

CITY OF BETHEL

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

Year Ended June 30, 2018

CITY OF BETHEL

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

Year Ended June 30, 2018

CITY OF BETHEL

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Independent Auditor's Report

Members of the City Council
City of Bethel
Bethel, Alaska

Report on the Financial Statements

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 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bethel'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, 2018, 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.

Change in Accounting Principle

As discussed in Note XVIII to the financial statements, in 2018 the City of Bethel adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

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 Proportionate Share of the Net OPEB Liability, Schedule of the City's Contributions (Pensions), Schedule of the City's Contributions (OPEB), and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Original and Final Budget and Actual for the General Fund and the Lagoon Upgrade Design Special Revenue Fund on pages 47-52 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The “Additional Supplementary Information” is 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” is 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 July 1, 2019, on our consideration of the City of Bethel’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bethel’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bethel’s internal control over financial reporting and compliance.



Anchorage, Alaska
July 1, 2019

City of Bethel, Alaska
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets:			
Cash and cash equivalents	\$ 7,492,417	15,220,738	22,713,155
Accounts receivable (net)	1,565,740	1,170,606	2,736,346
Grants receivable	4,106,831	-	4,106,831
Inventory	382,859	166,456	549,315
Prepaid items	20,629	-	20,629
Internal balances	3,134,475	(3,134,475)	-
Investments	3,912,222	1,181,131	5,093,353
Total current assets	<u>20,615,173</u>	<u>14,604,456</u>	<u>35,219,629</u>
Long-term assets:			
Restricted cash	-	217,445	217,445
Capital assets not being depreciated	40,437,673	14,798,220	55,235,893
Depreciable capital assets	30,469,697	102,486,724	132,956,421
Accumulated depreciation	(20,072,293)	(46,227,755)	(66,300,048)
Net capital assets	<u>50,835,077</u>	<u>71,057,189</u>	<u>121,892,266</u>
Deferred outflows of resources:			
Pension and OPEB deferrals	793,705	588,499	1,382,204
Total long-term assets and deferred outflows of resources	<u>51,628,782</u>	<u>71,863,133</u>	<u>123,491,915</u>
Total assets and deferred outflows of resources	<u>\$ 72,243,955</u>	<u>86,467,589</u>	<u>158,711,544</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 3,534,121	291,485	3,825,606
Accrued payroll	242,755	105,042	347,797
Accrued liabilities	15,156	-	15,156
Utility deposits	-	358,528	358,528
Unearned revenue	27,454	51,135	78,589
Accrued interest payable	-	7,754	7,754
Total current liabilities	<u>3,819,486</u>	<u>813,944</u>	<u>4,633,430</u>
Long-term liabilities:			
Due within one year:			
Accrued leave	402,369	205,732	608,101
Bonds payable	-	165,000	165,000
Note payable - current	40,862	-	40,862
Due in more than one year:			
Note payable	709,043	-	709,043
Bonds payable	-	1,835,000	1,835,000
Unamortized bond premium	-	268,280	268,280
Landfill closure costs	-	2,517,098	2,517,098
Net pension and OPEB liabilities	6,834,183	4,491,330	11,325,513
Total long-term liabilities	<u>7,986,457</u>	<u>9,482,440</u>	<u>17,468,897</u>
Deferred inflows of resources:			
Pension and OPEB deferrals	1,414,522	767,547	2,182,069
Total liabilities and deferred inflows of resources	<u>13,220,465</u>	<u>11,063,931</u>	<u>24,284,396</u>
Net position:			
Net investment in capital assets	50,085,172	68,788,909	118,874,081
Restricted	103,616	217,445	321,061
Unrestricted	8,834,702	6,397,304	15,232,006
Total net position	<u>59,023,490</u>	<u>75,403,658</u>	<u>134,427,148</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 72,243,955</u>	<u>86,467,589</u>	<u>158,711,544</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statement of Activities

Year Ended June 30, 2018

	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Costs	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
Governmental activities:								
General government	\$ 2,807,014	(760,371)	304,610	924,858	-	(817,175)	-	(817,175)
Public safety	4,723,846	-	179,728	64,173	91,342	(4,388,603)	-	(4,388,603)
Public works	2,695,266	-	-	63,442	9,642,953	7,011,129	-	7,011,129
Community services	208,400	-	-	232,613	-	24,213	-	24,213
Total governmental activities	<u>10,434,526</u>	<u>(760,371)</u>	<u>484,338</u>	<u>1,285,086</u>	<u>9,734,295</u>	<u>1,829,564</u>	<u>-</u>	<u>1,829,564</u>
Business-type activities:								
Water and sewer utility	5,826,591	588,218	6,958,047	-	-	-	543,238	543,238
Municipal dock	1,345,559	82,447	1,131,172	-	-	-	(296,834)	(296,834)
Rental property	665,587	-	724,026	-	-	-	58,439	58,439
Solid waste	727,650	89,706	1,189,349	-	-	-	371,993	371,993
Multi-use recreation facility	2,024,380	-	495,196	-	-	-	(1,529,184)	(1,529,184)
Public transit	440,955	-	32,513	191,193	-	-	(217,249)	(217,249)
Total business-type activities	<u>11,030,722</u>	<u>760,371</u>	<u>10,530,303</u>	<u>191,193</u>	<u>-</u>	<u>-</u>	<u>(1,069,597)</u>	<u>(1,069,597)</u>
Total primary government	<u>\$ 21,465,248</u>	<u>-</u>	<u>11,014,641</u>	<u>1,476,279</u>	<u>9,734,295</u>	<u>1,829,564</u>	<u>(1,069,597)</u>	<u>759,967</u>
General revenues:								
Taxes, including penalties and interest						8,161,802	-	8,161,802
Investment income						221,579	63,702	285,281
Permits, licenses and fees						677,402	-	677,402
State PERS relief						124,798	133,120	257,918
Other						442,719	13,884	456,603
Transfers						(534,789)	534,789	-
Transfer of capital assets						(9,057,572)	9,057,572	-
Total general revenues and transfers						<u>35,939</u>	<u>9,803,067</u>	<u>9,839,006</u>
Change in net position						<u>1,865,503</u>	<u>8,733,470</u>	<u>10,598,973</u>
Net position, beginning of year						58,665,563	67,478,397	126,143,960
Cumulative effect of a change in accounting principle						<u>(1,507,576)</u>	<u>(808,209)</u>	<u>(2,315,785)</u>
Net position, beginning of year, as restated						<u>57,157,987</u>	<u>66,670,188</u>	<u>123,828,175</u>
Net Position, end of year						<u>\$ 59,023,490</u>	<u>75,403,658</u>	<u>134,427,148</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Lagoon Upgrade Design Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,760,779	-	1,731,638	7,492,417
Receivables, net	1,565,740	-	-	1,565,740
Grants receivable	-	2,460,701	1,646,130	4,106,831
Inventory	126,163	-	-	126,163
Prepaid items	20,629	-	-	20,629
Investments	2,459,853	-	1,452,369	3,912,222
Due from other funds	1,249,545	-	-	1,249,545
Due from enterprise funds	923,581	-	-	923,581
Advances to enterprise funds	2,925,628	-	-	2,925,628
Total assets	\$ 15,031,918	2,460,701	4,830,137	22,322,756
Liabilities, Deferred Inflows and Fund Balances				
Liabilities				
Accounts payable	177,417	2,358,550	604,727	3,140,694
Accrued payroll	224,671	-	7,717	232,388
Accrued liabilities	15,156	-	-	15,156
Due to other funds	-	102,151	1,147,394	1,249,545
Unearned revenue	19,984	-	7,470	27,454
Total liabilities	\$ 437,228	2,460,701	1,767,308	4,665,237
Deferred inflows of resources				
Taxes	75,109	-	-	75,109
Fund balances				
Nonspendable	3,072,420	-	-	3,072,420
Restricted	-	-	103,616	103,616
Committed	-	-	1,880,328	1,880,328
Assigned	-	-	1,140,267	1,140,267
Unassigned	11,447,161	-	(61,382)	11,385,779
Total fund balances	14,519,581	-	3,062,829	17,582,410
Total liabilities, deferred inflows and fund balances	\$ 15,031,918	2,460,701	4,830,137	22,322,756

