,164	312,504	(12,340)	313,932
Other purchased services	40,460	30,707	9,753	113,873
Equipment	5,000	2,167	2,833	1,504
Insurance	20,329	20,329	-	23,686
Other expenditures	500	30	470	188
Total operations	<u>1,094,370</u>	<u>1,175,124</u>	<u>(80,754)</u>	<u>1,201,285</u>
Projects and safety:				
Personnel	-	-	-	17,980
Indirect cost recovery	-	-	-	(17,024)
Total projects and safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>956</u>
Property maintenance:				
Personnel	370,175	379,561	(9,386)	359,935
Travel and training	2,500	175	2,325	320
Supplies	21,500	40,529	(19,029)	65,254
Utilities and fuel	62,180	62,732	(552)	47,802
Repairs and maintenance	180,311	150,664	29,647	111,513
Other purchased services	75,000	69,346	5,654	91,075
Equipment	7,000	4,771	2,229	5,576
Insurance	5,143	5,143	-	6,290
Other expenditures	-	20	(20)	236
Indirect cost recovery	(51,599)	(54,063)	2,464	(51,138)
Total property maintenance	<u>672,210</u>	<u>658,878</u>	<u>13,332</u>	<u>636,863</u>
Total public works	<u>1,983,269</u>	<u>2,045,078</u>	<u>(61,809)</u>	<u>1,958,674</u>

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Expenditures, continued:				
Community services:				
Teen center:				
Personnel	\$ 427,104	410,992	16,112	352,653
4H program reimbursement	-	-	-	49,711
Travel and training	5,400	7,789	(2,389)	1,814
Supplies	42,036	56,086	(14,050)	38,605
Utilities and fuel	85,866	71,289	14,577	70,533
Professional services	600	20	580	-
Repairs and maintenance	21,361	21,316	45	38,097
Other purchased services	7,340	8,444	(1,104)	20,255
Equipment	112,965	87,144	25,821	23,941
Insurance	11,727	8,976	2,751	10,583
Other expenditures	3,851	2,151	1,700	1,381
Total teen center	<u>718,250</u>	<u>674,207</u>	<u>44,043</u>	<u>607,573</u>
Special projects:				
Senior center	87,000	40,720	46,280	80,312
First 100 years publication	14,500	19,228	(4,728)	-
Kuskowim 300 race donation	1,000	-	1,000	-
Library contribution	67,600	67,984	(384)	67,216
Camai festival donation	3,000	3,769	(769)	4,138
Community meeting expenses	1,000	-	1,000	-
Professional services	-	-	-	1,030
Insurance	350	268	82	327
Total special projects	<u>174,450</u>	<u>131,969</u>	<u>42,481</u>	<u>153,023</u>
Total community services	<u>892,700</u>	<u>806,176</u>	<u>86,524</u>	<u>760,596</u>
Total expenditures	<u>8,929,984</u>	<u>8,978,968</u>	<u>(48,984)</u>	<u>8,113,306</u>
Excess of revenues over expenditures	1,630,578	2,231,482	600,904	1,989,011

CITY OF BETHEL, ALASKA

General Fund

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

	2012		Variance With Final Budget- Positive (Negative)	2011
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
Other financing sources (uses):				
Transfers in -				
Endowment Fund	\$ 14,000	22,755	8,755	13,384
Transfers out:				
Special Revenue Funds:				
ARRA JAG	-	(377)	(377)	-
Energy Efficiency ARRA	-	(56)	(56)	-
Homeland Security	-	(6,789)	(6,789)	-
Bethel Youth Center	-	-	-	(6,029)
Electric Utility Acquisition	-	-	-	(12)
Department of Motor Vehicles	-	-	-	(31,563)
Capital Project Fund:				
Multi-use Recreation Center	(600,000)	-	600,000	-
Water and Sewer	(196,938)	(196,938)	-	-
Enterprise Funds:				
Plan Development	(38,413)	(38,413)	-	-
Rental Property	(39,325)	(39,325)	-	(60,000)
Municipal Dock	-	-	-	(230,000)
Water and Sewer Utility	(623,779)	(623,779)	-	(667,000)
Internal Service Funds -				
Information Technology	(39,243)	-	39,243	-
Total transfers out	(1,537,698)	(905,677)	632,021	(994,604)
Net other financing sources (uses)	(1,523,698)	(882,922)	640,776	(981,220)
Net change in fund balance	\$ 106,880	1,348,560	1,241,680	1,007,791
Fund balance, beginning of year, as restated		7,603,520		6,639,207
Fund balance, end of year	\$	8,952,080		7,646,998

CITY OF BETHEL, ALASKA

Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2012

	Special Revenue Funds						
	Police Asset Forfeiture	Bethel Youth Center	Community Service Patrol	ALPAR Litter Patrol	Road Repairs and Upgrades	Homeland Security	911 Surcharges
Cash and investments	\$ 2,505	-	-	-	-	-	-
Receivable from central treasury	-	-	59,889	1,300	-	-	228,873
Accounts receivable	-	5,244	-	-	-	1,107	-
Inventory	-	3,930	-	-	630,594	-	-
Total assets	\$ 2,505	9,174	59,889	1,300	630,594	1,107	228,873
Liabilities and Fund Balances (Deficits)							
Liabilities:							
Accounts payable	-	436	5,170	-	37,799	70	1,825
Payable to central treasury	66,821	8,738	-	-	-	1,037	-
Deferred revenue	-	-	54,719	1,300	592,795	-	-
Retainage payable	-	-	-	-	-	-	-
Total liabilities	66,821	9,174	59,889	1,300	630,594	1,107	1,825
Fund balances (deficits):							
Nonspendable	-	3,930	-	-	630,594	-	-
Restricted	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	227,048
Unassigned	(64,316)	(3,930)	-	-	(630,594)	-	-
Total fund balances (deficits)	(64,316)	-	-	-	-	-	227,048
Total liabilities and fund balances (deficits)	\$ 2,505	9,174	59,889	1,300	630,594	1,107	228,873

