

CITY OF BETHEL

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

Year Ended June 30, 2016

CITY OF BETHEL

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

Year Ended June 30, 2016

CITY OF BETHEL

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Independent Auditor's Report

Members of the City
City of Bethel
Bethel, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Bethel, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of the City's Contributions to the Public Employees' Retirement System, and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Original and Final Budget and Actual for the General Fund on pages 41 - 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Members of the City
City of Bethel

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of the City of Bethel, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bethel, Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska
November 17, 2017

City of Bethel, Alaska
 Statements of Net Position
 June 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Cash and investments	\$ 9,201,743	15,940,303	25,142,046
Accounts receivable (net)	1,531,497	1,419,744	2,951,241
Prepaid items	43,296	20,520	63,816
Inventory	526,789	124,657	651,446
Internal balances	4,650,567	(4,650,567)	-
Total current assets	15,953,892	12,854,657	28,808,549
Long-Term Assets			
Restricted cash and investments	-	450,557	450,557
Capital assets not being depreciated	39,772,148	4,595,796	44,367,944
Depreciable capital assets	30,738,383	100,919,039	131,657,422
Accumulated depreciation	(19,985,557)	(42,435,034)	(62,420,591)
Net capital assets	50,524,974	63,079,801	113,604,775
Deferred outflows of resources			
Pension deferrals	975,443	623,645	1,599,088
Total long-term assets and deferred outflows of resources	51,500,417	64,154,003	115,654,420
Total assets and deferred outflows of resources	\$ 67,454,309	77,008,660	144,462,969
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities:			
Accounts payable	\$ 440,769	559,354	1,000,123
Accrued payroll	156,951	88,159	245,110
Accrued liabilities	170,607	-	170,607
Utility deposits	-	332,714	332,714
Unearned revenue	35,116	603,598	638,714
Accrued interest payable	-	33,144	33,144
Total current liabilities	803,443	1,616,969	2,420,412
Long-term liabilities			
Due within one year:			
Accrued leave	345,321	189,107	534,428
Bonds payable	-	165,000	165,000
Due in more than one year:			
Bonds payable	-	2,470,000	2,470,000
Unamortized bond premium	-	79,780	79,780
Landfill closure costs	-	2,397,236	2,397,236
Net pension liability	6,197,623	3,962,414	10,160,037
Total long-term liabilities	6,542,944	9,263,537	15,806,481
Deferred inflows of resources			
Pension deferrals	109,723	70,152	179,875
Total liabilities and deferred inflows of resources	7,456,110	10,950,658	18,406,768
Net position			
Net investment in capital assets	50,524,974	60,365,021	110,889,995
Restricted	2,547,666	450,557	2,998,223
Unrestricted	6,925,559	5,242,424	12,167,983
Total net position	59,998,199	66,058,002	126,056,201
Total liabilities, deferred inflows of resources and net position	\$ 67,454,309	77,008,660	144,462,969

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statement of Activities

Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:							
General government	\$ 3,063,359	-	115,711	-	(2,947,648)	-	(2,947,648)
Public safety	4,936,610	284,966	867,809	-	(3,783,835)	-	(3,783,835)
Public works	2,238,568	-	100,051	518,464	(1,620,053)	-	(1,620,053)
Community services	361,256	3,096	7,874	-	(350,286)	-	(350,286)
Total governmental activities	<u>10,599,793</u>	<u>288,062</u>	<u>1,091,445</u>	<u>518,464</u>	<u>(8,701,822)</u>	<u>-</u>	<u>(8,701,822)</u>
Business-type activities:							
Water and sewer utility	6,738,968	6,638,026	108,129	-	-	7,187	7,187
Municipal dock	1,682,932	1,116,482	17,609	-	-	(548,841)	(548,841)
Rental property	755,745	620,796	-	-	-	(134,949)	(134,949)
Solid waste	1,625,998	1,169,461	11,939	-	-	(444,598)	(444,598)
Multi-use recreation facility	2,096,053	414,920	-	3,000	-	(1,678,133)	(1,678,133)
Public transit	442,165	34,564	8,920	234,601	-	(164,080)	(164,080)
Total business-type activities	<u>13,341,860</u>	<u>9,994,249</u>	<u>146,597</u>	<u>237,601</u>	<u>-</u>	<u>(2,963,413)</u>	<u>(2,963,413)</u>
Total primary government	<u>\$ 23,941,653</u>	<u>10,282,311</u>	<u>1,238,042</u>	<u>756,065</u>	<u>(8,701,822)</u>	<u>(2,963,413)</u>	<u>(11,665,235)</u>
General revenues:							
Taxes, including penalties and interest					7,081,588	539,359	7,620,947
Grants and entitlements not restricted to a specific purpose					1,314,393	-	1,314,393
Investment income					58,113	35,022	93,135
Insurance proceeds					-	48,750	48,750
Loss on disposal of capital assets					-	(4,573)	(4,573)
Permits, licenses and fees					708,522	-	708,522
Other					135,915	38,821	174,736
Transfers					70,124	(70,124)	-
Transfer of capital assets					(1,374,590)	1,374,590	-
Total general revenues and transfers					<u>7,994,065</u>	<u>1,961,845</u>	<u>9,955,910</u>
Change in net position					(707,757)	(1,001,568)	(1,709,325)
Net position, beginning of year					60,705,956	67,059,570	127,765,526
Net Position, end of year					<u>\$ 59,998,199</u>	<u>66,058,002</u>	<u>126,056,201</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
Balance Sheet - Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 5,628,377	3,573,366	9,201,743
Receivables, net	966,095	564,864	1,530,959
Inventory	136,710	-	136,710
Prepaid items	43,296	-	43,296
Due from other funds	1,746,848	-	1,746,848
Advances to other funds	4,382,411	-	4,382,411
Total assets	\$ <u>12,903,737</u>	<u>4,138,230</u>	<u>17,041,967</u>
Liabilities, Deferred Inflows and Fund Balances			
Liabilities			
Accounts payable	245,961	95,943	341,904
Accrued payroll	139,682	10,969	150,651
Accrued liabilities	170,607	-	170,607
Due to other funds	-	630,019	630,019
Unearned revenue	19,984	15,132	35,116
Total liabilities	\$ <u>576,234</u>	<u>752,063</u>	<u>1,328,297</u>
Deferred inflows of resources			
Sales taxes	<u>56,679</u>	<u>-</u>	<u>56,679</u>
Fund balances			
Nonspendable	4,562,417	-	4,562,417
Restricted	-	2,547,666	2,547,666
Assigned	-	899,887	899,887
Unassigned	<u>7,708,407</u>	<u>(61,386)</u>	<u>7,647,021</u>
Total fund balances	<u>12,270,824</u>	<u>3,386,167</u>	<u>15,656,991</u>
Total liabilities, deferred inflows and fund balances	\$ <u>12,903,737</u>	<u>4,138,230</u>	<u>17,041,967</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2016

Total fund balances for governmental funds		\$ 15,656,991
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets not being depreciated:		
Land	\$ 39,481,784	
Construction in progress	290,364	
Total capital assets not being depreciated		\$ 39,772,148
Depreciable capital assets:		
Improvements	1,909,060	
Buildings	12,542,774	
Equipment	4,115,343	
Infrastructure	9,692,526	
Vehicles	2,478,680	
Total depreciable capital assets		30,738,383
Accumulated depreciation		<u>(19,985,557)</u>
Total capital assets		50,524,974
Sales taxes not collected within 60 days of year end are not deemed available and are reported as unearned revenues in the fund statements.		56,679
Long term liabilities are not deemed due and payable in the current period and are therefore not reported as governmental fund liabilities.		
Accrued leave		(325,892)
Changes in deferred inflows and outflows of resources are the results of timing difference in the actuarial report:		
Pension related assets in the current fiscal year are presented as deferred outflows of resources		975,443
Pension related liabilities in the current fiscal year are presented as deferred inflows of resources		(109,723)
Proportional share of the collective net pension liability		(6,197,623)
Internal service funds are used by the City to charge the cost of health insurance, and vehicle and equipment maintenance to individual funds. Internal service fund assets and liabilities are included with governmental activities in the Statement of Net Position.		(573,464)
Less amount reported for capital assets above		<u>(9,186)</u>
		<u>(582,650)</u>
Total net position of governmental activities		\$ <u>59,998,199</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

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

Year Ended June 30, 2016

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental:			
Federal sources	\$ 854,998	405,385	1,260,383
State of Alaska	659,433	885,041	1,544,474
Local Sources:			
Taxes	7,119,119	-	7,119,119
Charges for services	132,870	152,267	285,137
Rental income	3,055	-	3,055
Permits, licenses and fees	708,392	-	708,392
Income from investments	22,829	35,284	58,113
Miscellaneous	110,690	55,405	166,095
Total revenues	<u>9,611,386</u>	<u>1,533,382</u>	<u>11,144,768</u>
Expenditures			
Current:			
General government	2,361,757	-	2,361,757
Public safety	3,503,550	970,183	4,473,733
Public works	2,094,834	64,793	2,159,627
Community services	447,541	-	447,541
Capital outlay	-	649,112	649,112
Total expenditures	<u>8,407,682</u>	<u>1,684,088</u>	<u>10,091,770</u>
Excess (deficiency) of revenues over expenditures	<u>1,203,704</u>	<u>(150,706)</u>	<u>1,052,998</u>
Other Financing Sources (Uses)			
Transfers in	11,878	170,000	181,878
Transfers (out)	<u>(99,876)</u>	<u>(11,878)</u>	<u>(111,754)</u>
Net other financing sources (uses)	<u>(87,998)</u>	<u>158,122</u>	<u>70,124</u>
Net change in fund balances	1,115,706	7,416	1,123,122
Fund Balances , beginning of year	<u>11,155,118</u>	<u>3,378,751</u>	<u>14,533,869</u>
Fund Balances , end of year	<u>\$ 12,270,824</u>	<u>3,386,167</u>	<u>15,656,991</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

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

Year Ended June 30, 2016

Net change in fund balances - total governmental funds		\$	1,123,122
The change in net position reported for governmental activities in the Statement of Activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	1,636,938	
Depreciation		<u>(777,134)</u>	859,804
Transfer of capital assets to business type-activities			(1,374,590)
Governmental funds only report the disposal or improvement of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal or improvement:			
Cost of assets disposed			(292,960)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the increase (decrease) in unavailable tax revenue.			
			(37,531)
The issuance of long-term debt (e.g. bonds, notes, and accrued leave) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Difference in the treatment of long-term debt and related items include:			
Accrued leave increase			(13,936)
Increase in the collective share of the net pension liability			(1,548,639)
Changes in deferred outflows and inflows of resources are the result of timing differences in the actuarial report. Contributions to the pension plan in the current fiscal year are expenditures in the fund financial statements but are presented as changes in deferred outflows of resources in the government-wide statements.			
			811,513
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net loss of the internal service funds (excluding the portion allocated to business-type activities) is reported within the governmental activities			
		(238,092)	
Less change attributable to depreciation above		<u>3,552</u>	<u>(234,540)</u>
Change in net position of governmental activities		\$	<u><u>(707,757)</u></u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
 Statements of Net Position (Deficit)
 Proprietary Funds
 June 30, 2016

	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Governmental Activities
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Public Transit		Internal Service Funds
Assets and Deferred Outflows of Resources								
Current assets:								
Cash and investments	\$ 1,958,123	6,442,097	55,248	3,704,421	3,780,414	-	15,940,303	-
Accounts receivable (net)	645,394	388,223	-	110,575	26,929	248,623	1,419,744	538
Inventory	58,202	49,579	7,684	3,806	-	5,386	124,657	390,079
Prepaid expenses	-	-	-	-	20,520	-	20,520	-
Total current assets	<u>2,661,719</u>	<u>6,879,899</u>	<u>62,932</u>	<u>3,818,802</u>	<u>3,827,863</u>	<u>254,009</u>	<u>17,505,224</u>	<u>390,617</u>
Long-term assets:								
Restricted cash - bond reserve	-	-	450,557	-	-	-	450,557	-
Capital assets:								
Land	-	2,207,356	43,000	18,252	-	-	2,268,608	-
Construction in progress	2,287,054	40,134	-	-	-	-	2,327,188	-
Depreciable assets	35,361,989	30,961,646	9,846,804	1,339,761	23,061,119	347,720	100,919,039	107,902
Less accumulated depreciation	(25,649,734)	(9,320,021)	(4,696,753)	(1,141,683)	(1,363,942)	(262,901)	(42,435,034)	(98,716)
Net capital assets	11,999,309	23,889,115	5,193,051	216,330	21,697,177	84,819	63,079,801	9,186
Total long-term assets	<u>11,999,309</u>	<u>23,889,115</u>	<u>5,643,608</u>	<u>216,330</u>	<u>21,697,177</u>	<u>84,819</u>	<u>63,530,358</u>	<u>9,186</u>
Deferred outflows of resources -								
Pension deferrals	459,998	74,910	-	50,790	-	37,947	623,645	-
Total assets and deferred outflows of resources	<u>\$ 15,121,026</u>	<u>30,843,924</u>	<u>5,706,540</u>	<u>4,085,922</u>	<u>25,525,040</u>	<u>376,775</u>	<u>81,659,227</u>	<u>399,803</u>
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)								
Liabilities:								
Current liabilities:								
Accounts and claims payable	\$ 486,920	8,997	14,358	23,647	23,231	2,201	559,354	98,865
Accrued payroll	59,963	13,624	-	6,451	-	8,121	88,159	6,300
Accrued leave	94,687	44,818	-	36,228	-	13,375	189,107	19,429
Deposits	332,714	-	-	-	-	-	332,714	-
Unearned revenue	-	603,598	-	-	-	-	603,598	-
Due to other funds	-	-	-	-	-	268,156	268,156	848,673
Current portion - bonds payable	-	-	165,000	-	-	-	165,000	-
Accrued interest payable	-	-	33,144	-	-	-	33,144	-
Total current liabilities	<u>974,284</u>	<u>671,037</u>	<u>212,502</u>	<u>66,326</u>	<u>23,231</u>	<u>291,853</u>	<u>2,239,232</u>	<u>973,267</u>
Long-term liabilities								
Advances from other funds	3,453,451	-	928,960	-	-	-	4,382,411	-
Bonds payable, net of current portion	-	-	2,470,000	-	-	-	2,470,000	-
Unamortized bond premium	-	-	79,780	-	-	-	79,780	-
Landfill closure costs	-	-	-	2,397,236	-	-	2,397,236	-
Net pension liability	2,922,660	475,953	-	322,699	-	241,102	3,962,414	-
Total long-term liabilities	<u>6,376,111</u>	<u>475,953</u>	<u>3,478,740</u>	<u>2,719,935</u>	<u>-</u>	<u>241,102</u>	<u>13,291,841</u>	<u>-</u>
Deferred inflows of resources -								
Pension deferrals	51,744	8,426	-	5,713	-	4,269	70,152	-
Total liabilities and deferred inflows of resources	<u>7,402,139</u>	<u>1,155,416</u>	<u>3,691,242</u>	<u>2,791,974</u>	<u>23,231</u>	<u>537,224</u>	<u>15,601,225</u>	<u>973,267</u>
Net position (deficit)								
Net investment in capital assets	11,999,309	23,889,115	2,478,271	216,330	21,697,177	84,819	60,365,021	-
Restricted - bond reserve	-	-	450,557	-	-	-	450,557	-
Unrestricted (deficits)	(4,280,422)	5,799,393	(913,530)	1,077,618	3,804,632	(245,268)	5,242,424	(573,464)
Total net position (deficit)	<u>7,718,887</u>	<u>29,688,508</u>	<u>2,015,298</u>	<u>1,293,948</u>	<u>25,501,809</u>	<u>(160,449)</u>	<u>66,058,002</u>	<u>(573,464)</u>
Total liabilities and net position (deficit)	<u>\$ 15,121,026</u>	<u>30,843,924</u>	<u>5,706,540</u>	<u>4,085,922</u>	<u>25,525,040</u>	<u>376,775</u>	<u>81,659,227</u>	<u>399,803</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