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position

June 30, 2018

Total fund balances for governmental funds			\$ 17,582,410
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	955,889		
Total capital assets not being depreciated		40,437,673	
Depreciable capital assets:			
Improvements	2,003,841		
Buildings	12,542,773		
Equipment	4,541,234		
Infrastructure	9,692,527		
Vehicles	1,689,322		
Total depreciable capital assets		30,469,697	
Accumulated depreciation		(20,072,293)	
Total capital assets			50,835,077
Sales taxes not collected within 60 days of year end are not deemed available and are reported as unearned revenues in the fund statements.			75,109
Long term liabilities are not deemed due and payable in the current period and are therefore not reported as governmental fund liabilities.			
Long-term debt		(749,905)	
Accrued leave		(387,704)	(1,137,609)
Changes in deferred inflows and outflows of resources are the results of timing difference in the actuarial report:			
Pension and OPEB related assets in the current fiscal year are presented as deferred outflows of resources			793,705
Pension and OPEB related liabilities in the current fiscal year are presented as deferred inflows of resources			(1,414,522)
Proportional share of the collective net pension and OPEB liabilities			(6,834,183)
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.		(874,270)	
Less amount reported for capital assets above		(2,227)	
			(876,497)
Total net position of governmental activities			\$ 59,023,490

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, 2018

	General Fund	Lagoon Upgrade Design Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental:				
Federal sources	\$ 886,218	5,023,199	848,579	6,757,996
State of Alaska	429,408	1,674,400	2,471,596	4,575,404
Local Sources:				
Taxes	8,412,391	-	-	8,412,391
Charges for services	33,326	-	146,402	179,728
Rental income	2,675	-	-	2,675
Permits, licenses and fees	677,402	-	-	677,402
Income from investments	209,741	-	11,838	221,579
Miscellaneous	319,724	-	88,012	407,736
In-kind	-	-	32,308	32,308
Total revenues	<u>10,970,885</u>	<u>6,697,599</u>	<u>3,598,735</u>	<u>21,267,219</u>
Expenditures				
Current:				
General government	1,981,274	-	-	1,981,274
Public safety	3,920,097	-	622,950	4,543,047
Public works	2,499,571	365	11,000	2,510,936
Community services	207,900	-	500	208,400
Debt service:				
Interest expense	10,122	-	-	10,122
Debt service payments	61,095	-	-	61,095
Capital outlay	1,298,564	6,697,599	2,945,391	10,941,554
Total expenditures	<u>9,978,623</u>	<u>6,697,964</u>	<u>3,579,841</u>	<u>20,256,428</u>
Excess (deficiency) of revenues over expenditures	<u>992,262</u>	<u>(365)</u>	<u>18,894</u>	<u>1,010,791</u>
Other Financing Sources (Uses)				
Debt proceeds	811,000	-	-	811,000
Transfers to enterprise funds	(534,789)	-	-	(534,789)
Transfers in	17,618	365	25,708	43,691
Transfers (out)	(21,251)	-	(22,440)	(43,691)
Net other financing sources (uses)	<u>272,578</u>	<u>365</u>	<u>3,268</u>	<u>276,211</u>
Net change in fund balances	1,264,840	-	22,162	1,287,002
Fund Balances , beginning of year	<u>13,254,741</u>	<u>-</u>	<u>3,040,667</u>	<u>16,295,408</u>
Fund Balances , end of year	<u>\$ 14,519,581</u>	<u>-</u>	<u>3,062,829</u>	<u>17,582,410</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, 2018

Net change in fund balances - total governmental funds		\$	1,287,002
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	10,941,862		
Depreciation	<u>(849,245)</u>		
			10,092,617
Transfer of capital assets to business type-activities			(9,057,572)
Loss on disposal of capital assets			(9,091)
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.			
			(250,589)
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 decrease	10,112		
Increase in the collective share of the net pension and OPEB liabilities	2,928,267		
Debt proceeds	(811,000)		
Debt payments	<u>61,095</u>		
			2,188,474
Changes in deferred outflows and inflows of resources are the result of timing differences in the actuarial report. Contributions to the pension and OPEB 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.			
			(2,349,840)
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			
	(32,642)		
Add change attributable to accrued leave above	(6,263)		
Less change attributable to depreciation above	<u>3,407</u>		
			<u>(35,498)</u>
Change in net position of governmental activities		\$	<u><u>1,865,503</u></u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statements of Net Position

Proprietary Funds

June 30, 2018

	Major Enterprise Funds							
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Assets and Deferred Outflows of Resources								
Current assets:								
Cash and cash equivalents	\$ 3,504,091	2,949,484	891,963	4,275,420	3,599,780	-	15,220,738	-
Accounts receivable (net)	704,238	346,556	3,235	116,577	-	-	1,170,606	-
Inventory	65,550	63,201	6,614	3,276	23,179	4,636	166,456	256,696
Investments	-	1,181,131	-	-	-	-	1,181,131	-
Total current assets	<u>4,273,879</u>	<u>4,540,372</u>	<u>901,812</u>	<u>4,395,273</u>	<u>3,622,959</u>	<u>4,636</u>	<u>17,738,931</u>	<u>256,696</u>
Long-term assets:								
Restricted cash - bond reserve	-	-	217,445	-	-	-	217,445	-
Capital assets:								
Land	-	2,237,356	43,000	18,252	-	-	2,298,608	-
Construction in progress	11,314,993	1,167,200	17,419	-	-	-	12,499,612	-
Depreciable assets	34,982,564	32,779,185	9,876,329	1,186,265	23,297,167	365,214	102,486,724	86,902
Less accumulated depreciation	(26,151,767)	(10,727,190)	(5,376,069)	(712,219)	(2,990,940)	(269,570)	(46,227,755)	(84,675)
Net capital assets	<u>20,145,790</u>	<u>25,456,551</u>	<u>4,560,679</u>	<u>492,298</u>	<u>20,306,227</u>	<u>95,644</u>	<u>71,057,189</u>	<u>2,227</u>
Total long-term assets	<u>20,145,790</u>	<u>25,456,551</u>	<u>4,778,124</u>	<u>492,298</u>	<u>20,306,227</u>	<u>95,644</u>	<u>71,274,634</u>	<u>2,227</u>
Deferred outflows of resources -								
Pension and OPEB deferrals	<u>458,063</u>	<u>55,060</u>	<u>-</u>	<u>54,539</u>	<u>-</u>	<u>20,837</u>	<u>588,499</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 24,877,732</u>	<u>30,051,983</u>	<u>5,679,936</u>	<u>4,942,110</u>	<u>23,929,186</u>	<u>121,117</u>	<u>89,602,064</u>	<u>258,923</u>