CITY OF BETHEL, ALASKA

Nonmajor Governmental Funds
Combining Balance Sheet, continued

	Special Revenue Funds, continued		Permanent Fund	Capital Project Funds					Total Nonmajor Governmental Funds
	AVCP TANF Program	Alaska Territorial Guard		Endowment	Multi-Use Recreation Center	Wind Turbine	Fire Station Roof Repair	New Bethel Police Station	
<u>Assets</u>									
Cash and investments	-	-	1,853,615	2,926,183	-	-	-	-	4,782,303
Receivable from central treasury	25,486	117,232	-	127,390	199,889	20,552	-	211,344	991,955
Accounts receivable	-	-	-	-	-	10,681	886,894	-	903,926
Inventory	-	-	-	199,952	-	-	5,379	-	839,855
Total assets	<u>25,486</u>	<u>117,232</u>	<u>1,853,615</u>	<u>3,253,525</u>	<u>199,889</u>	<u>31,233</u>	<u>892,273</u>	<u>211,344</u>	<u>7,518,039</u>
<u>Liabilities and Fund Balances (Deficits)</u>									
Liabilities:									
Accounts payable	-	-	-	-	-	150	129,516	-	174,966
Payable to central treasury	-	-	-	-	-	-	344,871	-	421,467
Deferred revenue	25,486	117,232	-	-	-	-	5,379	-	796,911
Retainage payable	-	-	-	-	-	-	412,507	-	412,507
Total liabilities	<u>25,486</u>	<u>117,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>892,273</u>	<u>-</u>	<u>1,805,851</u>
Fund balances (deficits):									
Nonspendable	-	-	-	199,952	-	-	-	-	834,476
Restricted	-	-	1,853,615	2,861,088	-	-	-	-	4,714,703
Assigned	-	-	-	192,485	199,889	31,083	-	211,344	861,849
Unassigned (deficit)	-	-	-	-	-	-	-	-	(698,840)
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>1,853,615</u>	<u>3,253,525</u>	<u>199,889</u>	<u>31,083</u>	<u>-</u>	<u>211,344</u>	<u>5,712,188</u>
Total liabilities and fund balances (deficits)	<u>\$ 25,486</u>	<u>117,232</u>	<u>1,853,615</u>	<u>3,253,525</u>	<u>199,889</u>	<u>31,233</u>	<u>892,273</u>	<u>211,344</u>	<u>7,518,039</u>

CITY OF BETHEL, ALASKA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances (Deficit)
 Year Ended June 30, 2012

	Special Revenue Funds									
	Police Asset Forfeiture	Bethel Youth Center	Community Service Patrol	ARRA JAG	ALPAR Litter Patrol	Energy Efficiency ARRA	Road Repairs and Upgrades	Homeland Security	911 Surcharges	
Revenues:										
Federal sources	\$ -	23,752	-	20,636	-	948	-	41,939	-	-
State of Alaska	-	-	257,209	-	-	-	315,931	-	-	38,000
Local sources	67	494	73,356	-	1,200	-	-	-	-	192,827
Total revenues	67	24,246	330,565	20,636	1,200	948	315,931	41,939	-	230,827
Expenditures:										
Current:										
Public safety	-	-	330,565	21,013	-	-	-	1,791	-	150,930
Public works	-	-	-	-	-	1,004	235,931	-	-	-
Community services	-	24,246	-	-	1,200	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	80,000	46,937	-	-
Total expenditures	-	24,246	330,565	21,013	1,200	1,004	315,931	48,728	-	150,930
Excess (deficiency) of revenues over expenditures	67	-	-	(377)	-	(56)	-	(6,789)	-	79,897
Other financing sources (uses):										
Transfers in	-	-	-	377	-	56	-	6,789	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Net other financing sources (uses)	-	-	-	377	-	56	-	6,789	-	-
Net change in fund balances (deficits)	67	-	-	-	-	-	-	-	-	79,897
Fund balances (deficits), beginning of year	(64,383)	-	-	-	-	-	-	-	-	147,151
Fund balances (deficits), end of year	\$ (64,316)	-	-	-	-	-	-	-	-	227,048

CITY OF BETHEL, ALASKA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances (Deficits), continued

	Special Revenue Funds, continued		Permanent Fund	Capital Project Funds						Total Nonmajor Governmental Funds
	AVCP TANF Program	Alaska Territorial Guard		Multi-Use Recreation Center	Land Planning Development	Wind Turbine	Fire Station Roof Repair	New Bethel Police Station	Fleet Replacement	
Revenues:										
Federal sources	\$ 48,293	-	-	-	-	-	-	-	-	135,568
State of Alaska	-	23,518	-	-	-	11,881	1,093,629	-	-	1,740,168
Local sources	-	3,906	12,857	683,845	-	-	-	-	106	968,658
Total revenues	<u>48,293</u>	<u>27,424</u>	<u>12,857</u>	<u>683,845</u>	-	<u>11,881</u>	<u>1,093,629</u>	-	<u>106</u>	<u>2,844,394</u>
Expenditures:										
Current:										
Public safety	-	-	-	-	-	-	-	-	-	504,299
Public works	-	-	-	-	-	-	-	-	-	236,935
Community services	48,293	-	-	-	-	-	-	-	-	73,739
Capital outlay	-	27,424	-	-	18,167	11,881	1,093,629	238,879	-	1,516,917
Total expenditures	<u>48,293</u>	<u>27,424</u>	-	-	<u>18,167</u>	<u>11,881</u>	<u>1,093,629</u>	<u>238,879</u>	-	<u>2,331,890</u>
Excess (deficiency) of revenues over expenditures	-	-	12,857	683,845	(18,167)	-	-	(238,773)	-	512,504
Other financing sources (uses):										
Transfers in	-	-	-	-	38,413	-	-	225,000	-	270,635
Transfers out	-	-	(22,755)	-	-	-	-	-	-	(22,755)
Net other financing sources (uses)	-	-	(22,755)	-	38,413	-	-	225,000	-	247,880
Net change in fund balances (deficits)	-	-	(9,898)	683,845	20,246	-	-	(13,773)	-	760,384
Fund balances (deficits), beginning of year	-	-	1,863,513	2,569,680	(20,246)	199,889	31,083	225,117	-	4,951,804
Fund balances (deficits), end of year	\$ -	-	<u>1,853,615</u>	<u>3,253,525</u>	-	<u>199,889</u>	<u>31,083</u>	<u>211,344</u>	-	<u>5,712,188</u>

CITY OF BETHEL, ALASKA
Police Asset Forfeiture Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Deficit
Year Ended June 30, 2012

	<u>Actual</u>
Revenues - local sources	\$ <u>67</u>
Net change in deficit	67
Deficit, beginning of year	<u>(64,383)</u>
Deficit, end of year	\$ <u><u>(64,316)</u></u>

CITY OF BETHEL, ALASKA
 Bethel Youth Center Food Program Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Federal sources	\$ 24,500	23,752	(748)
Local sources	<u>500</u>	<u>494</u>	<u>(6)</u>
Total revenues	<u>25,000</u>	<u>24,246</u>	<u>(754)</u>
 Expenditures - community services - supplies	 <u>25,000</u>	 <u>24,246</u>	 <u>754</u>
 Net change in fund balance	 \$ <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
 Community Service Patrol Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of Alaska	\$ 350,300	257,209	(93,091)
Local sources - in-kind	<u>73,356</u>	<u>73,356</u>	<u>-</u>
Total revenues	<u>423,656</u>	<u>330,565</u>	<u>(93,091)</u>
Expenditures - public safety:			
Personnel	273,714	224,957	48,757
Supplies	5,800	6,923	(1,123)
Repairs and maintenance	5,000	3,385	1,615
Insurance	9,938	-	9,938
Utilities and fuel	49,978	16,144	33,834
Other purchased services	56,726	56,728	(2)
Equipment	5,700	5,608	92
Other expenditures	<u>16,800</u>	<u>16,820</u>	<u>(20)</u>
Total expenditures	<u>423,656</u>	<u>330,565</u>	<u>93,091</u>
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year	\$	<u>-</u>	