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

Proprietary Funds

Year Ended June 30, 2016

	Major Enterprise Funds					Nonmajor Enterprise Fund	Total Enterprise Funds	Governmental Activities
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Public Transit		Internal Service Funds
Operating revenues:								
Charges for services	\$ 6,638,026	1,116,482	620,796	1,169,461	414,920	34,564	9,994,249	2,552,665
Other	3,877	27,692	-	-	-	-	31,569	-
Total operating revenues	<u>6,641,903</u>	<u>1,144,174</u>	<u>620,796</u>	<u>1,169,461</u>	<u>414,920</u>	<u>34,564</u>	<u>10,025,818</u>	<u>2,552,665</u>
Operating expenses:								
Personnel	3,447,086	578,780	-	323,571	-	291,298	4,640,734	371,772
Travel and training	4,129	3,091	-	666	-	525	8,411	525
Materials and supplies	190,536	11,667	-	6,399	-	6,483	215,085	14,116
Utilities and fuel	854,347	44,565	-	41,137	298,912	50,424	1,289,385	68,155
Claims	-	-	-	-	-	-	-	1,198,757
Minor equipment and tools	63,849	3,736	177,450	20,786	4,430	2,521	272,772	11,373
Depreciation and amortization	988,165	727,561	319,592	28,468	804,293	36,901	2,904,980	3,552
Other purchased services	117,750	27,154	9,926	8,818	909,396	497	1,073,541	64,181
Insurance	60,910	17,476	17,619	13,088	25,237	7,171	141,501	594,662
Repairs and maintenance	641,785	176,702	61,889	61,817	1,667	30,208	974,068	329,426
Other expenses	96,706	41,800	34,562	11,655	72	16,137	200,932	1,265
Landfill closure costs	-	-	-	1,055,506	-	-	1,055,506	-
Bad debt expense	29,391	-	-	-	-	-	29,391	-
Indirect cost	244,314	50,400	-	54,087	52,046	-	400,847	132,973
Total operating expenses	<u>6,738,968</u>	<u>1,682,932</u>	<u>621,038</u>	<u>1,625,998</u>	<u>2,096,053</u>	<u>442,165</u>	<u>13,207,153</u>	<u>2,790,757</u>
Income (loss) from operations	(97,065)	(538,758)	(242)	(456,537)	(1,681,133)	(407,601)	(3,181,335)	(238,092)
Nonoperating revenues (expenses):								
Interest expense	-	-	(134,707)	-	-	-	(134,707)	-
Amortization of bond premium	-	-	7,252	-	-	-	7,252	-
Investment income	-	10,140	24,453	-	429	-	35,022	-
FTA grant	-	-	-	-	-	13,980	13,980	-
State capital grant	-	-	-	-	3,000	-	3,000	-
Federal sources	-	-	-	-	-	220,621	220,621	-
Sales tax	-	-	-	-	539,359	-	539,359	-
State PERS relief	108,129	17,609	-	11,939	-	8,920	146,597	-
Insurance proceeds	-	48,750	-	-	-	-	48,750	-
Loss on asset disposal	-	(4,573)	-	-	-	-	(4,573)	-
Net nonoperating revenues (expenses)	<u>108,129</u>	<u>71,926</u>	<u>(103,002)</u>	<u>11,939</u>	<u>542,788</u>	<u>243,521</u>	<u>875,301</u>	<u>-</u>
Income (loss) before capital contributions and transfers	11,064	(466,832)	(103,244)	(444,598)	(1,138,345)	(164,080)	(2,306,034)	(238,092)
Capital contributions	1,374,590	-	-	-	-	-	1,374,590	-
Transfers in	-	-	-	-	-	59,876	59,876	-
Transfers out	(70,000)	(25,000)	-	(35,000)	-	-	(130,000)	-
Total transfers	<u>(70,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>59,876</u>	<u>(70,124)</u>	<u>-</u>
Change in net position	<u>1,315,654</u>	<u>(491,832)</u>	<u>(103,244)</u>	<u>(479,598)</u>	<u>(1,138,345)</u>	<u>(104,204)</u>	<u>(1,001,568)</u>	<u>(238,092)</u>
Net position (deficit), beginning of year	<u>6,403,233</u>	<u>30,180,340</u>	<u>2,118,542</u>	<u>1,773,546</u>	<u>26,640,154</u>	<u>(56,245)</u>	<u>67,059,570</u>	<u>(335,372)</u>
Net Position (deficit), end of year	<u>\$ 7,718,887</u>	<u>29,688,508</u>	<u>2,015,298</u>	<u>1,293,948</u>	<u>25,501,809</u>	<u>(160,449)</u>	<u>66,058,002</u>	<u>(573,464)</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
 Statements of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2016

	Major Enterprise Funds				Nonmajor Enterprise Fund		Total Enterprise Funds	Governmental Activities Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Public Transit		
Cash flows from (for) operating activities:								
Receipts from customers	\$ 6,640,306	1,354,837	620,796	1,176,723	469,767	34,564	10,296,993	-
Receipts from interfund services provided	-	-	-	-	-	-	-	2,552,127
Payment to suppliers	(2,015,333)	(380,288)	(320,442)	(224,798)	(1,336,709)	(121,475)	(4,399,045)	(2,415,401)
Payment to employees	(2,378,513)	(358,283)	-	(274,947)	-	(183,687)	(3,195,429)	(363,625)
Net cash flows from (for) operating activities	<u>2,246,460</u>	<u>616,266</u>	<u>300,354</u>	<u>676,978</u>	<u>(866,942)</u>	<u>(270,598)</u>	<u>2,702,519</u>	<u>(226,899)</u>
Cash flows from (for) noncapital financing activities:								
Operating and capital grants	-	48,750	-	-	3,000	42,153	93,903	-
Transfers in	-	-	-	-	539,359	59,876	599,235	-
Transfers out	(70,000)	(25,000)	-	(35,000)	-	-	(130,000)	-
Increase due to other funds	-	-	-	-	-	200,256	200,256	226,899
(Increase) due from other funds	-	3,419,369	-	-	-	-	3,419,369	-
Decrease in grants receivable	-	-	-	-	-	-	-	-
(Increase) in deferred outflows-pension	(271,329)	(25,470)	-	(20,067)	-	(22,585)	(339,451)	-
(Decrease) in deferred inflows-pension	(132,410)	(18,856)	-	(21,569)	-	(9,102)	(181,937)	-
Increase (decrease) in advances from other funds	-	-	-	-	-	-	-	-
Net cash flows from (for) noncapital financing activities	<u>(473,739)</u>	<u>3,398,793</u>	<u>-</u>	<u>(76,636)</u>	<u>542,359</u>	<u>270,598</u>	<u>3,661,375</u>	<u>226,899</u>
Cash flows from (for) capital and related financing activities:								
Acquisition and construction of capital assets	(1,448,463)	(67,134)	-	(12,360)	-	-	(1,527,957)	-
Capital contributions received	1,374,590	-	-	-	-	-	1,374,590	-
Principal paid on long-term debt	-	-	(162,252)	-	-	-	(162,252)	-
Interest paid on long-term debt	-	-	(129,586)	-	-	-	(129,586)	-
Net cash flows from (for) capital and related financing activities	<u>(73,873)</u>	<u>(67,134)</u>	<u>(291,838)</u>	<u>(12,360)</u>	<u>-</u>	<u>-</u>	<u>(445,205)</u>	<u>-</u>
Cash flows from investing activities -								
Investment income received	-	10,140	24,453	-	429	-	35,022	-
Net increase (decrease) in cash and cash equivalents	1,698,848	3,958,065	32,969	587,982	(324,154)	-	5,953,711	-
Cash and cash equivalents, beginning of year	<u>259,275</u>	<u>2,484,032</u>	<u>472,836</u>	<u>3,116,439</u>	<u>4,104,568</u>	<u>-</u>	<u>10,437,150</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,958,123</u>	<u>6,442,097</u>	<u>505,805</u>	<u>3,704,421</u>	<u>3,780,414</u>	<u>-</u>	<u>16,390,861</u>	<u>-</u>
Composed of:								
Cash and cash equivalents	\$ 1,958,123	6,442,097	55,248	3,704,421	3,780,414	-	15,940,304	-
Restricted cash - bond reserve	-	-	450,557	-	-	-	450,557	-
Total cash and cash equivalents	<u>1,958,123</u>	<u>6,442,097</u>	<u>505,805</u>	<u>3,704,421</u>	<u>3,780,414</u>	<u>-</u>	<u>16,390,861</u>	<u>-</u>
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:								
Income (loss) from operations	\$ (97,065)	(538,758)	(242)	(456,537)	(1,681,133)	(407,601)	(3,181,335)	(238,092)
Adjustments to reconcile income (loss) from operations to net cash from (or) operating activities:								
Depreciation and amortization	988,165	727,561	319,592	28,468	804,293	36,901	2,904,980	3,552
PERS on-behalf expense	108,129	17,609	-	11,939	-	8,920	146,597	-
(Increase) decrease in assets:								
Accounts receivable	(17,142)	32,447	-	7,262	54,847	-	77,414	(538)
Inventory	32,848	(1,213)	23	(704)	5,498	1,211	37,663	152,594
Prepaid expenses	-	-	-	-	(8,837)	-	(8,837)	-
Increase (decrease) in liabilities:								
Accounts and claims payable	255,536	(2,484)	(19,019)	(5,641)	(41,610)	(8,720)	178,062	(152,562)
Accrued leave	13,250	18,669	-	7,852	-	3,888	43,659	9,747
Accrued payroll	16,956	3,440	-	1,308	-	1,288	22,992	(1,600)
Deposits/unearned revenue	15,545	178,216	-	-	-	-	193,761	-
Unfunded pension liability	930,238	180,779	-	27,525	-	93,515	1,232,057	-
Landfill closure costs	-	-	-	1,055,506	-	-	1,055,506	-
Net cash flows from (for) operating activities	<u>\$ 2,246,460</u>	<u>616,266</u>	<u>300,354</u>	<u>676,978</u>	<u>(866,942)</u>	<u>(270,598)</u>	<u>2,702,519</u>	<u>(226,899)</u>

See accompanying notes to basic financial statements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements

June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Additionally, the City reports the following fund types:

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

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

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

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

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

D. Cash and Investments

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

- a. U.S. Treasury bills, notes and bonds.
- b. Obligations of agencies of the United States.
- c. Commercial paper with quality rating not lower than A-1/P-1.
- d. Banks acceptances issued by banks with a long-term bond rating of not less than "A" or by branches of banks, whose parent is rated not less than "A".
- e. Insured or fully collateralized certificates of deposit of financial institutions.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

- f. Money market mutual funds or other short-term investment funds which serve to insure full investment on a daily basis. The funds must meet the criteria set forth in a-e above.
- g. The Alaska Municipal League Investment Pool, Inc. as authorized under Alaska Statutes 37.23.010 through 37.23.900. The Finance Director is authorized to enter into the agreements and perform all acts required for the City's membership in the Pool.
- h. Repurchase agreements secured by Treasury, Agency and Instrumentality securities.

E. Fair Value of Financial Instruments

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

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

F. Receivables and Payables

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

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

G. Inventories and Prepaid Items

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

H. 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.

I. 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
Buildings and improvements	30-35
Motor vehicles and motorized equipment	5-10
Furniture, machinery and equipment	5-10

J. Compensated Absences

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

K. Long-Term Obligations

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

L. Net Position

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

M. Fund Balances

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

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then committed, assigned, and unassigned—in order as needed.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures and transfers out exceeded appropriations in the General Fund as follows:

	<u>Amount of Over Expenditure</u>
General government:	
Technology	\$ 81,634

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

C. Deficit Fund Balance/Unrestricted Net Position

The following funds reported a fund deficit as of June 30, 2016:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Police Asset Forfeiture	\$ <u>61,386</u>
Internal Service Fund –	
Employee Health Insurance	<u>808,051</u>

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

	<u>Unrestricted Deficit Balance</u>
Water and Sewer Utility	\$ 4,280,191
Rental Property	913,530
Public Transit	245,268

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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	\$ 17,825,558
Money market funds	3,651,123
Investments	<u>4,115,922</u>
Total cash and investments	<u>\$ 25,592,603</u>

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

	<u>Carrying Balance</u>
Cash and investments	\$ 25,142,046
Restricted cash and investments	<u>450,557</u>
Total cash and investments	<u>\$ 25,592,603</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City requires all deposits to be insured or collateralized. At June 30, 2016, 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.