(Continued)

City of Bethel, Alaska

Statements of Net Position , Continued

Proprietary Funds

	Major Enterprise Funds						Total Enterprise Funds	Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund		
Liabilities, Deferred Inflows of Resources and Net Position								
Liabilities:								
Current liabilities:								
Accounts and claims payable	138,405	13,356	21,943	7,447	106,670	3,664	291,485	393,427
Accrued payroll	74,828	13,764	-	9,933	-	6,517	105,042	10,367
Accrued leave	133,319	11,909	-	35,750	-	24,754	205,732	14,665
Deposits	358,528	-	-	-	-	-	358,528	-
Unearned revenue	-	-	51,135	-	-	-	51,135	-
Due to other funds	-	-	-	-	-	208,847	208,847	714,734
Current portion - bonds payable	-	-	165,000	-	-	-	165,000	-
Accrued interest payable	-	-	7,754	-	-	-	7,754	-
Total current liabilities	705,080	39,029	245,832	53,130	106,670	243,782	1,393,523	1,133,193
Long-term liabilities:								
Advances from other funds	1,996,668	-	928,960	-	-	-	2,925,628	-
Bonds payable, net of current portion	-	-	1,835,000	-	-	-	1,835,000	-
Unamortized bond premium	-	-	268,280	-	-	-	268,280	-
Landfill closure costs	-	-	-	2,517,098	-	-	2,517,098	-
Net pension and OPEB liabilities	3,445,694	374,317	-	449,216	-	222,103	4,491,330	-
Total long-term liabilities	5,442,362	374,317	3,032,240	2,966,314	-	222,103	12,037,336	-
Deferred inflows of resources -								
Pension and OPEB deferrals	572,924	49,400	-	87,240	-	57,983	767,547	-
Total liabilities and deferred inflows of resources	6,720,366	462,746	3,278,072	3,106,684	106,670	523,868	14,198,406	1,133,193
Net position:								
Net investment in capital assets	20,145,790	25,456,551	2,292,399	492,298	20,306,227	95,644	68,788,909	2,227
Restricted	-	-	217,445	-	-	-	217,445	-
Unrestricted	(1,988,424)	4,132,686	(107,980)	1,343,128	3,516,289	(498,395)	6,397,304	(876,497)
Total net position	18,157,366	29,589,237	2,401,864	1,835,426	23,822,516	(402,751)	75,403,658	(874,270)
Total liabilities and net position	\$ 24,877,732	30,051,983	5,679,936	4,942,110	23,929,186	121,117	89,602,064	258,923

See accompanying notes to basic financial statements.

City of Bethel, Alaska

Statements of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2018

Major Enterprise Funds

	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues:								
Charges for services	\$ 6,958,047	1,131,172	724,026	1,189,349	495,196	32,513	10,530,303	3,207,381
Other	4,339	1,596	(4,896)	-	-	-	1,039	-
Total operating revenues	<u>6,962,386</u>	<u>1,132,768</u>	<u>719,130</u>	<u>1,189,349</u>	<u>495,196</u>	<u>32,513</u>	<u>10,531,342</u>	<u>3,207,381</u>
Operating expenses:								
Personnel	2,802,478	337,853	-	389,377	-	264,038	3,793,746	519,311
Travel and training	9,861	1,297	-	1,884	-	-	13,042	8,072
Materials and supplies	161,092	11,286	-	4,649	-	3,382	180,409	7,646
Utilities and fuel	757,552	48,104	127,198	36,299	307,003	36,564	1,312,720	84,157
Claims	-	-	-	-	-	-	-	1,768,074
Minor equipment and tools	84,882	20,950	-	12,644	3,393	1,936	123,805	7,231
Depreciation and amortization	1,098,612	798,558	340,702	68,223	815,218	31,424	3,152,737	3,407
Other purchased services	55,946	10,499	94,009	9,015	821,606	467	991,542	717,777
Insurance	109,980	21,077	28,307	7,322	31,773	6,059	204,518	16,963
Repairs and maintenance	649,835	89,653	7,755	130,953	7,787	21,886	907,869	792
Other expenses	60,204	6,282	-	7,353	37,600	64,476	175,915	140
Landfill closure costs	-	-	-	59,931	-	-	59,931	-
Bad debt expense	36,149	-	-	-	-	-	36,149	-
Indirect cost	588,218	82,447	-	89,706	-	-	760,371	106,453
Total operating expenses	<u>6,414,809</u>	<u>1,428,006</u>	<u>597,971</u>	<u>817,356</u>	<u>2,024,380</u>	<u>430,232</u>	<u>11,712,754</u>	<u>3,240,023</u>
Income (loss) from operations	<u>547,577</u>	<u>(295,238)</u>	<u>121,159</u>	<u>371,993</u>	<u>(1,529,184)</u>	<u>(397,719)</u>	<u>(1,181,412)</u>	<u>(32,642)</u>

(Continued)

City of Bethel, Alaska

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

Proprietary Funds

Major Enterprise Funds

	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Nonoperating revenues (expenses):								
Interest expense	-	-	(67,616)	-	-	-	(67,616)	-
Investment income	10,489	(3,981)	1,781	-	55,413	-	63,702	-
Loss and disposal	-	-	-	-	-	(10,723)	(10,723)	-
Federal sources	-	-	-	-	-	191,193	191,193	-
State PERS relief	99,490	8,744	-	15,416	-	9,470	133,120	-
Refunding costs	-	-	12,845	-	-	-	12,845	-
Net nonoperating revenues (expenses)	<u>109,979</u>	<u>4,763</u>	<u>(52,990)</u>	<u>15,416</u>	<u>55,413</u>	<u>189,940</u>	<u>322,521</u>	<u>-</u>
Income (loss) before capital contributions and transfers	<u>657,556</u>	<u>(290,475)</u>	<u>68,169</u>	<u>387,409</u>	<u>(1,473,771)</u>	<u>(207,779)</u>	<u>(858,891)</u>	<u>(32,642)</u>
Capital contributions	<u>9,057,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,057,572</u>	<u>-</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,789</u>	<u>-</u>	<u>534,789</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,789</u>	<u>-</u>	<u>534,789</u>	<u>-</u>
Change in net position	<u>9,715,128</u>	<u>(290,475)</u>	<u>68,169</u>	<u>387,409</u>	<u>(938,982)</u>	<u>(207,779)</u>	<u>8,733,470</u>	<u>(32,642)</u>
Net position, beginning of year, as previously stated	<u>9,044,343</u>	<u>29,930,659</u>	<u>2,333,695</u>	<u>1,540,648</u>	<u>24,761,498</u>	<u>(132,446)</u>	<u>67,478,397</u>	<u>(841,628)</u>
Cumulative effect of a change in accounting principle	<u>(602,105)</u>	<u>(50,947)</u>	<u>-</u>	<u>(92,631)</u>	<u>-</u>	<u>(62,526)</u>	<u>(808,209)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>8,442,238</u>	<u>29,879,712</u>	<u>2,333,695</u>	<u>1,448,017</u>	<u>24,761,498</u>	<u>(194,972)</u>	<u>66,670,188</u>	<u>(841,628)</u>
Net Position, end of year	<u>\$ 18,157,366</u>	<u>29,589,237</u>	<u>2,401,864</u>	<u>1,835,426</u>	<u>23,822,516</u>	<u>(402,751)</u>	<u>75,403,658</u>	<u>(874,270)</u>

See accompanying notes to basic financial statements.