CITY OF BETHEL, ALASKA
ARRA JAG Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue - federal sources	\$ <u>20,503</u>	<u>20,636</u>	<u>133</u>
Expenditures - public safety:			
Supplies	408	-	408
Minor equipment and tools	<u>20,095</u>	<u>21,013</u>	<u>(918)</u>
Total expenditures	<u>20,503</u>	<u>21,013</u>	<u>(510)</u>
Excess of revenues under expenditures	-	(377)	(377)
Other financing sources - transfers in	<u>-</u>	<u>377</u>	<u>377</u>
Net change in fund balance	\$ <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
ALPAR Litter Patrol Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - local sources	\$ 1,300	1,200	100
Expenditures - community services - other expenditures	<u>1,300</u>	<u>1,200</u>	<u>(100)</u>
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year	\$	<u>-</u>	

CITY OF BETHEL, ALASKA
 Energy Efficiency ARRA Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - federal sources	\$ <u>948</u>	<u>948</u>	<u>-</u>
Expenditures - public works - other purchased services	<u>-</u>	<u>1,004</u>	<u>(1,004)</u>
Excess of revenues under expenditures	948	(56)	(1,004)
Other financing sources - transfers in	<u>-</u>	<u>56</u>	<u>56</u>
Net change in fund balance	\$ <u><u>948</u></u>	-	<u><u>(948)</u></u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year	\$	<u><u>-</u></u>	

CITY OF BETHEL, ALASKA
 Roads Repairs and Upgrades Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - State of Alaska	\$ <u>1,110,752</u>	<u>315,931</u>	<u>(794,821)</u>
Expenditures:			
Public works:			
Supplies	463,293	214,895	248,398
Professional services	381,300	-	381,300
Other purchased services	-	11,210	(11,210)
Equipment	-	9,826	(9,826)
Capital outlay	<u>266,159</u>	<u>80,000</u>	<u>186,159</u>
Total expenditures	<u>1,110,752</u>	<u>315,931</u>	<u>794,821</u>
Net change in fund balance	\$ <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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - federal sources	\$ <u>142,129</u>	<u>41,939</u>	<u>(100,190)</u>
Expenditures:			
Public works - equipment	101,981	1,791	100,190
Capital outlay	<u>40,148</u>	<u>46,937</u>	<u>(6,789)</u>
Total expenditures	<u>142,129</u>	<u>48,728</u>	<u>93,401</u>
Excess of revenues under expenditures	-	(6,789)	(193,591)
Other financing sources - transfers in	<u>-</u>	<u>6,789</u>	<u>6,789</u>
Net change in fund balance	\$ <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
911 Surcharges Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State of Alaska	\$ 38,000	38,000	-
Local sources	<u>150,000</u>	<u>192,827</u>	<u>42,827</u>
Total revenues	<u>188,000</u>	<u>230,827</u>	<u>42,827</u>
Expenditures - public safety:			
Personnel	58,834	54,831	4,003
Travel and training	3,000	3,203	(203)
Utilities and fuel	1,735	1,840	(105)
Equipment	5,000	3,439	1,561
Other purchased services	57,500	36,239	21,261
Insurance	2,045	1,065	980
Rents and leases	4,800	4,800	-
Other overhead	<u>-</u>	<u>45,513</u>	<u>(45,513)</u>
Total expenditures	<u>132,914</u>	<u>150,930</u>	<u>(18,016)</u>
Net change in fund balance	\$ <u>55,086</u>	79,897	<u>24,811</u>
Fund balance, beginning of year		<u>147,151</u>	
Fund balance, end of year	\$	<u>227,048</u>	

CITY OF BETHEL, ALASKA
AVCP TANF Program Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - federal sources	\$ <u>73,779</u>	<u>48,293</u>	<u>(25,486)</u>
Expenditures - community services:			
Personnel	39,880	24,474	15,406
Equipment	11,339	1,259	10,080
Other expenditures	<u>22,560</u>	<u>22,560</u>	<u>-</u>
Total expenditures	<u>73,779</u>	<u>48,293</u>	<u>25,486</u>
Net change in fund balance	\$ <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
Alaska Territorial Guard Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance
Year Ended June 30, 2012

	<u>Actual</u>
Revenues:	
State of Alaska	\$ 23,518
Local sources	<u>3,906</u>
Total revenues	27,424
Expenditures - capital outlay - equipment	<u>27,424</u>
Net change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	\$ <u><u>-</u></u>

CITY OF BETHEL, ALASKA
 Endowment Permanent Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - local sources - investment income	\$ 20,000	12,857	(7,143)
Other financing uses - transfers out	<u>14,000</u>	<u>22,755</u>	<u>(8,755)</u>
Net change in fund balance	\$ <u>6,000</u>	(9,898)	<u>(15,898)</u>
Fund balance, beginning of year		<u>1,863,513</u>	
Fund balance, end of year	\$	<u>1,853,615</u>	

CITY OF BETHEL, ALASKA
 Land Planning Development Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance (Deficit) - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - local sources	\$ -	-	-
Expenditures - capital outlay - professional fees	<u>26,754</u>	<u>18,167</u>	<u>8,587</u>
Excess of revenues under expenditures	(26,754)	(18,167)	8,587
Other financing sources - transfers in	<u>34,500</u>	<u>38,413</u>	<u>3,913</u>
Net change in fund balance	\$ <u>7,746</u>	20,246	<u>12,500</u>
Deficit, beginning of year		<u>(20,246)</u>	
Fund balance, end of year	\$	<u>-</u>	

CITY OF BETHEL, ALASKA
 Multi-Use Recreation Center Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Local sources	\$ 600,000	683,471	83,471
Interest income	-	374	374
	<u>600,000</u>	<u>683,845</u>	<u>83,845</u>
 Expenditures - capital outlay - professional fees	<u>5,000</u>	<u>-</u>	<u>5,000</u>
 Net change in fund balance	<u>\$ 595,000</u>	<u>683,845</u>	<u>88,845</u>
 Fund balance, beginning of year		<u>2,569,680</u>	
 Fund balance, end of year		<u>\$ 3,253,525</u>	

CITY OF BETHEL, ALASKA
 Fire Station Roof Repair Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - State of Alaska	\$ 88,208	11,881	(76,327)
Expenditures - capital outlay - other purchased services	<u>-</u>	<u>11,881</u>	<u>(11,881)</u>
Net change in fund balance	\$ <u>88,208</u>	-	<u>(88,208)</u>
Fund balance, beginning of year		<u>31,083</u>	
Fund balance, end of year		\$ <u>31,083</u>	