	Investment Maturities in Years			
	Fair Value	Less than 1	1 – 5	More than 5
Investment subject to interest rate risk:				
Certificates of deposit	3,850,797	2,109,252	1,741,545	-
U.S. government bonds	265,125	-	-	265,125
Total	4,115,922	2,109,252	1,741,545	265,125

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Certificates of Deposit	\$ 3,850,797	-	3,850,797	-
U.S. Government Bonds	265,125	-	265,125	-
Total investments	\$ 4,115,922	-	4,115,922	-

Credit Risk

The City does not have a formal investment policy that restricts investments based on credit risk. At June 30, 2016 the City's investments in Certificates of Deposit were unrated and U.S. Government Bonds were rated AAA by Moody's Credit Rating.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

IV. ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, for the City's individual major funds and other nonmajor funds, including applicable allowance for doubtful accounts, are as follows:

June 30, 2016	General Fund	Nonmajor Governmental Funds	Water and Sewer Utility Enterprise Fund	Municipal Dock Enterprise Fund	Solid Waste Enterprise Fund	Multi-Use Recreation Center	Nonmajor Public Transit Enterprise Fund	Employee Health Insurance Internal Service Fund	Totals
Grants receivable	-	564,864	-	-	-	-	248,623	-	813,487
Accounts receivable	289,866	-	766,607	406,597	148,266	26,929	-	538	1,638,803
Taxes receivable:									
Lodging	113,405	-	-	-	-	-	-	-	113,405
Sales	834,882	-	-	-	-	-	-	-	834,882
Gaming	93,477	-	-	-	-	-	-	-	93,477
Tobacco	49,889	-	-	-	-	-	-	-	49,889
Other	6,284	-	-	-	-	-	-	-	6,284
Less allowance for doubtful accounts	(421,708)	-	(121,213)	(18,374)	(37,691)	-	-	-	(598,986)
Net Receivables	<u>966,095</u>	<u>564,864</u>	<u>645,394</u>	<u>388,223</u>	<u>110,575</u>	<u>26,929</u>	<u>248,623</u>	<u>538</u>	<u>2,951,241</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	(Deletions) and Reclassifications	Balance June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 39,481,784	-	-	39,481,784
Construction in progress	1,730,713	815,083	(2,255,432)	290,364
Capital assets not being depreciated	<u>41,212,497</u>	<u>815,083</u>	<u>(2,255,432)</u>	<u>39,772,148</u>
Capital assets being depreciated:				
Improvements	871,941	1,037,119	-	1,909,060
Buildings	12,542,774	-	-	12,542,774
Machinery and equipment	3,758,958	356,385	-	4,115,343
Infrastructure	9,692,526	-	-	9,692,526
Vehicles	2,462,447	16,233	-	2,478,680
Total capital assets being depreciated	<u>29,328,646</u>	<u>1,409,737</u>	<u>-</u>	<u>30,738,383</u>
Less accumulated depreciation for:				
Improvements	95,002	68,473	-	163,475
Buildings	5,164,344	318,453	-	5,482,797
Machinery and equipment	2,837,688	204,265	-	3,041,953
Infrastructure	8,935,228	96,541	-	9,031,769
Vehicles	2,176,161	89,402	-	2,265,563
Total accumulated depreciation	<u>19,208,423</u>	<u>777,134</u>	<u>-</u>	<u>19,985,557</u>
Net capital assets being depreciated	<u>10,120,223</u>	<u>632,603</u>	<u>-</u>	<u>10,752,826</u>
Total governmental activities capital assets, net	<u>\$ 51,332,720</u>	<u>1,447,686</u>	<u>(2,255,432)</u>	<u>50,524,974</u>

*Governmental activities capital assets includes \$9,187 of capital assets, net of accumulated depreciation from internal service funds.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

	Balance July 1, 2015	Additions and Reclassifications	Deletions	Balance June 30, 2016
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,268,608	-	-	2,268,608
Construction in progress	1,592,239	1,414,724	(679,775)	2,237,188
Capital assets not being depreciated	<u>3,860,847</u>	<u>1,414,724</u>	<u>(679,775)</u>	<u>4,595,796</u>
Capital assets being depreciated:				
Seawall	22,716,644	-	-	22,716,644
Buildings, plants and lines	69,822,778	767,281	(59,000)	70,531,059
Machinery and equipment	3,062,840	36,588	-	3,099,428
Vehicles	4,559,470	12,438	-	4,571,908
Total capital assets being depreciated	<u>100,161,732</u>	<u>816,307</u>	<u>(59,000)</u>	<u>100,919,039</u>
Less accumulated depreciation for:				
Seawall	6,360,661	454,332	-	6,814,993
Buildings, plants and lines	27,560,452	2,221,727	(54,427)	29,727,752
Machinery and equipment	1,412,537	101,436	-	1,513,973
Vehicles	4,235,626	142,690	-	4,378,316
Total accumulated depreciation	<u>39,569,276</u>	<u>2,920,185</u>	<u>(54,427)</u>	<u>42,435,034</u>
Net capital assets being depreciated	<u>60,592,456</u>	<u>(2,103,878)</u>	<u>(4,573)</u>	<u>58,484,005</u>
Total business-type activities capital assets, net	<u>\$ 64,453,303</u>	<u>(689,154)</u>	<u>(684,348)</u>	<u>63,079,801</u>

Depreciation expense was charged to governmental functions as follows for the Year ended June 30, 2016:

Governmental Activities:	
General government	\$ 60,288
Public safety	365,420
Public works	260,054
Community services	91,372
Total depreciation expense – governmental activities	<u>\$ 777,134</u>
Business-Type Activities:	
Water and sewer	\$ 988,165
Municipal dock	727,561
Rental property	319,592
Solid waste	28,468
Public transit	36,901
Multi-use recreation	804,293
Total depreciation expense – business-type activities	<u>\$ 2,904,980</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 630,019
	Public Transit Enterprise Fund	268,156
	Internal Service funds	848,673
		<u>\$ 1,746,848</u>

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

Certain interfund balances have been deemed long-term in nature. As a result these items have been classified as long-term advances to/from (receivable/payable) from other funds as follows as of June 30, 2016:

	<u>Advances to (Receivable)</u>	<u>Advances From (Payable)</u>
General Fund	\$ 4,382,411	-
Water and Sewer Utility Enterprise Fund	-	3,453,451
Rental Property Enterprise Fund	-	928,960
	<u>\$ 4,382,411</u>	<u>4,382,411</u>

Transfers

From the General Fund to:

Non-major governmental funds \$ 59,876

From Other Funds to General Fund:

Endowment fund annual earnings transfer 11,878

From Business Type Activity Funds to non-major funds:

Water and sewer to fleet replacement capital project fund 70,000

Solid waste to fleet replacement capital project fund 35,000

Municipal Dock to fleet replacement capital project fund 25,000

Total Transfer to Other Funds \$ 241,754

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

VII. LONG-TERM DEBT

During the year ended June 30, 2016, the following changes occurred in liabilities payable from governmental funds.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due in One Year
Accrued leave	\$ 321,617	345,321	321,617	345,321	345,321

* Long-term liabilities reported here include \$19,408 in accrued leave from the Internal Service Funds.

During the year ended June 30, 2016, the following changes occurred in long-term debt of business-type activities:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due in One Year
Bonds payable	\$ 2,790,000	-	155,000	2,635,000	165,000
Premium	87,032	-	7,252	79,780	-
Landfill closure	1,341,730	1,055,506	-	2,397,236	-
Accrued leave	145,134	188,793	145,134	189,107	189,107
Total business-type activities	\$ 4,363,896	1,244,299	307,386	5,301,123	354,107

Leave Revenue Bonds

The bonds payable, with an outstanding balance of \$2,635,000 as of June 30, 2016 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 at the maximum annual debt service requirement over the life of the bond. The balance of the reserve at June 30, 2016 is \$450,557, which exceeds the minimum requirement of \$295,125. Because the funds are held in a separate bank account, the entire balance of the account has been reflected as restricted on the Statement of Net Position.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

Fiscal Year ended June 30,	Principal	Interest	Total
2017	\$ 165,000	128,038	293,038
2018	175,000	119,125	294,125
2019	185,000	110,125	295,125
2020	190,000	100,750	290,750
2021	200,000	91,000	291,000
2022-2026	1,165,000	290,125	1,455,125
2027-2028	555,000	28,125	583,125
	<u>\$ 2,635,000</u>	<u>867,288</u>	<u>3,502,288</u>

Bond premiums of \$145,048 are being amortized over the life of the lease revenue bonds. For the year ended June 30, 2016, amortization of \$7,252 was recorded. The remaining unamortized balance is \$79,780.

VIII. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Requirements come from the Environmental Protection Agency rule "Solid Waste Disposal Facility Criteria" parts 257 and 258. These requirements are being enforced by the United States Environmental Protection Agency and the State of Alaska Department of Environmental Conservation. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based upon an engineering study updated in 2016, at present fill rates, the landfill is expected to reach capacity in 2042, or approximately 25 years. The cost of landfill closure and post closure is estimated to be \$3,955,440. The City accrued \$1,055,506 in landfill closure costs for the year ended June 30, 2016, and has accrued a total liability of \$2,397,236 at June 30, 2016. These amounts are based on what it would cost to perform all the closure and post-closure functions in 2016. Actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

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.

CITY OF BETHEL

Notes to Basic Financial Statements, Continued

IX. FUND BALANCES

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

	General Fund	Nonmajor Funds	Totals
Non-spendable:			
Inventory	\$ 136,710	-	136,710
Prepaid items	43,296	-	43,296
Advances to other funds	4,382,411	-	4,382,411
Total nonspendable	<u>4,562,417</u>	<u>-</u>	<u>4,562,417</u>
Restricted:			
Rasmuson		240,478	240,478
Endowment	-	1,898,124	1,898,124
E-911 Surcharges	-	409,064	409,064
Total restricted	<u>-</u>	<u>2,547,666</u>	<u>2,547,666</u>
Assigned:			
Capital projects	-	899,887	899,887
Unassigned (Deficit)	<u>7,708,407</u>	<u>(61,386)</u>	<u>7,647,021</u>
Total Fund Balances	<u>\$ 12,270,824</u>	<u>3,386,167</u>	<u>15,656,991</u>

X. NET POSITION

A. Designated Net Position

The City assesses a fee for the use for the petroleum dock facility. In 1997, the City Council authorized the designation of 50% of the fuel revenue for future maintenance of the seawall. Net position under this designation in the Municipal Dock Fund had a balance of \$3,560,442 at June 30, 2016.

In 2010, the City passed an ordinance establishing a bank account to hold cash associated with the designated net position for the seawall. At June 30, 2016, that account had a balance of \$1,880,981.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XI. 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, 2016 was \$11,878.

XII. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Other Postemployment Benefit Plans (OPBP)

Occupational Death and Disability Plan (DB)

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

Alaska Retiree Healthcare Trust Plan (DB)

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

Healthcare Reimbursement Arrangement Plan (DC)

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

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

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

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

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

Currently there are 159 employers participating in PERS, including the State of Alaska and 158 political subdivisions and public organizations.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

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

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

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

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

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (4.12% pension costs and 2.63% OPEB) and non-teacher City employees are required to contribute 9.60% (5.86% pension and 3.74% OPEB) of their annual covered salary.

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

Employer Effective Rate: This is the actual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% (13.25% pension costs and 8.75% OPEB) of eligible wages, subject to the salary floor, and other termination costs as described above. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. This rate is 27.19% (16.59% pension and 10.60% OPEB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. As a result, the On-behalf Contribution Rate for 2016 is 5.19% (3.63% pension and 1.56% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes. Certain actuarial methods and assumptions for this rate calculation are mandated by the *Governmental Accounting Standards Board* (GASB). Medicare Part D subsidies are not reflected in this rate. The rate uses an 8% pension discount rate and a 4.55% healthcare discount rate. The current rate is 96.52% (37.79% pension and 58.73% OPEB).

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

	Pensions (DB)	Other Post-Employment Benefits (DB)	Total
2016	\$ 347,321	229,370	576,691
2015	362,102	271,392	633,494
2014	336,984	359,798	696,782

The defined benefit unfunded liability (DBUL) presented under the defined contribution plan includes employer contributions of \$236,316 (pension) and \$156,043 (OPEB).

For the year ended June 30, 2016 the State of Alaska contributed \$345,702 (70% pension cost, 30% OPEB) on-behalf of the City, which has been recorded in the fund financial statement under the modified-accrual basis of accounting. In the government-wide financial statements the on-behalf contribution has been adjusted as of the measurement date of June 30, 2015 to a total of \$375,889, to represent the pension expense attributable to the State under the full accrual basis of accounting.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the City reported a liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 10,160,037
State's proportionate share of the net pension liability	<u>2,721,922</u>
Total	\$ <u>12,881,959</u>

\$6,197,623 of the net pension liability is reported in the governmental activities, while \$3,962,414 is reported in the business-type activities

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the present value of contributions for FY2017 through FY2039, as determined by projections based on the June 30, 2014 valuation. At June 30, 2015, the City's proportion was 0.2095%, which is a decrease of 0.0513% from its proportion measured as of June 30, 2014.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Based on the measurement date of June 30, 2015, the City recognized pension expense of \$2,282,148 for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,843	-
Changes of assumptions	594,068	-
Net difference between projected and actual earnings on pension plan investments	-	179,875
Changes in proportion and differences between City contributions and proportionate share of contributions	409,540	-
City contributions subsequent to the measurement date	<u>583,637</u>	<u>-</u>
Total	<u>\$ 1,599,088</u>	<u>179,875</u>

\$583,637 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ 812,524
2017	(28,116)
2018	(115,521)
2019	<u>166,689</u>
Total	<u>\$ 835,576</u>

For the year ended June 30, 2016, the City recognized \$503,190 of amortization of the net deferred outflows and inflows of resources.