City of Bethel, Alaska
 Statements of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2018

	Major Enterprise Funds							Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	
Cash flows from (for) operating activities:								
Receipts from customers	\$ 6,930,689	1,289,225	769,849	1,172,522	575,483	32,513	10,770,281	-
Receipts from interfund services provided	-	-	-	-	-	-	-	3,208,184
Payment to suppliers	(2,445,428)	(514,866)	(248,482)	(302,198)	(1,132,381)	(136,006)	(4,779,361)	(2,474,837)
Payment to employees	(2,909,251)	(346,341)	-	(411,437)	-	(285,484)	(3,952,513)	(511,517)
Net cash flows from (for) operating activities	<u>1,576,010</u>	<u>428,018</u>	<u>521,367</u>	<u>458,887</u>	<u>(556,898)</u>	<u>(388,977)</u>	<u>2,038,407</u>	<u>221,830</u>
Cash flows from (for) noncapital financing activities:								
Operating and capital grants	-	-	-	-	-	228,774	228,774	-
Bad debt recovery	-	-	12,845	-	-	-	12,845	-
Transfers in	-	-	-	-	534,789	-	534,789	-
Increase (decrease) due to other funds	-	-	-	-	-	160,203	160,203	(221,830)
Net cash flows from (for) noncapital financing activities	<u>-</u>	<u>-</u>	<u>12,845</u>	<u>-</u>	<u>534,789</u>	<u>388,977</u>	<u>936,611</u>	<u>(221,830)</u>
Cash flows from (for) capital and related financing activities:								
Acquisition and construction of capital assets	(102,273)	(1,894,471)	(17,419)	(32,000)	-	-	(2,046,163)	-
Principal paid on long-term debt	-	-	(175,000)	-	-	-	(175,000)	-
Interest paid on long-term debt	-	-	(97,425)	-	-	-	(97,425)	-
Net cash flows from (for) capital and related financing activities	<u>(102,273)</u>	<u>(1,894,471)</u>	<u>(289,844)</u>	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>(2,318,588)</u>	<u>-</u>
Cash flows from investing activities -								
Investment income received	-	(3,981)	1,781	-	55,413	-	53,213	-
Redemption of investments	-	1,197,702	-	-	-	-	1,197,702	-
Net cash flows from investing activities	<u>-</u>	<u>1,193,721</u>	<u>1,781</u>	<u>-</u>	<u>55,413</u>	<u>-</u>	<u>1,250,915</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,473,737	(272,732)	246,149	426,887	33,304	-	1,907,345	-
Cash and cash equivalents, beginning of year	<u>2,030,354</u>	<u>3,222,216</u>	<u>863,259</u>	<u>3,848,533</u>	<u>3,566,476</u>	<u>-</u>	<u>13,530,838</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 3,504,091</u>	<u>2,949,484</u>	<u>1,109,408</u>	<u>4,275,420</u>	<u>3,599,780</u>	<u>-</u>	<u>15,438,183</u>	<u>-</u>
Composed of:								
Cash and cash equivalents	\$ 3,504,091	2,949,484	891,963	4,275,420	3,566,476	-	15,187,434	-
Restricted cash - bond reserve	-	-	217,445	-	-	-	217,445	-
Total cash and cash equivalents	<u>3,504,091</u>	<u>2,949,484</u>	<u>1,109,408</u>	<u>4,275,420</u>	<u>3,566,476</u>	<u>-</u>	<u>15,404,879</u>	<u>-</u>

(Continued)

City of Bethel, Alaska
 Statements of Cash Flows, Continued
 Proprietary Funds

	Major Enterprise Funds							Internal Service Funds
	Water and Sewer Utility	Municipal Dock	Rental Property	Solid Waste	Multi-Use Recreation Center	Nonmajor Enterprise Fund	Total Enterprise Funds	
Reconciliation of income (loss) from operations to net cash flows from (for) operating activities:								
Income (loss) from operations	\$ 547,577	(295,238)	121,159	371,993	(1,529,184)	(397,719)	(1,181,412)	(32,642)
Adjustments to reconcile income (loss) from operations to net cash from (for) operating activities:							-	
Depreciation and amortization	1,098,612	798,558	340,702	68,223	815,218	31,424	3,152,737	3,407
Pension and OPEB expense	942,253	(10,804)	-	52,441	-	19,205	1,003,095	-
(Increase) decrease in assets:								
Accounts receivable	(55,293)	156,457	(416)	(16,827)	80,287	-	164,208	803
Inventory	(15,452)	-	-	-	-	-	(15,452)	(14,166)
Increase (decrease) in liabilities:								
Accounts and claims payable	83,743	(223,271)	8,787	(2,373)	76,781	(1,236)	(57,569)	256,634
Accrued leave	13,961	878	-	(3,145)	-	7,442	19,136	6,263
Accrued payroll	10,793	1,438	-	1,209	-	889	14,329	1,531
Deposits/unearned revenue	23,596	-	51,135	-	-	-	74,731	-
Unfunded pension and OPEB liabilities	(1,073,780)	-	-	(72,565)	-	(48,982)	(1,195,327)	-
Landfill closure costs	-	-	-	59,931	-	-	59,931	-
Net cash flows from (for) operating activities	\$ 1,576,010	428,018	521,367	458,887	(556,898)	(388,977)	2,038,407	221,830
Noncash item -								
Capital assets transferred from governmental activities	\$ 9,057,572	-	-	-	-	-	9,057,572	-

See accompanying notes to basic financial statements.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements

June 30, 2018

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 *Lagoon Upgrades Design Special Revenue Fund* – it accounts for activity related to the Lagoon Upgrade Design federal and state grants.

The City reports the following major enterprise funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

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

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

D. Cash and Investments

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

E. Fair Value of Financial Instruments

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

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

F. Receivables and Payables

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

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

G. Inventories and Prepaid Items

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

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

H. Unearned Revenues

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

I. Restricted Assets

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

J. Capital Assets

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

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

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

K. Compensated Absences

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

L. Long-Term Obligations

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

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

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Pensions/OPEB. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB 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.

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.