CITY OF BETHEL, ALASKA
 New Bethel Police Station Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - State of Alaska	\$ <u>3,564,832</u>	<u>1,093,629</u>	<u>(2,471,203)</u>
Expenditures - capital outlay:			
Professional fees	2,723,032	827,168	1,895,864
Utilities and fuel	50,000	48,258	1,742
Other purchased services	216,000	214,720	1,280
Equipment	<u>575,800</u>	<u>3,483</u>	<u>572,317</u>
Total expenditures	<u>3,564,832</u>	<u>1,093,629</u>	<u>2,471,203</u>
Net change in fund balance	\$ <u> -</u>	-	<u> -</u>
Fund balance, beginning of year		<u> -</u>	
Fund balance, end of year		\$ <u> -</u>	

CITY OF BETHEL, ALASKA
 Fleet Replacement Capital Project Fund
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - local sources - investment income	\$ -	106	106
Expenditures - capital outlay - vehicles	<u>255,000</u>	<u>238,879</u>	<u>16,121</u>
Excess of revenues under expenditures	(255,000)	(238,773)	16,227
Other financing sources - transfers in	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Net change in fund balance	\$ <u>(30,000)</u>	(13,773)	<u>16,227</u>
Fund balance, beginning of year		<u>225,117</u>	
Fund balance, end of year	\$	<u>211,344</u>	

CITY OF BETHEL, ALASKA
Water and Sewer Utility Enterprise Fund
Statements of Net Assets
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Receivables:		
Receivable from central treasury	\$ 21,878	-
Accounts (net of allowance)	484,828	457,975
Grants	28,122	1,398,037
Inventory	<u>74,795</u>	<u>108,177</u>
Total current assets	<u>609,623</u>	<u>1,964,189</u>
Capital assets:		
Construction in progress	604,272	2,095,676
Depreciable assets	35,256,646	33,503,746
Less accumulated depreciation	<u>(21,340,399)</u>	<u>(20,233,925)</u>
Net capital assets	<u>14,520,519</u>	<u>15,365,497</u>
Total assets	\$ <u>15,130,142</u>	<u>17,329,686</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	53,086	248,344
Accrued leave	104,927	209,320
Deposits	250,666	259,675
Payable to central treasury	<u>-</u>	<u>1,279,735</u>
Total current liabilities	408,679	1,997,074
Long-term liabilities - advances from other funds	<u>4,532,145</u>	<u>4,765,412</u>
Total liabilities	<u>4,940,824</u>	<u>6,762,486</u>
Net assets:		
Invested in capital assets	14,520,519	15,365,497
Unrestricted (deficit)	<u>(4,331,201)</u>	<u>(4,798,297)</u>
Total net assets	<u>10,189,318</u>	<u>10,567,200</u>
Total liabilities and net assets	\$ <u>15,130,142</u>	<u>17,329,686</u>

CITY OF BETHEL, ALASKA
Water and Sewer Utility Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services	\$ 5,570,984	5,500,585
Other	114,131	23,254
Total operating revenues	<u>5,685,115</u>	<u>5,523,839</u>
Operating expenses:		
Personnel	3,284,297	2,963,795
Travel and training	5,352	6,251
Materials and supplies	181,110	157,359
Utilities and fuel	1,441,473	1,317,163
Minor equipment and tools	61,189	31,447
Depreciation and amortization	1,106,474	1,104,918
Other purchased services	57,339	49,500
Insurance	87,159	89,392
Repairs and maintenance	621,358	680,321
Other overhead	82,404	290,622
Other expenses	57,218	75,345
Total operating expenses	<u>6,985,373</u>	<u>6,766,113</u>
Loss from operations	(1,300,258)	(1,242,274)
Nonoperating revenues:		
Investment income	6,761	400
Gain on disposal of assets	-	17,666
State PERS relief	222,872	155,335
Total nonoperating revenues	<u>229,633</u>	<u>173,401</u>
Loss before other contributions and transfers	(1,070,625)	(1,068,873)
Capital contributions	22,026	830,640
Transfers in	820,717	667,000
Transfers out	(150,000)	(187,000)
Net contributions and transfers out	692,743	1,310,640
Change in net assets	(377,882)	241,767
Net assets, beginning of year	<u>10,567,200</u>	<u>10,325,433</u>
Net assets, end of year	\$ <u>10,189,318</u>	<u>10,567,200</u>

CITY OF BETHEL, ALASKA
Water and Sewer Utility Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 5,649,253	5,540,118
Payment to suppliers	(2,756,478)	(2,650,445)
Payment to employees	(3,165,818)	(2,819,330)
Net cash flows from operating activities	<u>(273,043)</u>	<u>70,343</u>
Cash flows from noncapital financing activities:		
Increase in receivable from central treasury	(21,878)	-
Transfers in	820,717	667,000
Transfers out	(150,000)	(187,000)
Increase (decrease) in payable to central treasury	(1,279,735)	1,279,735
Increase (decrease) in advances from other funds	<u>(233,267)</u>	<u>(1,448,797)</u>
Net cash flows from noncapital financing activities	<u>(864,163)</u>	<u>310,938</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(261,496)	(973,090)
Proceeds from sale of assets	-	25,071
Capital contributions received	<u>1,391,941</u>	<u>566,338</u>
Net cash flows from capital and related financing activities	<u>1,130,445</u>	<u>(381,681)</u>
Cash flows from investing activities - investment income received	<u>6,761</u>	<u>400</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u>-</u>	<u>-</u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(1,300,258)	(1,242,274)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	1,106,474	1,104,918
PERS on-behalf expense	222,872	155,335
Increase in allowance for doubtful accounts	17,716	31,693
(Increase) decrease in assets:		
Accounts receivable	(44,569)	30,745
Prepaid expenses	-	-
Inventory	33,382	(39,849)
Increase (decrease) in liabilities:		
Accounts payable	(195,258)	86,804
Accrued leave	(104,393)	(10,870)
Deposits	<u>(9,009)</u>	<u>(46,159)</u>
Net cash flows from operating activities	\$ <u>(273,043)</u>	<u>70,343</u>

CITY OF BETHEL, ALASKA
Municipal Dock Enterprise Fund
Statements of Net Assets
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and investments	\$ 1,627,182	1,177,062
Receivable from central treasury	3,619,486	3,683,283
Accounts receivable (net of allowance)	459,578	309,452
Inventory	<u>48,752</u>	<u>135,625</u>
Total current assets	<u>5,754,998</u>	<u>5,305,422</u>
Capital assets:		
Land	2,184,058	2,143,576
Depreciable assets	26,200,595	26,195,447
Less accumulated depreciation	<u>(6,730,647)</u>	<u>(6,124,149)</u>
Net capital assets	<u>21,654,006</u>	<u>22,214,874</u>
Total assets	\$ <u>27,409,004</u>	<u>27,520,296</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	13,471	7,499
Accrued leave	6,794	16,188
Unearned revenue	<u>603,721</u>	<u>600,000</u>
Total current liabilities	<u>623,986</u>	<u>623,687</u>
Net assets:		
Invested in capital assets	21,654,006	22,214,874
Unrestricted	<u>5,131,012</u>	<u>4,681,735</u>
Total net assets	<u>26,785,018</u>	<u>26,896,609</u>
Total liabilities and net assets	\$ <u>27,409,004</u>	<u>27,520,296</u>