Actuarial Assumptions: The total pension liability in the June 30, 2015 (latest available) actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions were based upon the results of an actuarial experience study performed as of June 30, 2013.

Investment return / discount rate	8% per year (geometric), compounded annually, net of expenses
Salary scale	Inflation – 3.12% per year Productivity – 0.50% per year
Payroll growth	3.62% per year (inflation + productivity)

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Total inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers from Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of post termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officers, and firefighters, 50% of the time for others.
Mortality (Post-termination)	96% of all rates of the RP-2000 combined mortality table, 2000 base year projected to 2018.
Total turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 70% of the time for peace officers / firefighters, 50% of the time for others.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officers/firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and age difference	Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officers/firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.77%
International Equity	7.50%
Private Equity	10.86%
Fixed Income	2.05%
Real Estate	3.63%
Absolute Return	4.80%

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of the cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net pension was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (7%)</u>	<u>Current Rate (8%)</u>	<u>1% Increase (9%)</u>
Net pension liability	\$ 13,506,909	10,160,037	7,342,317

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

Plan Description and Funding Requirements. Public Employers in the State of Alaska have a defined contribution retirement plan (PERS Tier IV) for new hires first enrolled on or after July 1, 2006. Plan members make mandatory contributions of 8% of gross eligible compensation. This amount goes directly to the individual's account. State statutes require the employer to contribute 5% of employees' eligible compensation. Additionally, employers are required to contribute to OPEB (DB): 1.68% for the retiree medical plan (DB), 0.22% for occupational and death and disability benefits (DB) and 3% of employers' average annual employee compensation to the health reimbursement arrangement (HRA DC). The effective employer contribution is 22%. Plan members are 100% vested with their contributions.

Members become vested in employers' contributions as follows:

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

Plan provisions and contribution requirements and amendments are established by the Alaska Retirement Management Board (ARMB). Total contributions for the year ended June 30, 2016 are as follows:

	<u>Employer</u>	<u>Employee</u>
Defined contribution – pension (DC)	\$ 168,684	269,894
Other post-employment benefits (DB):		
Retiree medical plan	56,678	-
Occupational death and disability benefits	13,638	-
Other post-employment benefits (DC) –		
Health reimbursement agreement (HRA)	111,037	-
Defined benefit unfunded liability (DBUL)	392,359	-
	<u>\$ 742,396</u>	<u>269,894</u>

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

Employer contributions for the years ended June 30, 2016, 2015 and 2014 are as follows:

	<u>Contributions/ Pensions</u>	<u>Other Post-Employment Benefits</u>	<u>Total</u>
2016	\$ 405,000	337,396	742,396
2015	382,410	337,300	719,710
2014	452,709	351,867	804,576

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XIV. 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, 2016. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

The City maintains a health and medical benefit program which covers all full time employees. The City has retained a major portion of the risk for this plan and, accordingly, is liable for any employee health claims that are approved for payment. Stop loss coverage limits were \$60,000 for individual claims and \$1,266,001 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, 2016 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, 2016 follows:

	Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2016	\$ 216,046	1,198,757	1,338,354	76,449

XV. 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

The following is a summary of significant leases in effect at June 30, 2016:

Property	Monthly Rate	Lease Term
Courthouse – Office space	\$ 31,813	January 2017
Courthouse – Department of Law and Corrections	9,673	Month to month

XVI. 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.

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.

XVII. NEW ACCOUNTING PRONOUNCEMENTS

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

- GASB 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective for fiscal years beginning after June 15, 2016.
- GASB 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective for fiscal years beginning after June 15, 2017.
- GASB 77 – *Tax Abatement Disclosures*. Effective for fiscal years beginning after December 15, 2015.
- GASB 78 – *Pension Provided through Certain Multiple – Employer Defined Benefit Pension Plans*. Effective for fiscal years beginning after December 15, 2015.
- GASB 80 – *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. Effective for fiscal years beginning after June 15, 2016.
- GASB 81 – *Irrevocable Split – Interest Agreements*. Effective for fiscal years beginning after December 15, 2016.
- GASB 82 – *Pension Issues – an Amendment of GASB Statement No. 67, No. 68, and No. 73*
- GASB 83 – *Certain Retirement Obligations*. Effective for fiscal years beginning after June 15, 2018.
- GASB 84 – *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2018.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Statements, 77, 78, and 81 are not expected to have any significant impact on the financial statements of the City.

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

GASB Statement No. 80 – This statement amends the blending requirements for the financial statements presentation of component units of all State and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member.

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF BETHEL

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

Public Employees Retirement System

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.2095%	0.1582%
City's proportionate share of net pension liability	\$ 10,160,037	7,379,341
State's proportionate share of the net pension liability associated with the City	<u>2,721,922</u>	<u>6,839,395</u>
Total	\$ <u>12,881,959</u>	<u>14,218,736</u>
City's covered employee payroll	\$ 4,632,671	5,703,334
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	219%	129%
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%

Notes to schedule

- Information presented for 2016 is based upon Plan measurement date June 30, 2015.
- This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

CITY OF BETHEL
 Schedule of City's Contributions
 Public Employees' Retirement System
 Year Ended June 30, 2016 and 2015

	2016	2015
Contractually required contribution	\$ 583,637	580,937
Contributions in relation to the contractually required contribution	(583,637)	(580,937)
Contribution deficiency (excess)	-	-
City's covered-employee payroll	\$ 4,404,808	4,632,671
Contributions as a percentage of covered employee payroll	13.25%	12.54%

Notes to schedule

1. Valuation date: June 30, 2014

2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

- Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, layered.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: Actuarial value that smooths investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 6.36% to 4.12% based on service for Peace Officer/Firefighter. Ranges from 9.60% to 3.62% based on age and service for All Others.

10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

11. Retirement age: An age-related assumption is used for participants not yet receiving payments.

12. Mortality: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality for Peace Officer/Firefighter, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females for pre-termination mortality for All Others and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.

13. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

City of Bethel, Alaska

General Fund

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

Year Ended June 30, 2016

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental:				
Federal sources	\$ 892,000	892,000	854,998	(37,002)
State of Alaska	1,011,034	1,011,034	659,433	(351,601)
Local sources:				
Taxes	7,938,889	7,938,889	7,119,119	(819,770)
Charges for services	154,500	154,500	132,870	(21,630)
Rental income	3,000	3,000	3,055	55
Permits, licenses and fees	663,300	663,300	708,392	45,092
Income from investments	16,000	16,000	22,829	6,829
Miscellaneous	24,950	24,950	110,690	85,740
Total revenues	<u>10,703,673</u>	<u>10,703,673</u>	<u>9,611,386</u>	<u>(1,092,287)</u>
Expenditures:				
General government:				
Administration	646,889	516,778	425,766	91,012
City clerk	221,539	179,696	137,147	42,549
Finance	1,106,747	852,246	731,103	121,143
Planning	315,678	309,679	188,537	121,142
Technology	614,579	479,715	561,349	(81,634)
City attorney	260,803	326,802	317,855	8,947
Public safety:				
Fire department	1,159,078	1,113,078	1,103,455	9,623
Police department	3,045,612	3,015,612	2,400,095	615,517
Public works:				
Administration	164,953	142,457	117,144	25,313
Operations	1,697,797	1,697,798	1,339,993	357,805
Property maintenance	787,817	723,954	637,697	86,257
Community services:				
Parks and recreation	377,718	377,718	260,762	116,956
Special projects	193,220	193,220	186,779	6,441
Total expenditures	<u>10,592,430</u>	<u>9,928,753</u>	<u>8,407,682</u>	<u>1,521,071</u>
Excess of revenues over expenditures	111,243	774,920	1,203,704	428,784
Other Financing Sources (Uses)				
Transfers in	62,949	5,000	11,878	6,878
Transfers out	<u>(405,142)</u>	<u>(785,828)</u>	<u>(99,876)</u>	<u>685,952</u>
Net Other Financing Sources (Uses)	<u>(342,193)</u>	<u>(780,828)</u>	<u>(87,998)</u>	<u>692,830</u>
Net change in fund balance	\$ <u>(230,950)</u>	<u>(5,908)</u>	1,115,706	1,121,614
Fund Balance , beginning of year			11,155,118	
Fund Balance , end of year			\$ <u>12,270,824</u>	

City of Bethel, Alaska

General Fund

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

Years Ended June 30, 2016

	Budget	Actual	Variance
Revenues:			
Intergovernmental -			
Federal sources - payment in lieu of taxes	\$ 892,000	854,998	(37,002)
State of Alaska:			
State PERS relief	580,844	200,038	(380,806)
Community revenue sharing	375,190	373,949	(1,241)
Motor vehicle registration tax	55,000	45,060	(9,940)
Electric and telephone cooperative tax	-	32,886	32,886
Liquor license	-	7,500	7,500
Total State of Alaska	1,011,034	659,433	(351,601)
Local sources:			
Taxes, including penalty and interest	7,938,889	7,119,119	(819,770)
Charges for services:			
Public safety	154,500	132,699	(21,801)
Community services	-	171	171
Total charges for services	154,500	132,870	(21,630)
Rental income	3,000	3,055	55
Permits, licenses and fees:			
Gaming fees	450,400	505,329	54,929
Taxi permits	160,000	151,175	(8,825)
Business licenses	35,000	35,413	413
Animal control licenses/fees	1,500	3,320	1,820
Planning fees	-	200	200
Plat and recording fees	-	100	100
Site reviews	4,000	2,650	(1,350)
Parks and recreation	4,100	2,925	(1,175)
Other	8,300	7,280	(1,020)
Total permits, licenses and fees	663,300	708,392	45,092
Miscellaneous:			
Police department	9,000	17,811	8,811
Youth center donations and user fees	100	20	(80)
Restitution payments	1,500	4,222	2,722
Parks and recreation	-	1,660	1,660
Book sales	100	100	-
Income from investments	16,000	22,829	6,829
Other	14,250	86,877	72,627
Total miscellaneous	40,950	133,519	92,569
Total local sources	8,800,639	8,096,955	(703,684)
Total revenues	10,703,673	9,611,386	(1,092,287)

(Continued)

City of Bethel, Alaska

General Fund

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
General government:			
Administration:			
Personnel	405,339	368,283	37,056
Travel and training	10,000	6,467	3,533
Supplies	24,000	11,910	12,090
Utilities and fuel	105,500	79,584	25,916
Special projects	12,000	12,119	(119)
Repairs and maintenance	9,650	4,858	4,792
Other purchased services	50,000	46,528	3,472
Equipment	3,000	5,459	(2,459)
Insurance	5,500	6,272	(772)
Other expenditures	21,900	14,397	7,503
Indirect cost recovery	(130,111)	(130,111)	-
Total administration	<u>516,778</u>	<u>425,766</u>	<u>91,012</u>
City clerk:			
Personnel	163,034	152,661	10,373
Travel and training	23,500	13,120	10,380
Supplies	2,500	1,446	1,054
Utilities and fuel	275	3	272
Other purchased services	13,000	3,628	9,372
Equipment	3,000	1,883	1,117
Insurance	1,530	581	949
Other expenditures	14,700	5,668	9,032
Indirect cost recovery	(41,843)	(41,843)	-
Total city clerk	<u>179,696</u>	<u>137,147</u>	<u>42,549</u>
Finance:			
Personnel	856,018	682,216	173,802
Travel and training	6,396	2,851	3,545
Supplies	24,800	34,998	(10,198)
Utilities and fuel	4,000	1,071	2,929
Repairs and maintenance	5,891	5,966	(75)
Other purchased services	134,172	216,632	(82,460)
Equipment	5,000	1,724	3,276
Insurance	6,750	5,129	1,621
Other expenditures	57,720	29,017	28,703
Indirect cost recovery	(248,501)	(248,501)	-
Total finance	<u>852,246</u>	<u>731,103</u>	<u>121,143</u>

(Continued)

City of Bethel, Alaska

General Fund

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures, continued:			
General government, continued:			
Planning:			
Personnel	\$ 245,130	160,372	84,758
Travel and training	5,000	3,388	1,612
Supplies	2,000	3,316	(1,316)
Utilities and fuel	16,961	8,867	8,094
Repairs and maintenance	8,268	10,538	(2,270)
Other purchased services	20,000	-	20,000
Equipment	1,000	-	1,000
Insurance	2,520	1,453	1,067
Other expenditures	8,800	603	8,197
Total planning	<u>309,679</u>	<u>188,537</u>	<u>121,142</u>
Technology:			
Personnel	248,905	252,209	(3,304)
Travel and training	7,500	2,885	4,615
Supplies	2,400	3,534	(1,134)
Utilities and fuel	132,943	203,170	(70,227)
Repairs and maintenance	1,650	4,562	(2,912)
Other purchased services	69,200	92,157	(22,957)
Equipment	114,800	117,468	(2,668)
Insurance	3,330	1,495	1,835
Other expenditures	27,850	12,732	15,118
Indirect cost recovery	(128,863)	(128,863)	-
Total technology	<u>479,715</u>	<u>561,349</u>	<u>(81,634)</u>
City attorney:			
Personnel	189,477	172,190	17,287
Travel and training	6,500	8,254	(1,754)
Utilities and fuel	-	17	(17)
Supplies	800	436	364
Other purchased services	127,000	134,227	(7,227)
Equipment	500	-	500
Insurance	675	447	228
Other expenditures	1,850	2,284	(434)
Total city attorney	<u>326,802</u>	<u>317,855</u>	<u>8,947</u>
Total general government	<u>2,664,916</u>	<u>2,361,757</u>	<u>303,159</u>

(Continued)