M. Net Position

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

N. Fund Balances

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

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

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

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 and Enterprise Funds. The Capital Project Funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

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

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

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the General Fund as follows:

	Amount of Over <u>Expenditure</u>
General government:	
Administration	\$ 47
City clerk	16,898
Finance	13,513
Technology	27,832
City attorney	19,285
Capital outlay	1,173,156

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, 2018:

	<u>Deficit Balance</u>
Special Revenue Funds:	
Police Asset Forfeiture	\$ <u>61,382</u>
Internal Service Fund –	
Employee Health Insurance	<u>874,270</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	\$ 1,988,424
Rental Property	107,980
Public Transit	498,395

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents, and Investments

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City requires all deposits to be insured or collateralized. At June 30, 2018, the City's bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remainder is collateralized by governmental securities held by the City's agent in the City's name.

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City's deposit and investment balances to the financial statements as of June 30, 2018:

Bank deposits and money market funds	\$ 22,930,600
Investments	<u>5,093,353</u>
Total cash and investments	<u>\$ 28,023,953</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Interest Rate Risk

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

	Fair Value	Investment Maturities in Years		
		Less than 1	1 – 5	More than 5
Investment subject to interest rate risk:				
Certificates of deposit	\$ 4,845,768	2,702,070	2,143,698	-
U.S. government bonds	247,585	247,585	-	-
Total	\$ 5,093,353	2,949,655	2,143,698	-

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, 2018:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Certificates of deposit	\$ 4,845,768	-	4,845,768	-
U.S. government bonds	247,585	-	247,585	-
Total investments	\$ 5,093,353	-	5,093,353	-

Credit Risk

The City does not have a formal investment policy that restricts investments based on credit risk. At June 30, 2018 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, 2018, for the City's individual major funds and other nonmajor funds, including applicable allowance for doubtful accounts, are as follows:

	General Fund	Lagoon Upgrade Design Special Revenue Fund	Nonmajor Governmental Funds	Water and Sewer Utility Enterprise Fund
June 30, 2018				
Grants receivable	\$ -	2,460,701	1,646,130	-
Accounts receivable	274,472	-	-	900,417
Taxes receivable	1,313,099	-	-	-
Less allowance for doubtful accounts	(21,831)	-	-	(196,179)
Net receivables	\$ 1,565,740	2,460,701	1,646,130	704,238

	Municipal Dock Enterprise Fund	Rental Property	Solid Waste Enterprise Fund	Totals
June 30, 2018				
Grants receivable	\$ -	-	-	4,106,831
Accounts receivable	366,407	4,141	172,709	1,718,146
Taxes receivable	-	-	-	1,313,099
Less allowance for doubtful accounts	(19,851)	(906)	(56,132)	(294,899)
Net receivables	\$ 346,556	3,235	116,577	6,843,177

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

V. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	(Deletions) and Reclassifications	Balance June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 39,481,784	-	-	39,481,784
Construction in progress	209,629	9,812,923	(9,066,663)	955,889
Capital assets not being depreciated	<u>39,691,413</u>	<u>9,812,923</u>	<u>(9,066,663)</u>	<u>40,437,673</u>
Capital assets being depreciated:				
Improvements	2,003,841	-	-	2,003,841
Buildings	12,542,773	-	-	12,542,773
Machinery and equipment	4,166,916	906,000	(531,682)	4,541,234
Infrastructure	9,404,270	22,530	265,727	9,692,527
Vehicles	1,488,913	200,409	-	1,689,322
Total capital assets being depreciated	<u>29,606,713</u>	<u>1,128,939</u>	<u>(265,955)</u>	<u>30,469,697</u>
Less accumulated depreciation for:				
Improvements	277,484	115,743	-	393,227
Buildings	5,798,587	315,771	-	6,114,358
Machinery and equipment	3,272,449	206,896	(518,892)	2,960,453
Infrastructure	8,852,843	96,541	275,467	9,224,851
Vehicles	1,287,640	114,294	(22,530)	1,379,404
Total accumulated depreciation	<u>19,489,003</u>	<u>849,245</u>	<u>(265,955)</u>	<u>20,072,293</u>
Net capital assets being depreciated	<u>10,117,710</u>	<u>279,694</u>	<u>-</u>	<u>10,397,404</u>
Total governmental activities capital assets, net	<u>\$ 49,809,123</u>	<u>10,092,617</u>	<u>(9,066,663)</u>	<u>50,835,077</u>

*Governmental activities capital assets includes \$2,227 of capital assets, net of accumulated depreciation from internal service funds.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

	Balance July 1, 2017	Additions and Reclassifications	Deletions	Balance June 30, 2018
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,298,608	-	-	2,298,608
Construction in progress	3,544,784	10,571,366	(1,616,538)	12,499,612
Capital assets not being depreciated	<u>5,843,392</u>	<u>10,571,366</u>	<u>(1,616,538)</u>	<u>14,798,220</u>
Capital assets being depreciated:				
Seawall	22,716,641	-	-	22,716,641
Buildings, plants and lines	70,839,350	1,616,538	-	72,455,888
Machinery and equipment	3,436,638	-	(178,300)	3,258,338
Vehicles	5,103,447	542,364	(1,589,954)	4,055,857
Total capital assets being depreciated	<u>102,096,076</u>	<u>2,158,902</u>	<u>(1,768,254)</u>	<u>102,486,724</u>
Less accumulated depreciation for:				
Seawall	7,269,323	454,333	-	7,723,656
Buildings, plants and lines	31,933,399	2,213,703	-	34,147,102
Machinery and equipment	1,555,334	181,003	(178,796)	1,557,541
Vehicles	4,074,988	303,698	(1,579,230)	2,799,456
Total accumulated depreciation	<u>44,833,044</u>	<u>3,152,737</u>	<u>(1,758,026)</u>	<u>46,227,755</u>
Net capital assets being depreciated	<u>57,263,032</u>	<u>(993,835)</u>	<u>(10,228)</u>	<u>56,258,969</u>
Total business-type activities capital assets, net	<u>\$ 63,106,424</u>	<u>9,577,531</u>	<u>(1,626,766)</u>	<u>71,057,189</u>

Depreciation expense was charged to governmental functions as follows for the Year ended June 30, 2018:

Governmental Activities:	
General government	\$ 194,549
Public safety	412,783
Public works	241,913
Total depreciation expense – governmental activities	<u>\$ 849,245</u>
Business-Type Activities:	
Water and sewer	\$ 1,098,612
Municipal dock	798,558
Rental property	340,702
Solid waste	68,223
Multi-use recreation Center	815,218
Public transit	31,424
Total depreciation expense – business-type activities	<u>\$ 3,152,737</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, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Non-major Governmental Funds	\$ 1,147,394
	Lagoon Upgrade Design	102,151
	Non-major Enterprise Fund	208,847
	Internal Service funds	714,734
		<u>\$ 2,173,126</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, 2018:

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

	Transfers In			Total
	General Fund	Other Governmental Funds	Multi-use Recreation Center	
Transfers Out				
General Fund	\$ -	21,251	534,789	556,040
Other Governmental Funds	17,618	4,822	-	22,440
Municipal Dock	-	-	-	-
Solid Waste	-	-	-	-
	<u>\$ 17,618</u>	<u>26,073</u>	<u>534,789</u>	<u>578,480</u>

VII. UNEARNED AND UNAVAILABLE REVENUES

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

	Unavailable	Unearned	Total
General Fund	\$ 75,109	19,984	95,093
Nonmajor governmental funds	-	7,470	7,470
Total unearned and unavailable revenues for governmental funds	<u>\$ 75,109</u>	<u>27,454</u>	<u>102,563</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

VIII. LONG-TERM DEBT

During the year ended June 30, 2018, the following changes occurred in liabilities payable from governmental activities.