CITY OF BETHEL, ALASKA
Municipal Dock Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services	\$ 1,249,074	1,101,862
Other	<u>35,864</u>	<u>43,198</u>
Total operating revenues	<u>1,284,938</u>	<u>1,145,060</u>
Operating expenses:		
Personnel	369,291	360,019
Travel and training	4,310	3,392
Materials and supplies	9,002	10,033
Utilities and fuel	67,045	66,057
Minor equipment and tools	1,133	5,019
Depreciation and amortization	606,498	631,920
Other purchased services	30,343	8,507
Insurance	23,188	29,757
Repairs and maintenance	237,777	362,476
Other overhead	19,792	21,864
Other expenses	<u>1,854</u>	<u>686</u>
Total operating expenses	<u>1,370,233</u>	<u>1,502,954</u>
Income (loss) from operations	(85,295)	(357,894)
Nonoperating revenues		
State PERS relief	15,511	10,951
Investment income	<u>3,046</u>	<u>-</u>
Net nonoperating revenues	18,557	10,951
Income (loss) before capital contributions and transfers	(66,738)	(346,943)
Capital contributions	5,147	-
Transfers in	-	667,000
Transfers out	<u>(50,000)</u>	<u>-</u>
Net contributions and transfers in (out)	<u>(44,853)</u>	<u>667,000</u>
Change in net assets	(111,591)	320,057
Net assets, beginning of year	<u>26,896,609</u>	<u>26,576,552</u>
Net assets, end of year	\$ <u>26,785,018</u>	<u>26,896,609</u>

CITY OF BETHEL, ALASKA
Municipal Dock Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,138,533	1,749,848
Payment to suppliers	(301,599)	(495,495)
Payment to employees	(363,174)	(344,388)
Net cash flows from operating activities	<u>473,760</u>	<u>909,965</u>
Cash flows from noncapital financing activities:		
Increase in receivable from central treasury	63,797	(1,104,065)
Transfers in	-	667,000
Transfers out	(50,000)	-
Net cash flows from noncapital financing activities	<u>13,797</u>	<u>(437,065)</u>
Cash flows from capital and related financing activity:		
Acquisition of capital assets	(45,630)	(112,500)
Capital contributions received	5,147	-
Net cash flows from capital and related financing activities	<u>(40,483)</u>	<u>(112,500)</u>
Cash flows from investing activities - investment income received	<u>3,046</u>	<u>-</u>
Net increase in cash and cash equivalents	450,120	360,400
Cash and cash equivalents, beginning of year	<u>1,177,062</u>	<u>816,662</u>
Cash and cash equivalents, end of year	\$ <u><u>1,627,182</u></u>	<u><u>1,177,062</u></u>
Reconciliation of income (loss) from operations to net cash flows from operating activities:		
Income (loss) from operations	(85,295)	(357,894)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:		
Depreciation and amortization	606,498	631,920
PERS on-behalf expense	15,511	10,951
Increase in allowance for doubtful accounts	-	3,587
(Increase) decrease in assets:		
Accounts receivable	(150,126)	1,201
Inventory	86,873	236,603
Increase (decrease) in liabilities:		
Accounts payable	5,972	(221,083)
Unearned revenue	3,721	600,000
Accrued leave	(9,394)	4,680
Net cash flows from operating activities	\$ <u><u>473,760</u></u>	<u><u>909,965</u></u>

CITY OF BETHEL, ALASKA

Rental Property Enterprise Fund

Statements of Net Assets

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Accounts receivable (net of allowance)	\$ 12,886	1,703
Inventory	9,682	8,046
Total current assets	<u>22,568</u>	<u>9,749</u>
Long-term assets:		
Restricted cash - bond reserve	<u>373,995</u>	<u>356,947</u>
Capital assets:		
Land	43,000	43,000
Depreciable assets	9,794,679	9,769,679
Less accumulated depreciation	<u>(3,376,621)</u>	<u>(3,050,438)</u>
Net capital assets	<u>6,461,058</u>	<u>6,762,241</u>
Total long-term assets	<u>6,835,053</u>	<u>7,119,188</u>
Total assets	\$ <u>6,857,621</u>	<u>7,128,937</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	19,479	17,141
Current portion - bonds payable	135,000	130,000
Total current liabilities	<u>154,479</u>	<u>147,141</u>
Long-term liabilities:		
Advances from other funds	946,364	936,186
Bonds payable, net of current portion	3,080,000	3,215,000
Unamortized bond premium	<u>108,788</u>	<u>116,040</u>
Total long-term liabilities	<u>4,135,152</u>	<u>4,267,226</u>
Total liabilities	<u>4,289,631</u>	<u>4,414,367</u>
Net assets:		
Invested in capital assets, net of related debt	3,137,270	3,301,201
Unrestricted (deficit)	<u>(569,280)</u>	<u>(586,631)</u>
Total net assets	<u>2,567,990</u>	<u>2,714,570</u>
Total liabilities and net assets	\$ <u>6,857,621</u>	<u>7,128,937</u>

CITY OF BETHEL, ALASKA
Rental Property Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues - charges for services	\$ <u>764,641</u>	<u>697,663</u>
Operating expenses:		
Utilities and fuel	383,259	327,879
Minor equipment and tools	2,400	-
Depreciation and amortization	326,183	325,666
Other purchased services	35,965	6,015
Insurance	5,672	10,871
Repairs and maintenance	<u>54,430</u>	<u>55,062</u>
Total operating expenses	<u>807,909</u>	<u>725,493</u>
Loss from operations	(43,268)	(27,830)
Nonoperating revenues (expenses):		
Interest expense	(163,975)	(169,393)
Amortization of bond premium	7,252	7,252
Investment income	<u>14,086</u>	<u>19,198</u>
Net nonoperating revenues (expenses)	<u>(142,637)</u>	<u>(142,943)</u>
Loss before transfers	(185,905)	(170,773)
Transfers in	<u>39,325</u>	<u>60,000</u>
Change in net assets	(146,580)	(110,773)
Net assets, beginning of year	<u>2,714,570</u>	<u>2,825,343</u>
Net assets, end of year	\$ <u><u>2,567,990</u></u>	<u><u>2,714,570</u></u>