City of Bethel, Alaska

General Fund

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

	Budget	Actual	Variance
Expenditures, continued:			
Public safety:			
Fire department:			
Personnel	\$ 848,867	816,381	32,486
Travel and training	8,600	9,997	(1,397)
Supplies	28,700	34,306	(5,606)
Utilities and fuel	74,765	53,956	20,809
Repairs and maintenance	74,596	85,793	(11,197)
Other purchased services	27,450	34,442	(6,992)
Equipment	5,800	20,270	(14,470)
Insurance	16,290	25,453	(9,163)
Other expenditures	28,010	22,857	5,153
Total fire department	<u>1,113,078</u>	<u>1,103,455</u>	<u>9,623</u>
Police department:			
Personnel	2,465,477	1,951,001	514,476
Travel and training	33,000	35,420	(2,420)
Supplies	37,500	41,454	(3,954)
Utilities and fuel	246,500	146,971	99,529
Repairs and maintenance	54,135	60,047	(5,912)
Other purchased services	23,500	28,255	(4,755)
Equipment	45,500	39,445	6,055
Insurance	105,000	97,178	7,822
Other expenditures	5,000	324	4,676
Total police department	<u>3,015,612</u>	<u>2,400,095</u>	<u>615,517</u>
Total public safety	<u>4,128,690</u>	<u>3,503,550</u>	<u>625,140</u>
Public works:			
Administration:			
Personnel	113,813	109,768	4,045
Travel and training	3,000	464	2,536
Supplies	4,000	968	3,032
Utilities and fuel	24,623	16,393	8,230
Repairs and maintenance	2,356	1,281	1,075
Other purchased services	3,000	192	2,808
Equipment	2,000	69	1,931
Insurance	4,860	4,504	356
Other expenditures	1,300	-	1,300
Indirect cost recovery	(16,495)	(16,495)	-
Total administration	<u>142,457</u>	<u>117,144</u>	<u>25,313</u>

(Continued)

City of Bethel, Alaska

General Fund

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

	Budget	Actual	Variance
Expenditures , continued			
Public works, continued:			
Operations:			
Personnel	\$ 636,113	601,531	34,582
Travel and training	1,000	525	475
Supplies	458,000	378,297	79,703
Utilities and fuel	245,896	118,219	127,677
Repairs and maintenance	324,789	198,392	126,397
Other purchased services	8,000	21,968	(13,968)
Equipment	4,000	1,561	2,439
Insurance	19,300	19,403	(103)
Other expenditures	700	97	603
Total operations	<u>1,697,798</u>	<u>1,339,993</u>	<u>357,805</u>
Property maintenance:			
Personnel	487,982	453,151	34,831
Travel and training	3,600	863	2,737
Supplies	67,000	66,961	39
Utilities and fuel	45,011	39,474	5,537
Repairs and maintenance	90,675	67,712	22,963
Other purchased services	65,000	51,627	13,373
Equipment	10,000	6,650	3,350
Insurance	8,550	8,101	449
Other expenditures	10,000	7,022	2,978
Indirect cost recovery	(63,864)	(63,864)	-
Total property maintenance	<u>723,954</u>	<u>637,697</u>	<u>86,257</u>
Total public works	<u>2,564,209</u>	<u>2,094,834</u>	<u>469,375</u>
Community services:			
Parks and recreation:			
Personnel	226,897	167,247	59,650
Travel and training	3,000	2,041	959
Supplies	6,270	6,359	(89)
Utilities and fuel	73,084	52,145	20,939
Repairs and maintenance	39,917	23,256	16,661
Other purchased services	6,000	2,582	3,418
Equipment	10,000	264	9,736
Insurance	8,500	5,381	3,119
Other expenditures	4,050	1,487	2,563
Total parks and recreation	<u>377,718</u>	<u>260,762</u>	<u>116,956</u>

(Continued)

City of Bethel, Alaska

General Fund

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

	Budget	Actual	Variance
Expenditures , continued			
Community services, continued:			
Special projects:			
Senior center	\$ -	2,959	(2,959)
Library contribution	67,600	67,600	-
ONC senior bus contribution	4,220	4,220	-
UAF 4-H contribution	112,000	112,000	-
Other expenditures	9,400	-	9,400
Total special projects	<u>193,220</u>	<u>186,779</u>	<u>6,441</u>
Total community services	<u>570,938</u>	<u>447,541</u>	<u>123,397</u>
Total expenditures	<u>9,928,753</u>	<u>8,407,682</u>	<u>1,521,071</u>
Excess of revenues over expenditures	<u>774,920</u>	<u>1,203,704</u>	<u>428,784</u>
Other Financing Sources (Uses)			
Transfers in:			
Endowment Permanent Fund	<u>5,000</u>	<u>11,878</u>	<u>6,878</u>
Transfers out:			
Capital Project Funds:			
Recreation center	(570,833)	-	570,833
Fleet replacement	(40,000)	(40,000)	-
Land planning development	(125,870)	(59,876)	65,994
Enterprise Funds:			
Water and Sewer Utility	(49,125)	-	49,125
Total transfers out	<u>(785,828)</u>	<u>(99,876)</u>	<u>685,952</u>
Net Other Financing Sources (Uses)	<u>(780,828)</u>	<u>(87,998)</u>	<u>692,830</u>
Net change in fund balance	<u>\$ (5,908)</u>	1,115,706	<u>1,121,614</u>
Fund Balance, beginning of year		<u>11,155,118</u>	
Fund Balance, end of year		<u>\$ 12,270,824</u>	

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

City of Bethel, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue Funds						Permanent Fund	
	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Volunteer Fire Assistance	Homeland Security FY15	Bethel Transit Plan	911 Surcharges	Endowment
Assets:								
Cash and investments	\$ 5,434	240,478	-	9,148	-	5,000	412,717	1,913,468
Accounts receivable	-	-	50,408	-	299,000	-	-	-
Total Assets	<u>5,434</u>	<u>240,478</u>	<u>50,408</u>	<u>9,148</u>	<u>299,000</u>	<u>5,000</u>	<u>412,717</u>	<u>1,913,468</u>
Liabilities and Fund Balances (Deficits)								
Liabilities:								
Accounts payable	-	-	9,294	-	-	-	-	-
Accrued payroll	-	-	7,316	-	-	-	3,653	-
Due to other funds	66,820	-	33,798	-	299,000	-	-	15,344
Unearned revenue	-	-	-	9,148	-	5,000	-	-
Total liabilities	<u>66,820</u>	<u>-</u>	<u>50,408</u>	<u>9,148</u>	<u>299,000</u>	<u>5,000</u>	<u>3,653</u>	<u>15,344</u>
Fund balances (deficits):								
Restricted	-	240,478	-	-	-	-	409,064	1,898,124
Assigned	-	-	-	-	-	-	-	-
Unassigned (deficits)	(61,386)	-	-	-	-	-	-	-
Total fund balances (deficits)	<u>(61,386)</u>	<u>240,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,064</u>	<u>1,898,124</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,434</u>	<u>240,478</u>	<u>50,408</u>	<u>9,148</u>	<u>299,000</u>	<u>5,000</u>	<u>412,717</u>	<u>1,913,468</u>

(Continued)

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

	Capital Project Funds								
	Institutional Corridor	Land Planning Development	Park Development	Fire Station Roof Repair	Sewage Lagoon	Fleet Replacement	Public Safety Building	Wind Turbine	Total Nonmajor Governmental Funds
Assets:									
Cash and investments	\$ -	21,173	112,853	1,079	984	651,143	-	199,889	3,573,366
Accounts receivable	161,242	-	-	399	-	-	53,815	-	564,864
Total Assets	<u>161,242</u>	<u>21,173</u>	<u>112,853</u>	<u>1,478</u>	<u>984</u>	<u>651,143</u>	<u>53,815</u>	<u>199,889</u>	<u>4,138,230</u>
Liabilities and Fund Balances (Deficits)									
Liabilities:									
Accounts payable	-	-	86,649	-	-	-	-	-	95,943
Accrued payroll	-	-	-	-	-	-	-	-	10,969
Due to other funds	161,242	-	-	-	-	-	53,815	-	630,019
Unearned revenue	-	-	-	-	984	-	-	-	15,132
Total Liabilities	<u>161,242</u>	<u>-</u>	<u>86,649</u>	<u>-</u>	<u>984</u>	<u>-</u>	<u>53,815</u>	<u>-</u>	<u>752,063</u>
Fund Balances (Deficits)									
Restricted	-	-	-	-	-	-	-	-	2,547,666
Assigned	-	21,173	26,204	1,478	-	651,143	-	199,889	899,887
Unassigned (deficits)	-	-	-	-	-	-	-	-	(61,386)
Total Fund Balances (Deficits)	<u>-</u>	<u>21,173</u>	<u>26,204</u>	<u>1,478</u>	<u>-</u>	<u>651,143</u>	<u>-</u>	<u>199,889</u>	<u>3,386,167</u>
Total Liabilities and Fund Balances (deficits)	<u>\$ 161,242</u>	<u>21,173</u>	<u>112,853</u>	<u>1,478</u>	<u>984</u>	<u>651,143</u>	<u>53,815</u>	<u>199,889</u>	<u>4,138,230</u>

City of Bethel, Alaska
 Nonmajor Governmental Funds
 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances (Deficits)
 Year Ended June 30, 2016

Special Revenue Funds							
	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Homeland Security FY15	Wind Energy Feasibility	911 Surcharges	FEMA Firefighter Assistance
Revenues:							
Intergovernmental:							
Federal sources	\$ -	-	-	308,000	-	-	97,385
State of Alaska	-	-	301,784	-	64,793	-	-
Local sources:							
Charges for services	-	-	-	-	-	152,267	-
Income from investments	2	-	-	-	-	-	-
Miscellaneous	-	-	30,180	-	-	-	-
Total revenues	<u>2</u>	<u>-</u>	<u>331,964</u>	<u>308,000</u>	<u>64,793</u>	<u>152,267</u>	<u>97,385</u>
Expenditures:							
Current:							
Public safety	-	-	331,964	308,000	-	232,834	97,385
Public works	-	-	-	-	64,793	-	-
Community services	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>331,964</u>	<u>308,000</u>	<u>64,793</u>	<u>232,834</u>	<u>97,385</u>
Excess of revenues over (under) expenditures	2	-	-	-	-	(80,567)	-
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	2	-	-	-	-	(80,567)	-
Fund balances (deficits), beginning of year	<u>(61,388)</u>	<u>240,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,631</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ (61,386)</u>	<u>240,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>409,064</u>	<u>-</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

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

	Permanent Fund	Capital Project Funds				
	Endowment	Harbor Dredging	Institutional Corridor	Land Planning Development	Park Development	Fire Station Roof Repair
Revenues:						
Intergovernmental:						
Federal sources	\$ -	-	-	-	-	-
State of Alaska	-	729	422,220	-	-	-
Locals sources:						
Charges for services	-	-	-	-	-	-
Income from investments	35,282	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>35,282</u>	<u>729</u>	<u>422,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Capital outlay	-	729	422,220	-	86,649	-
Total expenditures	<u>-</u>	<u>729</u>	<u>422,220</u>	<u>-</u>	<u>86,649</u>	<u>-</u>
Excess of revenues over (under) expenditures	35,282	-	-	-	(86,649)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	(11,878)	-	-	-	-	-
Net other financing sources (uses)	<u>(11,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	23,404	-	-	-	(86,649)	-
Fund balances (deficits), beginning of year	<u>1,874,720</u>	<u>-</u>	<u>-</u>	<u>21,173</u>	<u>112,853</u>	<u>1,478</u>
Fund balances (deficits), end of year	<u>\$ 1,898,124</u>	<u>-</u>	<u>-</u>	<u>21,173</u>	<u>26,204</u>	<u>1,478</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

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

	Capital Project Funds					Total Nonmajor Governmental Funds
	Sewage Lagoon	Fleet Replacement	Public Safety Building	Memorial Park	Wind Turbine	
Revenues:						
Intergovernmental:						
Federal sources	\$ -	-	-	-	-	405,385
State of Alaska	57,392	-	33,000	5,123	-	885,041
Local sources:						
Charges for services	-	-	-	-	-	152,267
Income from investments	-	-	-	-	-	35,284
Miscellaneous	-	25,225	-	-	-	55,405
Total revenues	<u>57,392</u>	<u>25,225</u>	<u>33,000</u>	<u>5,123</u>	<u>-</u>	<u>1,533,382</u>
Expenditures:						
Current:						
Public safety	-	-	-	-	-	970,183
Public works	-	-	-	-	-	64,793
Community services	-	-	-	-	-	-
Capital outlay	57,392	43,999	33,000	5,123	-	649,112
Total expenditures	<u>57,392</u>	<u>43,999</u>	<u>33,000</u>	<u>5,123</u>	<u>-</u>	<u>1,684,088</u>
Excess of revenues over (under) expenditures	-	(18,774)	-	-	-	(150,706)
Other financing sources (uses):						
Transfers in	-	170,000	-	-	-	170,000
Transfers (out)	-	-	-	-	-	(11,878)
Net other financing sources (uses)	<u>-</u>	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,122</u>
Net change in fund balances (deficits)	-	151,226	-	-	-	7,416
Fund balances (deficits), beginning of year	<u>-</u>	<u>499,917</u>	<u>-</u>	<u>-</u>	<u>199,889</u>	<u>3,378,751</u>
Fund balances (deficits), end of year	<u>\$ -</u>	<u>651,143</u>	<u>-</u>	<u>-</u>	<u>199,889</u>	<u>3,386,167</u>

City of Bethel, Alaska

Police Asset Forfeiture Special Revenue Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - Income from investments	\$ <u>-</u>	<u>2</u>	<u>2</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>2</u>	<u><u>2</u></u>
Fund balance (deficit), beginning of year		<u>(61,388)</u>	
Fund balance (deficit), end of year		\$ <u><u>(61,386)</u></u>	

City of Bethel, Alaska

Rasmuson Special Revenue Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - contributions	\$ <u>740,549</u>	<u>-</u>	<u>740,549</u>
Expenditures:			
Community services:			
Supplies	40,549	-	40,549
Equipment	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Total expenditures	<u>740,549</u>	<u>-</u>	<u>740,549</u>
Excess of revenues over expenditures	\$ <u>-</u>	<u>-</u>	<u>1,481,098</u>
Fund Balance, beginning of year		<u>240,478</u>	
Fund Balance, end of year		\$ <u>240,478</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, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental -			
State of Alaska	\$ 346,829	301,784	(45,045)
Local sources - in-kind	-	30,180	30,180
Total revenues	<u>346,829</u>	<u>331,964</u>	<u>(14,865)</u>
Expenditures:			
Public safety:			
Personnel	228,034	199,129	28,905
Travel and training	-	25	(25)
Supplies	19,301	809	18,492
Utilities and fuel	24,000	2,930	21,070
Equipment	61,961	66,707	(4,746)
Insurance	-	8,183	(8,183)
In-kind	-	30,180	(30,180)
Other purchased services	13,533	24,001	(10,468)
Total expenditures	<u>346,829</u>	<u>331,964</u>	<u>14,865</u>
Excess of revenues over expenditures	\$ <u>-</u>	-	<u>-</u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		\$ <u>-</u>	