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due in One Year
Accrued leave	\$ 391,553	253,581	234,363	410,771	-

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Note payable Community First National Bank, guaranteed by fire truck. 15 years, 4% interest per year.	\$ -	811,000	(61,095)	749,905

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 40,862	30,356	71,218
2020	42,516	28,702	71,218
2021	44,237	26,981	71,218
2022	46,028	25,190	71,218
2023	47,891	23,327	71,218
2024-2028	270,151	85,939	356,090
2029-2032	258,220	26,652	284,872
	\$ 749,905	247,147	997,052

During the year ended June 30, 2018, the following changes occurred in long-term debt of business-type activities:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Amount Due in One Year
Bonds payable	\$ 2,175,000	-	175,000	2,000,000	165,000
Premium	298,089	-	29,809	268,280	29,809
Landfill closure	2,457,167	59,929	-	2,517,096	-
Accrued leave	186,596	205,732	186,596	205,732	205,732
Total business-type activities	\$ 5,116,852	265,661	391,405	4,991,108	400,541

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

IX. LEASE REVENUE BONDS

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

In November 2017, the City issued \$2,000,000 Series Three and Four General Obligation Bonds with an average interest rate of 4.82% to advance refund \$2,295,000 of outstanding 2007 Series Three bonds. The bonds were issued at a premium of \$327,897. The net proceeds of \$2,274,915 (after payments of \$52,982 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Series Three bonds. As a result, the 2007 Series Three bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. As of June 30, 2018, the amount of defeased debt still outstanding was \$2,000,000.

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

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

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

Fiscal Year ended June 30,	Principal	Interest	Total
2019	\$ 165,000	89,750	254,750
2020	170,000	83,050	253,050
2021	175,000	76,150	251,150
2022	185,000	68,950	253,950
2023	190,000	61,500	251,500
2024-2028	1,115,000	144,625	1,259,625
	<u>\$ 2,000,000</u>	<u>524,025</u>	<u>2,524,025</u>

X. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Requirements come from the Environmental Protection Agency rule "Solid Waste Disposal Facility Criteria" parts 257 and 258. These requirements are being enforced by the United States Environmental Protection Agency and the State of Alaska Department of Environmental Conservation. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, accounting principles generally accepted in the United States of America require that the City report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based upon an engineering study updated in 2017, at present fill rates, the landfill is expected to reach capacity in 2042, or approximately 25 years. The cost of landfill closure and post closure is estimated to be \$3,955,440. The City accrued \$59,931 in landfill closure costs for the year ended June 30, 2018, and has accrued a total liability of \$2,517,098 at June 30, 2018. These amounts are based on what it would cost to perform all the closure and post-closure functions in 2018. Actual costs of closure and post-closure care may be higher due to inflation, changes in technology, or changes in laws and regulations.

CITY OF BETHEL

Notes to Basic Financial Statements, Continued

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

XI. FUND BALANCES

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

	General Fund	Nonmajor Funds	Totals
Non-spendable:			
Inventory	\$ 126,163	-	126,163
Prepaid items	20,629	-	20,629
Advances to other funds	2,925,628	-	2,925,628
Total nonspendable	<u>3,072,420</u>	<u>-</u>	<u>3,072,420</u>
Restricted:			
Rasmuson	-	4,430	4,430
Land Water Conservation	-	39,697	39,697
E-911 Surcharges	-	59,489	59,489
Total restricted	<u>-</u>	<u>103,616</u>	<u>103,616</u>
Committed:			
Endowment	-	1,880,328	1,880,328
Assigned:			
Land Planning Development	-	21,173	21,173
Park Development	-	103,550	103,550
Capital projects	-	1,015,544	1,015,544
		<u>1,140,267</u>	<u>1,140,267</u>
Unassigned:	11,447,161	(61,382)	11,385,779
Total Fund Balances	<u>\$ 14,519,581</u>	<u>3,062,829</u>	<u>17,582,410</u>

XII. NET POSITION

A. Designated Net Position

The City assesses a fee for the use for the petroleum dock facility. In 1997, the City Council authorized the designation of 50% of the fuel revenue for future maintenance of the seawall. Net position under this designation in the Municipal Dock Fund had a balance of \$3,882,592 at June 30, 2018.

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, 2018, that account had a balance of \$1,581,013.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XIII. ENDOWMENT PERMANENT FUND

The city established an Endowment Permanent Fund to maximize income for the continuing operations of the general government. The Endowment Fund principal may not be spent by the City without approval of a majority of the voters at a general or special election. However, in accordance with the City Council’s ordinance establishing the Endowment Fund, 70% of the Fund’s prior year investment earnings are to be transferred to the General Fund on an annual basis to help offset operating costs. In 2018, the net contribution to the General Fund was \$17,539.

XIV. DEFINED BENEFIT PENSION PLAN

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

All full-time employees and certain permanent part-time employees of the City participate in either the State of Alaska Public Employees’ Retirement System (PERS) or the State of Alaska Teachers’ Retirement System (TRS). In addition to the pension plan both systems also administer other post-employment benefit (OPEB) 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 and TRS 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 and TRS act 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 (OPEB)	
Healthcare Reimbursement Arrangement Plan	Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits (DC)	
Occupational Death and Disability Plan	Cost-sharing, Defined Contribution OPEB
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Contribution OPEB
Retiree Medical Plan	Cost-sharing, Defined Contribution OPEB

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Other Postemployment Benefit Plans (OPEB)

Occupational Death and Disability Plan (ODD)

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. Membership in the plan consisted of the following at June 30, 2017 (latest available report):

Membership	PERS	TRS
Active plan members	19,442	4,937
Participating employers	155	57

Alaska Retiree Healthcare Trust Plan (ARHCT)

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). Membership in the plan consisted of the following at June 30, 2017 (latest report available):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	34,310	12,701
Inactive plan members entitled to but not yet receiving benefits	5,799	2,846
Active plan members	14,956	4,937
Total plan membership	55,065	20,484

Retiree Medical Plan (RMP)

The retiree medical plan provides major medical coverage to retirees of the DC plan. The plan is self-insured. Members are not eligible to use this plan until they have at least 10 years of service and are Medicare age eligible. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	5	4
Inactive plan members entitled to but not yet receiving benefits	831	443
Inactive plan members not entitled to benefits	10,466	2,011
Active plan members	19,442	4,937
Total plan membership	30,744	7,395

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Healthcare Reimbursement Arrangement Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. Membership in the plan consists of the following at June 30, 2017 (latest available report):

Membership	PERS	TRS
Inactive plan members or beneficiaries currently receiving benefits	7	3
Inactive plan members entitled to but not yet receiving benefits	829	444
Inactive plan members not entitled to benefits	10,466	2,011
Active plan members	19,442	4,937
Total plan membership	30,744	7,395

Investments

The Board is the investment oversight authority of the system’s investments. As the fiduciary, the Board has the statutory authority to invest the assets under the Prudent Investor Rule. Fiduciary responsibility for the Board’s invested assets is pursuant to AS 37.10.210.390.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DC Participant-directed Pension plans under the Board’s fiduciary responsibility.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual weighted rate of return, net of investment expense for the year ended June 30, 2017 (latest available report) for the DB Plan for PERS and TRS is 12.99% and 13.04%, for the ARHCT is 12.69% and 12.58%, for the Occupational Death and Disability Plan is 11.97% and 12.03%, and for the Retiree Medical Plan is 11.93% and 11.80%, respectively.