CITY OF BETHEL, ALASKA
Rental Property Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 752,746	695,960
Payment to suppliers	<u>(480,312)</u>	<u>(410,613)</u>
Net cash flows from operating activities	<u>272,434</u>	<u>285,347</u>
Cash flows from noncapital financing activities:		
Transfers in	39,325	60,000
Increase (decrease) in advances from other funds	<u>10,178</u>	<u>(264,956)</u>
Net cash flows from noncapital financing activities	<u>49,503</u>	<u>(204,956)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(25,000)	-
Principal paid on long-term debt	(130,000)	(125,000)
Interest paid on long-term debt	<u>(163,975)</u>	<u>(169,403)</u>
Net cash flows from capital and related financing activities	<u>(318,975)</u>	<u>(294,403)</u>
Cash flows from investing activities -		
investment income received	<u>14,086</u>	<u>19,198</u>
Net increase (decrease) in cash and cash equivalents	17,048	(194,814)
Cash and cash equivalents, beginning of year	<u>356,947</u>	<u>551,761</u>
Cash and cash equivalents, end of year	\$ <u><u>373,995</u></u>	<u><u>356,947</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(43,268)	(27,830)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	326,183	325,666
Increase in allowance for doubtful accounts	712	-
Decrease (increase) in assets:		
Accounts receivable	(11,895)	(1,703)
Inventory	(1,636)	(8,046)
Increase (decrease) in liabilities - accounts payable	<u>2,338</u>	<u>(2,740)</u>
Net cash flows from operating activities	\$ <u><u>272,434</u></u>	<u><u>285,347</u></u>

CITY OF BETHEL, ALASKA
Solid Waste Enterprise Fund
Statements of Net Assets
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Receivable from central treasury	\$ 1,909,280	1,527,589
Accounts receivable, net of allowance	104,205	105,907
Inventory	<u>4,569</u>	<u>5,542</u>
Total current assets	<u>2,018,054</u>	<u>1,639,038</u>
Capital assets:		
Land	18,252	18,252
Depreciable assets	1,327,317	1,088,438
Less accumulated depreciation	<u>(975,975)</u>	<u>(919,199)</u>
Net capital assets	<u>369,594</u>	<u>187,491</u>
Total assets	\$ <u>2,387,648</u>	<u>1,826,529</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	7,468	8,448
Accrued leave	<u>47,911</u>	<u>22,994</u>
Total current liabilities	<u>55,379</u>	<u>31,442</u>
Long-term liabilities - landfill closure costs	<u>1,226,410</u>	<u>1,187,970</u>
Total liabilities	<u>1,281,789</u>	<u>1,219,412</u>
Net assets:		
Invested in capital assets	369,594	187,491
Unrestricted	<u>736,265</u>	<u>419,626</u>
Total net assets	<u>1,105,859</u>	<u>607,117</u>
Total liabilities and net assets	\$ <u>2,387,648</u>	<u>1,826,529</u>

CITY OF BETHEL, ALASKA
Solid Waste Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services	\$ 1,144,683	1,169,533
Other	<u>56</u>	<u>105</u>
Total operating revenues	<u>1,144,739</u>	<u>1,169,638</u>
Operating expenses:		
Personnel	455,436	285,627
Travel and training	8,028	110
Materials and supplies	7,288	4,205
Utilities and fuel	99,547	111,688
Minor equipment and tools	41,187	4,497
Depreciation and amortization	56,776	76,871
Other purchased services	19,700	14,306
Insurance	5,492	8,568
Repairs and maintenance	72,405	68,735
Landfill closure costs	38,440	38,440
Other overhead	34,288	55,535
Other expenses	<u>-</u>	<u>130</u>
Total operating expenses	<u>838,587</u>	<u>668,712</u>
Income from operations	306,152	500,926
Nonoperating revenues - State PERS relief	<u>28,711</u>	<u>14,495</u>
Income before capital contributions and transfers	<u>334,863</u>	<u>515,421</u>
Capital contributions	238,879	-
Transfers out	<u>(75,000)</u>	<u>(475,000)</u>
Net contributions and transfers out	163,879	(475,000)
Change in net assets	498,742	40,421
Net assets, beginning of year	<u>607,117</u>	<u>566,696</u>
Net assets, end of year	\$ <u>1,105,859</u>	<u>607,117</u>

CITY OF BETHEL, ALASKA
Solid Waste Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,146,546	1,122,643
Payment to suppliers	(288,047)	(313,305)
Payment to employees	(401,808)	(291,940)
Net cash flows from operating activities	<u>456,691</u>	<u>517,398</u>
Cash flows from noncapital financing activities:		
Increase in receivable from central treasury	(381,691)	(42,398)
Transfers out	(75,000)	(475,000)
Net cash flows from noncapital financing activities	<u>(456,691)</u>	<u>(517,398)</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>
Reconciliation of income from operations to net cash flows from operating activities:		
Income from operations	306,152	500,926
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation and amortization	56,776	76,871
PERS on-behalf expense	28,711	14,495
Increase in allowance for doubtful accounts	3,509	3,363
(Increase) decrease in assets:		
Accounts receivable	(1,807)	(53,782)
Inventory	973	(5,477)
Increase (decrease) in liabilities:		
Accounts payable	(980)	(36,630)
Accrued leave	24,917	(20,808)
Landfill closure costs	38,440	38,440
Net cash flows from operating activities	\$ <u><u>456,691</u></u>	<u><u>517,398</u></u>

CITY OF BETHEL, ALASKA
Public Transit Enterprise Fund
Statements of Net Assets
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets - receivables - grants	\$ <u>99,502</u>	<u>401,208</u>
Capital assets:		
Depreciable assets	278,092	278,092
Less accumulated depreciation	<u>(121,056)</u>	<u>(88,413)</u>
Net capital assets	<u>157,036</u>	<u>189,679</u>
 Total assets	 \$ <u><u>256,538</u></u>	 <u><u>590,887</u></u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	688	1,735
Accrued leave	2,581	11,159
Payable to central treasury	34,445	388,653
Deferred revenue	<u>12,127</u>	<u>-</u>
Total current liabilities	<u>49,841</u>	<u>401,547</u>
 Net assets:		
Invested in capital assets	157,036	189,679
Unrestricted (deficit)	<u>49,661</u>	<u>(339)</u>
Total net assets	<u>206,697</u>	<u>189,340</u>
 Total liabilities and net assets	 \$ <u><u>256,538</u></u>	 <u><u>590,887</u></u>