City of Bethel, Alaska

Homeland Security FY15 Special Revenue Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ <u>326,000</u>	<u>308,000</u>	<u>(18,000)</u>
Expenditures -			
Public safety - equipment	<u>326,000</u>	<u>308,000</u>	<u>18,000</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		\$ <u><u>-</u></u>	

City of Bethel, Alaska

Wind Energy Feasibility Special Revenue Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
State of Alaska	\$ <u>150,000</u>	<u>64,793</u>	<u>(85,207)</u>
Expenditures -			
Public works - other purchased services	<u>150,000</u>	<u>64,793</u>	<u>85,207</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		\$ <u><u>-</u></u>	

City of Bethel, Alaska

911 Surcharges Special Revenue Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - charges for services	\$ <u>233,000</u>	<u>152,267</u>	<u>(80,733)</u>
Expenditures:			
Public safety:			
Personnel	209,252	176,278	32,974
Travel and training	7,500	3,474	4,026
Utilities and fuel	8,600	1,297	7,303
Supplies	1,000	2,842	(1,842)
Equipment	10,500	6,889	3,611
Other purchased services	59,500	16,410	43,090
Rents and leases	-	4,836	(4,836)
Insurance	675	983	(308)
Other expenditures	19,825	19,825	-
Total expenditures	<u>316,852</u>	<u>232,834</u>	<u>84,018</u>
Excess (deficiency) revenues over expenditures	\$ <u>(83,852)</u>	(80,567)	<u>3,285</u>
Fund balance , beginning of year		<u>489,631</u>	
Fund balance , end of year		\$ <u><u>409,064</u></u>	

City of Bethel, Alaska

FEMA Firefighter Assistance

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ <u>102,510</u>	<u>97,385</u>	<u>(5,125)</u>
Expenditures			
Public safety - minor equipment	<u>102,510</u>	<u>97,385</u>	<u>5,125</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

Endowment Permanent Fund

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

Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - investment income	\$ 5,000	35,282	30,282
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues of expenditures	5,000	35,282	30,282
Other financing uses -			
Transfers out	<u>(3,500)</u>	<u>(11,878)</u>	<u>(8,378)</u>
Net change in fund balance	\$ <u>1,500</u>	23,404	<u>21,904</u>
Fund balance , beginning of year		<u>1,874,720</u>	
Fund balance , end of year		\$ <u>1,898,124</u>	

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 1,958,123
Receivables:	
Accounts receivable (net of allowance)	645,394
Inventory	58,202
Total current assets	<u>2,661,719</u>

Capital assets:

Construction in progress	2,287,054
Depreciable assets	35,361,989
Less accumulated depreciation	<u>(25,649,734)</u>
Net capital assets	<u>11,999,309</u>

Deferred outflows of resources -

Pension deferrals	<u>459,998</u>
-------------------	----------------

Total assets and deferred outflows of resources \$ 15,121,026

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:

Current liabilities:

Accounts payable	\$ 486,920
Accrued payroll	59,963
Accrued leave	94,687
Security deposits	332,714
Total current liabilities	<u>974,284</u>

Long-term Liabilities:

Advances from other funds	3,453,451
Net pension liability	<u>2,922,660</u>
Total long-term liabilities	<u>6,376,111</u>

Total liabilities 7,350,395

Deferred inflows of resources -

Pension deferrals	<u>51,744</u>
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Net position:

Net investment in capital assets	11,999,309
Unrestricted (deficit)	<u>(4,280,422)</u>
Total net position	<u>7,718,887</u>

Total liabilities, deferred inflows of resources and net position \$ 15,121,026

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

Operating revenues:	
Charges for services	\$ 6,638,026
Other	3,877
Total operating revenues	<u>6,641,903</u>
Operating expenses:	
Personnel	3,447,086
Travel and training	4,129
Materials and supplies	190,536
Utilities and fuel	854,347
Minor equipment and tools	63,849
Depreciation	988,165
Other purchased services	117,750
Insurance	60,910
Repairs and maintenance	641,785
Other expenses	96,706
Bad debt expense	29,391
Indirect cost	244,314
Total operating expenses	<u>6,738,968</u>
Loss from operations	(97,065)
Nonoperating revenues -	
State PERS relief	<u>108,129</u>
Income before transfers and contributions	11,064
Transfers out - Fleet Replacement Special Revenue Fund	<u>(70,000)</u>
Capital contributions	<u>1,374,590</u>
Change in net position	<u>1,315,654</u>
Net position, beginning of year	<u>6,403,233</u>
Net position, end of year	<u>\$ 7,718,887</u>

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 6,640,306
Payment to suppliers	(2,015,333)
Payment to employees	<u>(2,378,513)</u>
Net cash flows from operating activities	<u>2,246,460</u>
Cash flows from (for) noncapital financing activities:	
Transfers out	(70,000)
(Increase) in deferred outflows-pension	(271,329)
(Decrease) in deferred inflows-pension	<u>(132,410)</u>
Net cash flows (for) noncapital financing activities	<u>(473,739)</u>
Cash Flows from (for) Capital and Related Financing Activities	
Acquisition of capital assets	(1,448,463)
Capital contributions received	<u>1,374,590</u>
Net cash flows from (for) capital and related financing activities	<u>(73,873)</u>
Net increase in cash and cash equivalents	<u>1,698,848</u>
Cash and cash equivalents, beginning of year	<u>259,275</u>
Cash and cash equivalents, end of year	<u>\$ 1,958,123</u>
Reconciliation of loss from (for) operations to net cash flows from (for) operating activities:	
Loss from operations	\$ (97,065)
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation	988,165
PERS on-behalf expense	108,129
(Increase) decrease in assets:	
Accounts receivable	(17,142)
Inventory	32,848
Increase (decrease) in liabilities:	
Accounts payable	255,536
Accrued payroll	16,956
Accrued leave	13,250
Deposits	15,545
Unfunded pension liability	<u>930,238</u>
Net cash flows from operating activities	<u>\$ 2,246,460</u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 6,442,097
Accounts receivable (net of allowance)	388,223
Inventory	49,579
Total current assets	<u>6,879,899</u>

Capital assets:

Land	2,207,356
Construction in progress	40,134
Depreciable assets	30,961,646
Less accumulated depreciation	<u>(9,320,021)</u>
Net capital assets	<u>23,889,115</u>

Deferred outflows of resources -

Pension deferrals	<u>74,910</u>
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Total assets and deferred outflows of resources \$ 30,843,924

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:

Accounts payable	\$ 8,997
Accrued payroll	13,624
Accrued leave	44,818
Unearned revenue	603,598
Total current liabilities	<u>671,037</u>

Long-term liabilities -

Net pension liability	<u>475,953</u>
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Total liabilities 1,146,990

Deferred inflows of resources -

Pension deferrals	<u>8,426</u>
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Net position:

Net investment in capital assets	23,889,115
Unrestricted	<u>5,799,393</u>
Total net position	<u>29,688,508</u>

Total liabilities, deferred inflows of resources and net position \$ 30,843,924

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

Operating revenues:	
Charges for services	\$ 1,116,482
Other	27,692
Total operating revenues	<u>1,144,174</u>
Operating expenses:	
Personnel	578,780
Travel and training	3,091
Materials and supplies	11,667
Utilities and fuel	44,565
Minor equipment and tools	3,736
Depreciation	727,561
Other purchased services	27,154
Insurance	17,476
Repairs and maintenance	176,702
Other expenses	41,800
Indirect cost	50,400
Total operating expenses	<u>1,682,932</u>
Income (loss) from operations	(538,758)
Nonoperating revenues:	
State PERS relief	17,609
Insurance proceeds	48,750
Investment income	10,140
Loss on asset disposal	(4,573)
Total nonoperating revenues	<u>71,926</u>
Loss before transfers	(466,832)
Transfers out - Fleet Replacement Special Revenue Fund	<u>(25,000)</u>
Change in net position	<u>(491,832)</u>
Net position, beginning of year	<u>30,180,340</u>
Net position, end of year	<u>\$ 29,688,508</u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,354,837
Payment to suppliers	(380,288)
Payment to employees	(358,283)
Net cash flows from operating activities	<u>616,266</u>
Cash flows from (for) noncapital financing activities:	
Insurance proceeds	48,750
Transfers to other funds	(25,000)
Decrease in due to other funds	3,419,369
(Increase) in deferred outflows-pension	(25,470)
(Decrease) in deferred inflows-pension	(18,856)
Net cash flows (for) non capital financing activities	<u>3,398,793</u>
Cash flows from (for) capital and related financing activities:	
Acquisition of capital assets	<u>(67,134)</u>
Cash flows from investing activities -	
Investment income received	<u>10,140</u>
Net Increase in cash and cash equivalents	3,958,065
Cash and cash equivalents, beginning of year	<u>2,484,032</u>
Cash and cash equivalents, end of year	<u>\$ 6,442,097</u>
Reconciliation of loss from (for) operations to net cash flows from operating activities:	
Loss from operations	\$ (538,758)
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation and amortization	727,561
PERS on-behalf expense	17,609
(Increase) decrease in assets:	
Accounts receivable	32,447
Inventory	(1,213)
Increase (decrease) in liabilities:	
Accounts payable	(2,484)
Accrued payroll	3,440
Unearned revenue	178,216
Accrued leave	18,669
Unfunded pension liability	180,779
Net cash flows from operating activities	<u>\$ 616,266</u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statements of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$	55,248
Inventory		7,684
Total current assets		62,932

Long-term assets -

Restricted cash - bond reserve		450,557
		450,557

Capital assets:

Land		43,000
Depreciable assets		9,846,804
Less accumulated depreciation		(4,696,753)
Net capital assets		5,193,051

Total long-term assets		5,643,608
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Total assets	\$	5,706,540
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Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

Current liabilities:

Accounts payable	\$	14,358
Current portion - bonds payable		165,000
Accrued interest payable		33,144
Total current liabilities		212,502

Long-term Liabilities:

Advances from other funds		928,960
Bonds payable, net of current portion		2,470,000
Unamortized bond premium		79,780
Total long-term liabilities		3,478,740

Total liabilities		3,691,242
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Net position:

Net investment in capital assets		2,478,271
Restricted - bond reserve		450,557
Unrestricted (deficit)		(913,530)
Total net position		2,015,298

Total liabilities and net position	\$	5,706,540
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City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

Operating revenues:	
Charges for services	\$ <u>620,796</u>
Operating expenses:	
Minor equipment and tools	177,450
Depreciation and amortization	319,592
Other purchased services	9,926
Insurance	17,619
Repairs and maintenance	61,889
Other expenses	<u>34,562</u>
Total operating expenses	<u>621,038</u>
Increase (loss) from operations	(242)
Nonoperating revenues (expenses):	
Investment income	24,453
Interest expense	(134,707)
Amortization of bond premium	<u>7,252</u>
Net nonoperating revenues (expenses)	<u>(103,002)</u>
Change in net position	(103,244)
Net position, beginning of year	<u>2,118,542</u>
Net position, end of year	<u>\$ <u>2,015,298</u></u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 620,796
Payment to suppliers	(320,442)
Net cash flows from operating activities	<u>300,354</u>
Cash flows for capital and related financing activities:	
Principal paid on long-term debt	(162,252)
Interest paid on long-term debt	(129,586)
Net cash flows (for) capital and related financing activities	<u>(291,838)</u>
Cash flows from investing activities	<u>24,453</u>
Net increase in cash and cash equivalents	32,969
Cash and cash equivalents, beginning of year	<u>472,836</u>
Cash and cash equivalents, end of year	<u>\$ 505,805</u>
Reconciliation of loss from (for) operations to net cash flows from operating activities:	
Income from operations	\$ (242)
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation and amortization	319,592
(Increase) decrease in assets:	
Inventory	23
Increase (decrease) in liabilities:	
Accounts payable	(19,019)
Net cash flows from operating activities	<u>\$ 300,354</u>
Reconciliation of cash and equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 55,248
Restricted cash - bond reserve	450,557
	<u>\$ 505,805</u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current assets

Cash and investments	\$ 3,704,421
Accounts receivable, net of allowance	110,575
Inventory	3,806
Total current assets	<u>3,818,802</u>

Capital assets:

Land	18,252
Depreciable assets	1,339,761
Less accumulated depreciation	<u>(1,141,683)</u>
Net capital assets	<u>216,330</u>

Deferred outflows of resources -

Pension deferrals	<u>50,790</u>
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Total assets and deferred outflows of resources	<u><u>\$ 4,085,922</u></u>
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Liabilities, deferred inflows of resources and net position

Liabilities:

Current liabilities:

Accounts payable	\$ 23,647
Accrued payroll	6,451
Accrued leave	<u>36,228</u>
Total current liabilities	<u>66,326</u>

Long-term liabilities:

Landfill closure costs	2,397,236
Net pension liability	<u>322,699</u>
Total long-term liabilities	<u>2,719,935</u>

Total liabilities	<u>2,786,261</u>
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Deferred inflows of resources -

Pension deferrals	<u>5,713</u>
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Net position

Net investment in capital assets	216,330
Unrestricted	<u>1,077,618</u>
Total net position	<u>1,293,948</u>

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 4,085,922</u></u>
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City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