For additional information on securities lending, interest rates, credit risks, foreign exchange, derivatives, fair value, and counterparty credit risks, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at:

<http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

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 Plan was established and is administered by the State of Alaska, Department of Administration. The Public Employee’s Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. This report may be obtained from the system at Pouch C, Juneau, Alaska 99811 or online at <http://doa.alaska.gov/dr/pers>.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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 155 employers participating in PERS, including the State of Alaska and 154 political subdivisions and public organizations.

The DB Plan's membership consisted of the following at June 30, 2017 (latest available report):

Inactive plan members or beneficiaries currently receiving benefits	34,310
Inactive plan members entitled to but not receiving benefits	5,799
Active plan members	<u>14,956</u>
Total DB plan membership	<u>55,065</u>

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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

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

Termination Costs. If the City decides to terminate coverage for a department, group, or other classification of members, even if that termination results from the decision to divest of a particular City function, all affected employees in that department, group or other classification of members become immediately vested in the plan. The City must pay to have a termination study completed. The purpose of the study is to calculate the City’s one-time termination costs. The costs represent the amount necessary to fully fund the costs of plan members who become vested through this process and for other changes in actuarial assumptions, such as, earlier than expected retirement, that arise from the act of termination of coverage. The City must pay a lump sum within 60 days of termination or arrange a payment plan that is acceptable to the PERS Administrator. For fiscal year 2018 the past service rate is 15.28%.

Employee Contribution Rate. The City PERS active members are required to contribute 6.75% (5.25% pension costs and 1.50% OPEB) and if elected, City employees are required to contribute 9.60% (7.47% pension and 2.13% 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% (17.12% pension costs and 4.88% 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 benefit 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 25.01% (19.46% pension and 5.55% 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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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 2018 is 3.01% (75.54% pension and 24.46% OPEB). On-behalf contribution amounts have been recognized in these financial statements as both revenue and expenditures.

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

Employer contributions for the year ended June 30, 2018, were:

Pensions (DB)	Other Post-Employment Benefits (DB)	Total
\$ 800,182	221,976	1,022,158

Public Employees Retirement Plans

For the year ended June 30, 2018 the State of Alaska contributed \$204,913 (75.54% pension cost and 24.46% OPEB cost) on-behalf of the City, which has been recorded in the fund financial statements 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 June 30, 2017 to a total of \$382,162, to represent the pension/OPEB expense attributable to the State under the full accrual basis of accounting.

Pension and OPEB Liabilities, Pension and OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions and OPEB: At June 30, 2018, the City reported liabilities that reflected a reduction for State pension and OPEB support provided to the City. The amount recognized by the City as its proportionate share of net pension and OPEB liabilities, the related State support, and the total portion of the net pension and OPEB liabilities that was associated with the City were as follows:

Defined Benefit:		<u>Pension</u>
City's proportionate share of the net pension liability	\$	9,761,520
State's proportionate share of the net pension liability		<u>3,636,551</u>
Total	\$	<u>13,398,071</u>
		<u>OPEB</u>
City's proportionate share of the ARHCT OPEB liability	\$	1,595,287
State's proportionate share of the ARHCT OPEB liability		<u>595,216</u>
Total	\$	<u>2,190,503</u>
Defined Contribution:		
City's proportionate share of the ODD OPEB (asset) liability	\$	(49,480)
City's proportionate share of the RMP OPEB liability		<u>18,186</u>
Total	\$	<u>(31,294)</u>
Total City's share of net pension and OPEB liabilities	\$	<u>11,325,513</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

The net pension and OPEB liabilities were measured as of June 30, 2017, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation as of that date. The City's proportion of the net pension and OPEB liabilities were based on the present value of contributions for FY2019 through FY2039, as determined by projections based on the June 30, 2017 valuation. At June 30, 2018, the City's proportion of the pension liability was 0.1888%, which is an decrease of 0.0463% from June 30, 2017. At June 30, 2018, the City's proportion of the OPEB ARCHT, ODD and RMP OPEB liabilities were 0.1889%, 0.3487%, and 0.3487%, respectively, which represent an increase of 0.0463%, 0.0015%, and 0.0015%, respectively, from June 30, 2017.

Based on the measurement date of June 30, 2017, the City recognized pension and OPEB expense of \$335,302 and \$229,356 for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Benefit:		
Differences between expected and actual experience	\$ -	175,502
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	261,839	-
Changes in proportion and differences between City contributions and proportionate share of contributions	48,149	1,117,746
City contributions subsequent to the measurement date	<u>800,182</u>	<u>-</u>
Total	<u>\$ 1,110,170</u>	<u>1,293,248</u>
	OPEB ARHCT	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	86,029
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	499,575
Changes in proportion and differences between City contributions and proportionate share of contributions	-	289,564
City contributions subsequent to the measurement date	<u>221,976</u>	<u>-</u>
Total	<u>\$ 221,976</u>	<u>875,168</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

	OPEB ODD	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Defined Contribution:		
Differences between expected and actual experience	\$ -	1,459
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,091
Changes in proportion and differences between City contributions and proportionate share of contributions	1,198	-
City contributions subsequent to the measurement date	8,353	-
Total	<u>\$ 9,551</u>	<u>4,550</u>
	OPEB RMP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	143
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	8,838
Changes in proportion and differences between City contributions and proportionate share of contributions	-	122
City contributions subsequent to the measurement date	40,507	-
Total	<u>\$ 40,507</u>	<u>9,103</u>

\$800,182 and \$270,836 are reported as deferred outflows of resources related to pension and OPEB resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension and OPEB liabilities in the year ended June 30, 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension and OPEB will be recognized in pension and OPEB expense as follows:

Year Ended		OPEB	OPEB	OPEB
June 30,	Pension	ARHCT	ODD	RMP
2018	\$ (1,226,832)	(333,557)	(805)	(2,242)
2019	272,653	(291,824)	(805)	(2,242)
2020	122,398	(124,894)	(805)	(2,242)
2021	(151,479)	(124,893)	(805)	(2,242)
2022	-	-	(32)	(33)
Thereafter	-	-	(100)	(102)
Total	<u>\$ (983,258)</u>	<u>(875,168)</u>	<u>(3,352)</u>	<u>(9,103)</u>