CITY OF BETHEL, ALASKA
Public Transit Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services	\$ 48,526	42,785
Other	793	953
Total operating revenues	<u>49,319</u>	<u>43,738</u>
Operating expenses:		
Personnel	336,112	342,857
Travel and training	5,953	4,701
Materials and supplies	8,974	8,255
Utilities and fuel	58,265	34,426
Minor equipment and tools	2,080	-
Depreciation and amortization	32,643	32,643
Other purchased services	3,196	6,133
Insurance	8,419	10,566
Repairs and maintenance	18,275	31,871
Other overhead	10,503	7,815
Other expenses	320	911
Total operating expenses	<u>484,740</u>	<u>480,178</u>
Loss from operations	(435,421)	(436,440)
Nonoperating revenues:		
FTA grant	270,956	261,361
State grant	18,675	-
Local grant	89,304	125,243
State PERS relief	23,843	17,193
Total nonoperating revenues	<u>402,778</u>	<u>403,797</u>
Loss before transfers	<u>(32,643)</u>	<u>(32,643)</u>
Transfers in	<u>50,000</u>	<u>-</u>
Change in net assets	17,357	(32,643)
Net assets, beginning of year	<u>189,340</u>	<u>221,983</u>
Net assets, end of year	\$ <u><u>206,697</u></u>	<u><u>189,340</u></u>

CITY OF BETHEL, ALASKA
Public Transit Enterprise Fund
Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 49,319	43,738
Payment to suppliers	(104,905)	(104,663)
Payment to employees	<u>(320,847)</u>	<u>(324,113)</u>
Net cash flows from operating activities	<u>(376,433)</u>	<u>(385,038)</u>
Cash flows from noncapital financing activities:		
Operating grants received	680,641	402,009
Increase (decrease) in payable to central treasury	(354,208)	(16,971)
Transfers in	<u>50,000</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>376,433</u>	<u>385,038</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u><u>-</u></u>	<u><u>-</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:		
Loss from operations	(435,421)	(436,440)
Adjustments to reconcile loss from operations to net cash flows from operating activities:		
Depreciation and amortization	32,643	32,643
PERS on-behalf expense	23,843	17,193
Increase (decrease) in liabilities:		
Accounts payable	(1,047)	15
Accrued leave	(8,578)	1,551
Deferred revenue	<u>12,127</u>	<u>-</u>
Net cash flows from operating activities	\$ <u><u>(376,433)</u></u>	<u><u>(385,038)</u></u>

CITY OF BETHEL, ALASKA
 Internal Service Funds
 Combining Statement of Net Assets
 June 30, 2012

<u>Assets</u>	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Receivable from central treasury	\$ 92,785	-	92,785
Accounts receivable	259,273	-	259,273
Inventory	-	168,410	168,410
Total assets	<u>\$ 352,058</u>	<u>168,410</u>	<u>520,468</u>
<u>Liabilities and Net Assets (Deficits)</u>			
Current liabilities:			
Accounts and claims payable	484,060	20,065	504,125
Accrued leave	-	24,466	24,466
Total current liabilities	<u>484,060</u>	<u>44,531</u>	<u>528,591</u>
Long-term liabilities -			
advances from other funds	-	250,286	250,286
Total liabilities	484,060	294,817	778,877
Net deficits - unrestricted	<u>(132,002)</u>	<u>(126,407)</u>	<u>(258,409)</u>
Total liabilities and net assets (deficits)	<u>\$ 352,058</u>	<u>168,410</u>	<u>520,468</u>

CITY OF BETHEL, ALASKA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Deficits
Year Ended June 30, 2012

	Employee Health <u>Insurance</u>	Vehicle and <u>Equipment</u>	Total Internal Service <u>Funds</u>
Operating revenues - charges for services	\$ <u>2,003,899</u>	<u>1,124,499</u>	<u>3,128,398</u>
Operating expenses:			
Personnel	-	711,594	711,594
Claims	1,281,591	-	1,281,591
Travel and training	-	6,083	6,083
Supplies	-	231,088	231,088
Utilities and fuel	-	107,519	107,519
Minor equipment and tools	-	9,804	9,804
Other purchased services	32,363	10,186	42,549
Insurance	522,120	10,573	532,693
Repairs and maintenance	-	7,497	7,497
Other overhead	-	20,572	20,572
Other	-	1,079	1,079
Total operating expenses	<u>1,836,074</u>	<u>1,115,995</u>	<u>2,952,069</u>
Income from operations	167,825	8,504	176,329
Nonoperating revenues - State PERS relief	<u>-</u>	<u>48,668</u>	<u>48,668</u>
Change in deficit	167,825	57,172	224,997
Deficits, beginning of year, as restated	<u>(299,827)</u>	<u>(183,579)</u>	<u>(483,406)</u>
Deficits, end of year	\$ <u><u>(132,002)</u></u>	<u><u>(126,407)</u></u>	<u><u>(258,409)</u></u>

CITY OF BETHEL, ALASKA
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2012

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Cash flows from operating activities:			
Receipts from customers	\$ 1,744,626	1,124,499	2,869,125
Payment to suppliers	(1,515,619)	(461,677)	(1,977,296)
Payment to employees	-	(651,093)	(651,093)
Net cash flows from operating activities	<u>229,007</u>	<u>11,729</u>	<u>240,736</u>
Cash flows from noncapital financing activities:			
Increase in receivable from central treasury	(92,785)	-	(92,785)
Decrease in advances from other funds	<u>(136,222)</u>	<u>(11,729)</u>	<u>(147,951)</u>
Net cash flows from noncapital financing activities	<u>(229,007)</u>	<u>(11,729)</u>	<u>(240,736)</u>
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	\$ <u>-</u>	<u>-</u>	<u>-</u>
Reconciliation of income (loss) from operations to net cash flows from operating activities:			
Income from operations	167,825	8,504	176,329
Adjustments to reconcile loss from operations to net cash flows from operating activities:			
PERS on-behalf expense	-	48,668	48,668
(Increase) in assets:			
Accounts receivable	(257,973)	-	(257,973)
Inventory		(56,790)	(56,790)
Prepaid expenses	40,995	-	40,995
Increase (decrease) in liabilities:			
Accounts and claims payable	278,160	(486)	277,674
Accrued leave	<u>-</u>	<u>11,833</u>	<u>11,833</u>
Net cash flows from operating activities	\$ <u>229,007</u>	<u>11,729</u>	<u>240,736</u>