Operating revenues -	
Charges for services	\$ <u>1,169,461</u>
Operating expenses:	
Personnel	323,571
Travel and training	666
Materials and supplies	6,399
Utilities and fuel	41,137
Minor equipment and tools	20,786
Depreciation	28,468
Other purchased services	8,818
Insurance	13,088
Repairs and maintenance	61,817
Landfill closure costs	1,055,506
Other expenses	11,655
Indirect cost	54,087
Total operating expenses	<u>1,625,998</u>
Income (loss) from operations	<u>(456,537)</u>
Nonoperating revenues -	
State PERS relief	<u>11,939</u>
Income before transfers	(444,598)
Transfers out - Fleet Replacement Special Revenue Fund	<u>(35,000)</u>
Change in net position	(479,598)
Net position, beginning of year	<u>1,773,546</u>
Net position, end of year	\$ <u><u>1,293,948</u></u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,176,723
Payment to suppliers	(224,798)
Payment to employees	(274,947)
Net cash flows from operating activities	<u>676,978</u>
Cash flows (for) noncapital financing activities:	
Transfers out	(35,000)
(Increase) in deferred outflows-pension	(20,067)
Increase in deferred inflows-pension	(21,569)
Net cash flows (for) noncapital financing activities	<u>(76,636)</u>
Cash flows (for) capital related financing activities:	
Acquisition of capital assets	<u>(12,360)</u>
Net increase in cash and cash equivalents	587,982
Cash and cash equivalents, beginning of year	<u>3,116,439</u>
Cash and cash equivalents, end of year	\$ <u><u>3,704,421</u></u>
Reconciliation of income from (for) operations to net cash flows from operating activities:	
Income from operations	(456,537)
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation	28,468
PERS on-behalf expense	11,939
(Increase) decrease in assets:	
Accounts receivable	7,262
Inventory	(704)
Increase (decrease) in liabilities:	
Accounts payable	(5,641)
Accrued payroll	1,308
Accrued leave	7,852
Landfill closure costs	1,055,506
Unfunded pension liability	27,525
Net cash flows from operating activities	\$ <u><u>676,978</u></u>

City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Net Position
June 30, 2016

Assets

Current assets:

Cash and investments	\$ 3,780,414
Inventory	26,929
Prepaid expenses	20,520
Total current assets	<u>3,827,863</u>

Capital assets:

Depreciable assets	23,061,119
Less accumulated depreciation	<u>(1,363,942)</u>
Net capital assets:	<u>21,697,177</u>

Total assets	\$ <u><u>25,525,040</u></u>
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Liabilities and Net Position

Liabilities -

Current liabilities -	
Accounts payable	\$ <u>23,231</u>

Net position:

Net investment in capital assets	21,697,177
Unrestricted	<u>3,804,632</u>
Total net position	<u>25,501,809</u>

Total liabilities and net position	\$ <u><u>25,525,040</u></u>
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City of Bethel, Alaska

Multi-Use Recreation Center Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2016

Operating Revenues:

Charges for services:

Pro-shop and concession revenue	\$ 75,145
Facility rental income	7,763
Permits, licenses and fees	332,012
Total operating revenues	<u>414,920</u>

Operating expenses:

Capital outlay:

Repairs and maintenance	1,667
Other purchased services	909,396
Depreciation	804,293
Insurance	25,237
Utilities and fuel	298,912
Minor equipment and tools	4,430
Indirect costs	52,046
Other expenses	72
Total operating expenses	<u>2,096,053</u>

Loss from operations	(1,681,133)
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Nonoperating revenues:

Sales tax	539,359
State capital grant	3,000
Investment income	429
Total nonoperating revenues	<u>542,788</u>

Change in net position	(1,138,345)
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Net position , beginning of year	<u>26,640,154</u>
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Net position , end of year	<u>\$ 25,501,809</u>
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City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 469,767
Payment to suppliers	(1,336,709)
Net cash flows (for) operating activities	<u>(866,942)</u>
Cash flows from noncapital financing activities:	
Capital grants	3,000
Transfers in-sales tax	539,359
Net cash flows from noncapital financing activities	<u>542,359</u>
Cash flows from investing activities -	
Investment income received	<u>429</u>
Net increase in cash and cash equivalents	(324,154)
Cash and cash equivalents, beginning of year	<u>4,104,568</u>
Cash and cash equivalents, end of year	<u>\$ 3,780,414</u>
Reconciliation of loss from (for) operations to net cash flows for operating activities:	
Loss from operations	\$ (1,681,133)
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation	804,293
(Increase) decrease in assets:	
Accounts receivable	54,847
Inventory	5,498
Prepaid expenses	(8,837)
Increase (decrease) in liabilities:	
Accounts payable	<u>(41,610)</u>
Net cash flows (for) operating activities	<u>\$ (866,942)</u>

City of Bethel, Alaska
Public Transit Enterprise Fund (Deficit)
Statement of Net Position
June 30, 2016

Assets and Deferred Outflows of Resources

Current assets:	
Receivables - grants	\$ 248,623
Inventory	5,386
Total current assets	<u>254,009</u>
Capital assets:	
Depreciable assets	347,720
Less accumulated depreciation	(262,901)
Net capital assets	<u>84,819</u>
Deferred outflows of resources -	
Pension deferrals	<u>37,947</u>
Total assets and deferred outflows of resources	<u>\$ 376,775</u>

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

Current liabilities:	
Accounts payable	\$ 2,201
Accrued payroll	8,121
Accrued leave	13,375
Due to other funds	268,156
Total current liabilities	<u>291,853</u>
Long-term-	
Net pension liability	<u>241,102</u>
Total liabilities	<u>532,955</u>
Deferred inflows of resources -	
Pension deferrals	<u>4,269</u>
Total liabilities and deferred inflows of resources	<u>537,224</u>
Net position (deficits):	
Net investment in capital assets	84,819
Unrestricted (deficit)	(245,268)
Total net position (deficit)	<u>(160,449)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 376,775</u>

City of Bethel, Alaska

Public Transit Enterprise Fund

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

Year Ended June 30, 2016

Operating revenues -	
Charges for services	\$ <u>34,564</u>
Operating expenses:	
Personnel	291,298
Travel and training	525
Materials and supplies	6,483
Utilities and fuel	50,424
Minor equipment and tools	2,521
Depreciation and amortization	36,901
Other purchased services	497
Insurance	7,171
Repairs and maintenance	30,208
Other expenses	16,137
Total operating expenses	<u>442,165</u>
Loss from operations	(407,601)
Nonoperating revenues:	
FTA grant	13,980
Federal sources	220,621
State PERS relief	8,920
Total nonoperating revenues	<u>243,521</u>
Income before transfers	(164,080)
Transfers in - General Fund	<u>59,876</u>
Change in net position	<u>(104,204)</u>
Net position (deficit), beginning of year	<u>(56,245)</u>
Net position (deficit), end of year	<u>\$ <u>(160,449)</u></u>

City of Bethel, Alaska
Public Transit Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2016

Cash flows from (for) operating activities:	
Receipts from customers	\$ 34,564
Payment to suppliers	(121,475)
Payment to employees	(183,687)
Net cash flows (for) operating activities	<u>(270,598)</u>
Cash flows from (for) noncapital financing activities:	
Operating grants received	42,153
Transfers in	59,876
Increase (decrease) in due to central treasury	200,256
(Increase) in deferred outflows-pension	(22,585)
(Decrease) increase in deferred inflows-pension	(9,102)
Net cash flows from noncapital financing activities	<u>270,598</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of loss from (for) operations to net cash flows (for) operating activities:	
Loss from operations	\$ (407,601)
Adjustments to reconcile loss from operations to net cash flows for operating activities:	
Depreciation and amortization	36,901
PERS on-behalf expense	8,920
(Increase) decrease in assets:	
Accounts receivable	-
Inventory	1,211
Increase (decrease) in liabilities:	
Accounts payable	(8,720)
Accrued payroll	1,288
Accrued leave	3,888
Unfunded pension liability	93,515
Net cash flows (for) operating activities	<u><u>\$ (270,598)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Net Position (Deficit)
June 30, 2016

	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Assets			
Current assets -			
Accounts receivable	\$ 538	-	538
Inventory	-	390,079	390,079
Total current assets	538	390,079	390,617
Capital assets:			
Depreciable assets	-	107,902	107,902
Less accumulated depreciation	-	(98,716)	(98,716)
Net capital assets	-	9,186	9,186
Total assets	\$ 538	399,265	399,803
Liabilities and net position:			
Current liabilities:			
Accounts and claims payable	76,449	22,416	98,865
Accrued payroll	-	6,300	6,300
Accrued leave	-	19,429	19,429
Due to other funds	732,140	116,533	848,673
Total current liabilities	808,589	164,678	973,267
Net position - unrestricted (deficit)	(808,051)	234,587	(573,464)
Total liabilities and net position	\$ 538	399,265	399,803

City of Bethel, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position (Deficit)

Year Ended June 30, 2016

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Operating revenues -			
Interfund charges for services	\$ 1,888,390	664,275	2,552,665
Operating expenses:			
Personnel	-	371,772	371,772
Claims	1,198,757	-	1,198,757
Travel and training	-	525	525
Materials and supplies	-	14,116	14,116
Utilities and fuel	-	68,155	68,155
Minor equipment and tools	-	11,373	11,373
Depreciation	-	3,552	3,552
Other purchased services	55,269	8,912	64,181
Insurance	592,066	2,596	594,662
Repairs and maintenance	-	329,426	329,426
Other expenses	-	1,265	1,265
Indirect costs	72,629	60,344	132,973
Total operating expenses	<u>1,918,721</u>	<u>872,036</u>	<u>2,790,757</u>
Change in net position	(30,331)	(207,761)	(238,092)
Net position (deficit), beginning of year	<u>(777,720)</u>	<u>442,348</u>	<u>(335,372)</u>
Net position (deficit), end of year	\$ <u><u>(808,051)</u></u>	<u><u>234,587</u></u>	<u><u>(573,464)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2016

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Cash flows from (for) operating activities:			
Receipts from interfund services provided	\$ 1,887,852	664,275	2,552,127
Payment to suppliers	(2,058,318)	(357,083)	(2,415,401)
Payment to employees	-	(363,625)	(363,625)
Net cash flows from (for) operating activities	<u>(170,466)</u>	<u>(56,433)</u>	<u>(226,899)</u>
Cash flows from noncapital financing activities -			
Increase in due to other funds	<u>170,466</u>	<u>56,433</u>	<u>226,899</u>
Cash flows (for) capital and related financing activities -			
Acquisition of capital assets	<u>-</u>	<u>-</u>	<u>-</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 from operations to net cash flows (for) operating activities:			
Income (loss) from operations	(30,331)	(207,761)	(238,092)
Adjustments to reconcile loss from operations to net cash flows for operating activities:			
Depreciation	-	3,552	3,552
(Increase) decrease in assets:			
Accounts receivable	(538)	-	(538)
Inventory	-	152,594	152,594
Increase (decrease) in liabilities:			
Accounts and claims payable	(139,597)	(12,965)	(152,562)
Accrued payroll	-	(1,600)	(1,600)
Accrued leave	-	9,747	9,747
Net Cash Flows from (for) Operating Activities	<u>\$ (170,466)</u>	<u>(56,433)</u>	<u>(226,899)</u>

City of Bethel, Alaska
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016

<u>Federal Grant Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance</u>	<u>Total Grant Award</u>	<u>Federal Share of Expenditures</u>
U.S. Department of the Interior				
Passed through the State of Alaska Department of Commerce, Community, and Economic Development - Payment in Lieu of Taxes	None	15.226	\$ <u>854,998</u>	\$ <u>854,998</u>
U.S. Department of Transportation				
Passed through the State of Alaska Department of Transportation and Public Facilities - Formula Grants for Other Than Urbanized Areas - Rural Public Transit	2512-16-0400	20.509	<u>267,841</u>	<u>220,621</u>
U.S. Department of Homeland Security				
Direct - Assistance to Firefighters Grant	EMW-2013-FO-07030	97.044	102,510	97,385
Passed through the State of Alaska Department of Military and Veterans Affairs - State Homeland Security	EMW-2014-SS-00010	97.067	<u>326,000</u>	<u>308,000</u>
Total Department of Homeland Security			<u>428,510</u>	<u>405,385</u>
Total Expenditures of Federal Awards			\$ <u>1,551,349</u>	<u>1,481,004</u>

CITY OF BETHEL, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Bethel under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of City of Bethel, it is not intended to and does not present the basic financial statements of City of Bethel.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Passed Through Awards

No amounts were passed through to subrecipients.

City of Bethel, Alaska
 Schedule of State Financial Assistance
 Year Ended June 30, 2016

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Share of Expenditures</u>
Department of Commerce, Community and Economic Development			
Aquatic Training and Health Center	13-DC-629	\$ 23,075,000	3,000
* Community Revenue Sharing	None	373,949	373,949
* Sewer and Water Project Institutional Corridor	14-DC-042	6,966,000	422,220
New Bethel Police Station	11-DC-192	3,000,000	33,000
Harbor Dredging	13-GO-002	3,999,950	729
Sewage Lagoon	15-DC-038	700,000	57,392
Total Department of Commerce, Community and Economic Development		<u>38,114,899</u>	<u>890,290</u>
Department of Administration			
Motor Vehicle Registration Tax	None	45,060	45,060
Electric Cooperative Revenue Sharing	None	32,886	32,886
Liquor License	None	7,500	7,500
* PERS on Behalf	None	345,702	345,702
Total Department of Administration		<u>431,148</u>	<u>431,148</u>
Department of Health and Social Services			
* Community Service Patrol	602-203-1602	301,784	301,784
Department of Military and Veterans Affairs			
Alaska Territorial Guard Memorial	N/A	140,000	5,123
Alaska Energy Authority			
Alternative Energy Feasibility Study	410034	1,500,000	64,793
Total State Financial Assistance			<u>\$ 1,693,138</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			
State Financial Assistance per Schedule			<u>\$ 1,693,138</u>
Adjustments:			
State financial assistance recorded in proprietary funds			(149,597)
PERS on-behalf adjustment for full accrual pension expense under GASB 68			<u>933</u>
Total state revenues per exhibit B-3			<u>\$ 1,544,474</u>

City of Bethel

Notes to Schedule of State Financial Assistance

Year ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of City of Bethel under programs of the State of Alaska for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of City of Bethel, it is not intended to and does not present the basic financial statements of City of Bethel.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Subrecipients

No state funds were passed through to Subrecipients.

Note 4. Major Programs

* denotes a major program for compliance audit purposes.

COMPLIANCE REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, Alaska (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Federal Schedule of Federal Findings and Questioned Costs as Findings 2016-001, 2016-002, 2016-004, 2016-005, and 2016-006 to be material weaknesses.

Members of the Council
City of Bethel

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Federal Schedule of Findings and Questioned Costs as Finding 2016-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bethel, Alaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Bethel, Alaska's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska
November 17, 2017

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited City of Bethel, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Bethel, Alaska's major federal programs for the year ended June 30, 2016. City of Bethel, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bethel, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bethel, Alaska's compliance.

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

As described in the accompanying Federal Schedule of Findings and Questioned Costs, the City of Bethel, Alaska did not comply with requirements regarding CFDA #15.226 Payment in Lieu of Taxes as described in Finding 2016-007 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Bethel, Alaska to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #15.226 Payment in Lieu of Taxes

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Bethel, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Payment in Lieu of Taxes Program for the year ended June 30, 2016.

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

Report on Internal Control Over Compliance

Management of the City of Bethel, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bethel, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bethel, Alaska's internal control over compliance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of Federal Findings and Questioned Costs as item 2016-007 to be a material weakness.

Members of the Council
City of Bethel

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska
November 17, 2017

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

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

_____ Yes x No

Internal control over financial reporting:

Material weakness(es) identified?

x Yes _____ No

Significant deficiency(ies) identified?

x Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes x No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified

(2 CFR 200.516 (a)(1))?

x Yes _____ No

Significant deficiency(ies) identified

(2 CFR 200.516 (a)(1))?

_____ Yes x None reported

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

x Yes _____ No

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

Qualified

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

_____ Yes x No

Identification of major programs:

CFDA Number(s)/Cluster

15.226

Name of Federal Program or Cluster

Payment in Lieu of Taxes

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes x No

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2016-001
Material Weakness

Internal Controls Over Beginning Balances

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

Criteria: Timely and accurate reconciliation of key general ledger accounts is an important step in the monthly, quarterly, and annual financial close and reporting process. These reconciliations help ensure accurate general ledger balances, which in turn helps ensure accurate financial statements.

Context: Beginning fund balance/net position for multiple opinion units was misstated by approximately \$22 Million before adjustment.

Cause: Management did not properly record proposed audit adjustments from the prior year.

Effect: Beginning fund balance/net position was materially misstated at the start of fieldwork.

Recommendation: The City should ensure that management reviews all proposed audit adjustments, posts them to the general ledger in a timely manner, and reconciles the audited financial statements to the general ledger at the completion of the audit.

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

Finding 2016-002
Material Weakness

Internal Controls Over Capital Assets

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

Criteria: Timely and accurate reconciliation of key general ledger accounts is an important step in the monthly, quarterly, and annual financial close and reporting process. These reconciliations help ensure accurate general ledger balances, which in turn helps ensure accurate financial statements.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

- Context:** The City did not prepare an updated reconciliation of construction in progress balances and enterprise funds required adjustment to agree to the supporting capital asset schedules.
- Cause:** Schedules were not clerically accurate, and the general ledger was not reconciled to the enterprise funds' capital asset schedules.
- Effect:** Several account balances required material adjustments for correction and construction in progress was not reconciled for approximately 11 months after year end.
- Recommendation:** The City should ensure that the personnel in charge of maintaining the general ledger and producing capital asset supporting schedules review capital asset related activity on a timely basis and post the necessary adjustments in a timely manner.
- Management Response:** Management agrees with this finding, see corrective action plan.

Finding 2016-003
Significant Deficiency

Internal Control Over Payroll Disbursements

- Condition:** During the course of our testing of internal control over the payroll system we noted a lack of internal control over the processing of payroll transactions.
- Criteria:** Internal control over financial reporting requires adequate policies and procedures to ensure that payroll transactions are processed and recorded accurately in the general ledger.
- Context:** We attempted to test a random sample of 40 payroll transactions and noted multiple errors in the sample. One personnel file was missing documentation for a wage increase during the year and one disbursement was incorrectly calculated based on the supporting time sheet. Additionally we noted that there was no documentation of authorization for deferred compensation deductions for two employees tested.
- Cause:** Lack of internal control over the payroll system.
- Effect:** Payroll transactions tested were not properly processed and recorded in the general ledger.
- Recommendation:** The City should ensure that the personnel files are maintained throughout the year with all necessary documentation for wages and authorized deductions. Additionally, all pay checks should be reviewed for mathematical accuracy and compared to approved time sheets.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

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

Finding 2016-004 **Internal Control over Port Billings**
Material Weakness

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

Criteria: Adequate internal control over financial reporting requires that transactions are accompanied by supporting documentation for amounts recorded in the general ledger.

Context: We were unable to test a sample of Port billings due to the amount of supporting documentation destroyed in the fire.

Cause: A fire at the Port office destroyed necessary documents and the City did not maintain backup documentation for such an event.

Effect: We were unable to test internal control over the Port billing system.

Recommendation: The City should scan paper documents into an electronic format for storage off-site.

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

Finding 2016-005 **Internal Control over Sales Tax Revenues**
Material Weakness

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

Criteria: Adequate internal control over financial reporting requires that transactions are accompanied by supporting documentation for amounts recorded in the general ledger.

Context: We tested a sample of 40 sales tax transactions and noted no documentation of sales tax exemptions claimed on 11 of the sales tax returns and noted differences between amounts reported and amounts paid for two sales tax returns.

Cause: Lack of internal control over the processing of sales tax returns.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Effect: Businesses may be claiming incorrect exemptions and/or remitting incorrect amounts to the City for sales taxes owed.

Recommendation: The City should review all sales tax returns received for accuracy and reconcile payments received to the underlying sales tax returned submitted.

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

Finding 2016-006 **Internal Control Over Credit Card Transactions**
Material Weakness

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

Criteria: Internal control over financial reporting requires adequate policies and procedures to ensure that transactions are processed and recorded accurately in the general ledger and are accompanied by adequate supporting documentation.

Context: We tested two of twelve monthly credit card statements and neither statement was accompanied by adequate supporting documentation for all transactions recorded. Numerous transactions on each statement had no 3rd party receipt or support for the charges recorded.

Cause: Lack of internal control over the credit card system.

Effect: Credit card transactions may be recorded incorrectly in the general ledger without supporting documentation to determine the opinion unit or proper expense/expenditure category to record the transaction. Additionally, charges may be recorded for non-business purposes without adequate review/approval for credit card charges.

Recommendation: The City should require supporting documentation for all credit card charges and each statement should be reviewed and approved by a member of management.

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

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section III – Federal Award Findings and Questioned Costs

Finding 2016-007 **Internal Control over Reporting – U.S. Department of Interior - CFDA**
Material Weakness/ **#15.226 Payment in Lieu of Taxes – Award Year 2016**
Material Noncompliance

Condition: The Organization did not adhere to the OMB Uniform Guidance requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period. This finding is repeated from Finding 2015-005.

Criteria: Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires that single audit reports be submitted to the federal audit clearinghouse within earlier of 30 days after the report is issued or nine months of year end.

Context: The Organization did not retain an audit firm with sufficient time to complete the audit before the reporting deadline.

Cause: Management failed to retain and schedule the annual audit and adequately reconcile the general ledger with sufficient time to complete the audit before nine months after the end of the fiscal year.

Effect: The City is not in compliance with Uniform Guidance reporting requirements.

Questioned Costs: None

Recommendation: We recommend the City to reconcile general ledger accounts in a timely manner and schedule the annual audit with sufficient time to meet the deadline.

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

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Section IV – Summary of Prior Audit Findings

Financial Statement Findings

Finding 2015-001 **General Ledger Reconciliation – Internal Control over Financial**
Material Weakness **Reporting**

Condition: During the course of the audit we noted several general ledger accounts, including grant revenue, accounts receivable, accounts payable and inventory that were not reconciled in a timely manner.

Status: Finding resolved

Finding 2015-002 **Lack of Internal controls over Bond Accruals**
Significant Deficiency

Condition: During work over the lease revenue bond, we noted that there was no accrual for interest payable. An entry for \$37,338 was made to adjust for 3 months of accrued interest.

Status: Finding resolved

Finding 2015-003 **General Ledger Reconciliation – Internal Control over Capital Assets**
Material Weakness

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

Status: Finding repeated as Finding 2016-002

Finding 2015-004 **Internal Control over Accounts Receivable**
Material Weakness

Condition: During the audit we noted that the aged accounts receivable balance did not agree to the general ledger balance in the general fund for non-taxable accounts receivable.

Status: Finding resolved

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

Federal Award Findings

Finding 2015-005
**Material Weakness/
Material Noncompliance**

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

Condition: The Organization did not adhere to the OMB Circular A-133 requirement of submitting the reporting package within the earlier of 30 days after receipt of the audit report, or nine months after the end of the audit period.

Status: Finding repeated as Finding 2016-007

Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Bethel, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City of Bethel, Alaska's major state programs for the year ended June 30, 2016. The City of Bethel, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Bethel, Alaska's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Bethel, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of the City of Bethel, Alaska's compliance.

Members of the Council
City of Bethel, Alaska

Basis for Qualified Opinion on Major State Programs

As described in Finding 2016-008 in the accompanying State Schedule of Findings and Questioned Costs, the City of Bethel, Alaska did not comply with requirements regarding reporting for each Major State Program. Compliance with such requirements is necessary in our opinion, for City of Bethel, Alaska to comply with the requirements applicable to those programs.

Qualified Opinion on Major State Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Bethel, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and which is described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2016-009. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the City of Bethel, Alaska, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bethel's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bethel, Alaska's internal control over compliance.

Members of the Council
City of Bethel, Alaska

Our consideration of the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2016-008 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2016-009 to a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska
November 17, 2017

City of Bethel, Alaska

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

Is a material noncompliance disclosed?

 Yes X No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

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

Qualified

Dollar threshold used to distinguish
a state major program:

\$ 75,000

Section II – Financial Statement Findings

See Federal Schedule of Findings and Questioned Costs

State Schedule of Findings and Questioned Costs, Continued

Section III – State Award Findings and Questioned Costs

Finding 2016-008

**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – All State Programs

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

Criteria: The *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* requires that single audit reports be submitted to the State within earlier of 30 days after the report is issued or nine months of year end.

Context: The Organization was not prepared for the annual audit which resulted in significant delays.

Cause: Management failed to timely reconcile general ledger accounts, delaying audit fieldwork.

Effect: Late reporting could jeopardize grant funding.

Questioned costs: None.

Recommendation: We recommend the City to reconcile general ledger accounts in a timely manner.

Management’s Response: Management concurs with finding. See corrective action plan.

Finding 2016-009

**Significant Deficiency/
Noncompliance**

Internal Control over Reporting

<u>Department</u>	<u>Grant #</u>	<u>Programs</u>
Departments of Health and Social Services	602-203-1602	Community Service Patrol

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

Criteria: Reports are required to be submitted by the deadlines included in the grant agreement.

State Schedule of Findings and Questioned Costs, Continued

Context: During our testing of reporting requirements, we found that 2 of the four reports reviewed were not submitted timely to the granting agency. One report was submitted 78 days late and one was submitted three days late.

Cause: Lack of internal control over grant reporting.

Effect: Agencies may not consider future funding assistance.

Questioned costs: None.

Recommendation: We recommend that management implement internal control over reporting requirements to ensure reports are completed timely and accurately.

Management's Response: Management concurs with finding. See corrective action plan.

Section IV – Summary of Prior Audit Findings

Finding 2015-006
**Material Weakness/
Material Noncompliance**

Internal Control over Reporting

<u>Department</u>	<u>Grant #</u>	<u>Programs</u>
Division of Community and Regional Affairs	13-GO-002	Harbor Dredging
Departments of Health and Social Services	602-203-1502	Community Service Patrol

Status: This finding is repeated as Finding 2016-009.

Finding 2015-007
**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – All State Programs

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

Status: This finding has been repeated as Finding 2016-008.



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Corrective Action Plan

June 30, 2016

Finding 2016-001
Material Weakness

Internal Controls Over Beginning Balances

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: Internal controls will be put in place to insure all Year-End adjustments are posted in a timely manner. This ensures FY17 Beginning Balances will be accurate.

Proposed Completion Date: December 31, 2017.

Finding 2016-002
Material Weakness

Internal Controls Over Capital Assets

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The City is in the process of hiring a new Assistant Finance Director and Capital Asset Accounting will be one of this positions primary tasks.

Proposed Completion Date: December 31, 2017.

Finding 2016-003
Significant Deficiency

Internal Controls Over Payroll Disbursements

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The City will have two accountants professionally trained to utilize its payroll system and implement procedures to correct disbursement issues.

Proposed Completion Date: December 31, 2017.

CITY OF BETHEL, ALASKA

Corrective Action Plan, Continued

Finding 2016-004
Significant Deficiency

Internal Controls Over Port Billings

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The Port has hired an Administrative Assistant whose primary job is Billings and Collections.

Proposed Completion Date: December 31, 2017.

Finding 2016-005
Significant Deficiency

Internal Controls Over Sales Taxes

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The City has hired a Sales Tax Accountant to Invoice, Collect and Reconcile Sales Taxes.

Proposed Completion Date: December 31, 2017.

Finding 2016-006
Significant Deficiency

Internal Controls Over Credit Card Transactions

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The City eliminated all Credit Cards and replaced them with the Wells Fargo P-Card system which affords real time monitoring of all transactions. Per Card limits have been implemented.

Proposed Completion Date: December 31, 2017.

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

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

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The FY17 Audit will be issued prior to March 31, 2018.

Proposed Completion Date: December 31, 2017.

CITY OF BETHEL, ALASKA

Corrective Action Plan, Continued

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

Internal Control over Reporting – All State Programs

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The Finance Department and the Grant Management Personnel are working closely together to ensure timely reporting.

Proposed Completion Date: December 31, 2017.

Finding 2016-009
**Significant Deficiency/
Noncompliance**

Internal Control over Reporting

<u>Department</u>	<u>Grant #</u>	<u>Programs</u>
Departments of Health and Social Services	602-203-1602	Community Service Patrol

Name of Contact: Jim Chevigny, Finance Director

Corrective Action Plan: The Finance Department and the Grant Management Personnel are working closely together to ensure timely reporting.

Proposed Completion Date: December 31, 2017.