CITY OF BETHEL, ALASKA
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2012

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Total Grant Award</u>	<u>Expend- itures</u>
Department of the Interior				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - Payment in Lieu of Taxes				
	N/A	15.226	\$ 832,360	<u>832,360</u>
Department of Justice				
Direct -				
ARRA Edward Byrne Memorial Justice Assistance Grants:				
Police Audio-Video Project	2011-DJ-BX-2804	16.738	11,001	11,001
Crime Scene Forensic Equipment	2010-DJ-BX-0265	16.738	14,319	<u>9,635</u>
Total Department of Justice				<u>20,636</u>
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	5311-12-116	20.509	278,785	259,685
Rural Public Transit	5311-11-116	20.509	261,503	5,639
FTA Section 5311 Non-Urban Formula	5311R-12-116	20.509	5,632	<u>5,632</u>
Total Department of Transportation				<u>270,956</u>
Department of Energy				
Direct - ARRA Energy Efficiency and Conservation Block				
	DE-RW00000071	81.128	50,000	<u>948</u>
Department of Homeland Security				
Passed through the State of Alaska Department of Military and Veterans Affairs:				
Mobile Command Trailer	10SHSP-GR34067	97.067	35,000	35,000
State Homeland Security	11SHSP-GR34076	97.067	100,985	<u>1,655</u>
Total CFDA 97.067				<u>36,655</u>
Hazard Mitigation	1796.0003	97.039	7,867	<u>5,284</u>
Total Department of Homeland Security				<u>41,939</u>
Department of Health and Human Services				
Passed through other intermediary agency - Temporary Assistance for Needy Families				
	N/A	93.558	73,779	<u>48,293</u>
Department of Agriculture				
Direct:				
Water and Waste Disposal Systems for Rural Communities:				
Water and Waste Disposal Systems	N/A	10.760	528,860	8,398
Water and Waste Disposal Systems	N/A	10.760	1,147,855	<u>142,124</u>
Total CFDA 10.760				<u>150,522</u>
Passed through the State of Alaska Department of Education and Early Development:				
Child and Adult Care Food Program	MA 12.542.01	10.558		7,416
Summer Food Service Program for Children	MA 12.542.01	10.559		<u>16,336</u>
Total Department of Agriculture				<u>174,274</u>
Total Expenditures of Federal Awards			\$	<u>1,389,406</u>

CITY OF BETHEL, ALASKA
 Schedule of State Financial Assistance
 Year Ended June 30, 2012

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expend- itures</u>
Department of Commerce, Community and Economic Development			
* New Bethel Police Station	11-DC-192	\$ 3,000,000	1,091,129
* Community Revenue Sharing	FY 12	531,023	531,023
* Road Repair and Upgrades ¹	09-DC-565	2,500,000	135,706
Fire Station Upgrades	11-DC-191	1,000,000	11,881
Fisheries Business Tax	FY 11	3,752	3,752
Emergency Power Generator	12-DC-333	246,000	2,500
Fish Landing Tax	FY 12	752	<u>752</u>
Total Department of Commerce, Community and Economic Development			<u>1,776,743</u>
Department of Environmental Conservation			
Bethel Water and Sewer - QFC #2	16702	382,618	47,375
Bethel - 2009 Pre-Planning Development Project	09RL83 (16701)	176,286	<u>2,799</u>
Total Department of Environmental Conservation			<u>50,174</u>
Department of Administration			
* PERS on Behalf	FY 12	757,727	<u>757,727</u>
Department of Health and Social Services			
* Community Service Patrol	602-12-501	350,300	<u>257,209</u>
Department of Military and Veterans Affairs			
Alaska Territorial Guard Memorial	N/A	140,000	<u>23,518</u>
Department of Transportation and Public Facilities			
State Transit Match	ASGR-12-116	18,675	<u>18,675</u>
Total State Financial Assistance		\$	<u><u>2,884,046</u></u>

*Major program

¹ This includes disbursements of \$26,950 and \$13,295 for sodium chloride and calcium chloride held as inventory as of June 30, 2012

CITY OF BETHEL, ALASKA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2012

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance includes the Federal and State of Alaska grant activity of the City of Bethel and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

SINGLE AUDIT REPORTS

Independent Auditor's 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

Honorable Mayor and City Council
City of Bethel, Alaska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bethel as of and for the year ended June 30, 2012, which collectively comprise City of Bethel's basic financial statements and have issued our report thereon dated November 21, 2012. 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.

Internal Control Over Financial Reporting

Management of City of Bethel is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Bethel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bethel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Bethel's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Honorable Mayor and City Council
City of Bethel, Alaska

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bethel's financial statements are free of 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*.

This report is intended solely for the information and use of City of Bethel's management, Honorable Mayor and City Council, federal and state awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 21, 2012

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Honorable Mayor and City Council
City of Bethel, Alaska

Compliance

We have audited City of Bethel's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Bethel's major federal programs for the year ended June 30, 2012. City of Bethel's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Bethel's management. Our responsibility is to express an opinion on City of Bethel's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 City of Bethel'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. Our audit does not provide a legal determination of City of Bethel's compliance with those requirements.

In our opinion, City of Bethel complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Honorable Mayor and City Council
City of Bethel, Alaska

Internal Control Over Compliance

Management of City of Bethel is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Bethel's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City of Bethel'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 a 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Bethel's management, Honorable Mayor and City Council, federal awarding agencies and, if applicable, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 21, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Honorable Mayor and City Council
City of Bethel, Alaska

Compliance

We have audited City of Bethel'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 its major state programs for the year ended June 30, 2012. City of Bethel's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of City of Bethel's management. Our responsibility is to express an opinion on City of Bethel's compliance based on our audit.

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 *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 City of Bethel'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. Our audit does not provide a legal determination on City of Bethel's compliance with those requirements.

In our opinion, City of Bethel complied, in all material respects, with the 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, 2012.

Honorable Mayor and City Council
City of Bethel, Alaska

Internal Control Over Compliance

Management of City of Bethel is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered City of Bethel's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 City of Bethel'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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City of Bethel's management, Honorable Mayor and City Council, and the State of Alaska, and is not intended to be and should not be used by anyone other than these specified parties.

Mikunda, Cottrell & Co.

Anchorage, Alaska
November 21, 2012

CITY OF BETHEL, ALASKA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
U. S. Department of Agriculture	10.760	Water and Waste Disposal Systems for Rural Communities
Department of the Interior	15.226	Payments in Lieu of Taxes

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

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

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

Unqualified

CITY OF BETHEL, ALASKA

Schedule of Findings and Questioned Costs, continued

Summary of Auditor's Results, continued

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Dollar threshold used to distinguish a state major program: \$75,000

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

None noted.

IV. State Award Findings and Questioned Costs

None noted.

CITY OF BETHEL, ALASKA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012



CITY OF BETHEL

Finance Director's Office

P.O. Box 1388

Bethel, Alaska 99559

Ph: (907) 543-1376

Fax: (907) 543-3817

Email: bsutton@cityofbethel.net

Contact Person: Bobby G. Sutton, Finance Director

Financial Statement Findings:

Finding 11-01 Payroll Processing and Related Account Reconciliation

Condition: Several accounts related to the payroll transaction cycle required adjustments. It was also noted that coding per Personnel Action Request forms was not in agreement with coding of expenses in the general ledger.

Status: This finding was resolved.

Finding 11-02 Submission of Required Reporting

Condition: Documentation of required reporting was not submitted as stipulated by the grant agreement.

Status: This finding was resolved.

CITY OF BETHEL, ALASKA

Corrective Action Plan

Year Ended June 30, 2012

There are no current year findings; therefore, no corrective action plan is required.