For the year ended June 30, 2018, the City recognized \$(160,869) and \$(160,736) of pension and OPEB amortization of the net deferred outflows and inflows of resources, respectively.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Actuarial Assumptions: The total pension and OPEB liabilities in the June 30, 2017 (latest available) actuarial valuation was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. These assumptions were the result of an 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)
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.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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.
Healthcare cost trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 Medical: 5.8% grading down to 4.0% Prescription drugs: 5.4% grading down to 4.0%

The long-term expected rate of return on pension and OPEB 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	8.83%
Global Ex- U.S. Equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real Assets	4.94%
Absolute Return	4.76%
Private Equity	12.02%
Cash Equivalents	0.63%

Discount Rate: The discount rate used to measure the total pension and OPEB liabilities is 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 and OPEB plans fiduciary net pension and OPEB were 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 and OPEB plan investments were applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the Net Pension and OPEB Liabilities 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	\$ <u>12,822,657</u>	\$ <u>9,761,520</u>	\$ <u>7,176,507</u>
Net OPEB ARHCT liability	\$ <u>3,414,083</u>	\$ <u>1,595,287</u>	\$ <u>65,431</u>
Net OPEB ODD (asset) liability	\$ <u>(44,667)</u>	\$ <u>(49,480)</u>	\$ <u>(53,413)</u>
Net OPEB RMP (asset) liability	\$ <u>85,195</u>	\$ <u>18,186</u>	\$ <u>(34,139)</u>

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following present the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB ARHCT (asset) liability	\$ <u>(176,962)</u>	<u>1,595,287</u>	<u>3,725,956</u>
Net OPEB ODD (asset) liability	\$ <u>N/A</u>	<u>(49,480)</u>	<u>N/A</u>
Net OPEB RMP (asset) liability	\$ <u>(45,016)</u>	<u>18,186</u>	<u>102,865</u>

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

Plan Description and Funding Requirements. Cities and 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. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. The Administrator of the Plan is the Commissioner of Administration or the Commissioner's designee. 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): 1.03% for the retiree medical plan (DB), 0.16% 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%.

Currently there are 155 employers participating in the defined contribution plan, including the State of Alaska. At June 30, 2017 (latest available report), membership in the DC plan consisted of 1,735 peace officers and firefighters and 19,532 of other members.

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%

The City contributed \$374,670 for the year ended June 30, 2018.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XV. RISK MANAGEMENT

The City is exposed to various risks of loss related to workers' compensation, torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Alaska Public Entity Insurance Association (APEI) which covers property and contents, torts, general and auto liability, public officials and employees' liability, and workers compensation. APEI is a public entity risk pool, which reinsures risk above certain levels, thereby relieving members of the need for additional assessments. APEI's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. APEI made no supplemental assessments during the year ended June 30, 2018. Coverage limits and deductibles on policies have remained relatively constant for the last several years. No settlements in excess of insurance coverage have been realized over the past three years.

The City maintains a health and medical benefit program which covers all full time employees. The City has retained a major portion of the risk for this plan and, accordingly, is liable for any employee health claims that are approved for payment. Stop loss coverage limits were \$60,000 for individual claims and \$1,000,000 for aggregate claims. The amount of insurance settlements has not exceeded the amount of the stop-loss coverage limits for each of the past three fiscal years. Health insurance expense for the year ended June 30, 2018 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, 2018 follows:

		Balance at Beginning of Year	Claims Expense	Claims Paid	Balance at End of Year
2018	\$	<u>76,444</u>	<u>1,677,280</u>	<u>1,640,380</u>	<u>113,349</u>

XVI. LEASES

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

The following is a summary of significant leases in effect at June 30, 2018:

Property	Monthly Rate	Lease Term
Courthouse – Office space	\$ 31,761	January 2018
Courthouse – Department of Law and Corrections	10,891	Month to month

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

XVII. CONTINGENCIES/SUBSEQUENT EVENTS

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

The City of Bethel received notice on June 18, 2018, from the State of Alaska, Department of Administration, Division of Retirement and Benefits that forfeitures from the defined contribution plan for the Public Employees' Retirement System (PERS) can be offset against future contributions effective July 1, 2018. The District has \$402,155 in PERS to be used against future contributions.

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

In 2017, the City entered into an agreement with the United States Department of Agriculture (USDA) for the rehabilitation of the Bethel Sewer Lagoon jetty at a total cost of approximately \$3,700,000. The USDA agreement contains several components, including a City match composed of City funds (\$206,000), non-USDA federal and state grant funding (\$950,000), a USDA loan (\$913,000) and a USDA grant (approximately \$1,700,000). Due to the size of the project and USDA requirements, the City was required to issue a utility revenue bond (bridge loan), which was completed in November 2018; the specific terms, including interest rate and maturity will be determined once the City makes the first draw on the bond, which is expected in fiscal year 2019. Once the project is completed the bridge loan will be paid off the USDA loan, which will require monthly principal and interest payments of \$2,895 over a 40-year period.

The agreement requires the City to establish a debt service reserve in an amount equivalent to the required annual debt service, \$34,740. The City is allowed to accumulate the reserve over a 10-year period in an amount of approximately \$300 per month. However, the City determined it was more prudent to fully fund the reserve at the time the agreement was signed. This amount is included in restricted net position in the Water/Sewer Fund at June 30, 2018.

The agreement requires the City to establish a short-lived asset reserve, as outlined in a preliminary engineering report, estimating 5-year, 10-year, and 15-year asset replacements. The City must reserve \$365,650 annually in a separate account for replacement of assets included in the preliminary engineering report. This amount is included as restricted net position in the Water/Sewer Fund at June 30, 2018.

At June 30, 2018, the project had yet to begin with the estimated cost to completion to be approximately \$3,700,000.

In the 1980's, the City of Bethel's waterfront suffered extensive storm damage. The City partnered with the Army Corp of Engineers to stabilize the seawall and shoreline shortly thereafter and has improved the seawall. The project has been ongoing and completion has been recognized in phases. Through June 30, 2018, the total project costs are estimated at \$35,000,000, of which 75% was funded federally and 25% locally. The project is ongoing and the cost to complete has yet to be determined.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

XVIII. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note I to the financial statements, the City of Bethel participates in the Alaska Public Employees' Retirement System (PERS). In 2018, the City of Bethel adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which, among other accounting and reporting criteria, requires the City of Bethel to recognize its proportional share of the net other postemployment benefit (OPEB) plans liability (and related deferred inflow/outflow accounts), as of the beginning of the City of Bethel's fiscal year. As a result of the implementation of these statements, the City of Bethel has recorded an opening balance adjustment to increase liabilities and to decrease opening net position as follows:

Governmental Activities:

Opening net position, as originally presented	\$	58,665,563
Change in accounting principle adjustment		<u>(1,507,577)</u>
Opening net position, as restated	\$	<u>57,157,986</u>

Business-type Activities:

Opening net position, as originally presented	\$	67,478,397
Change in accounting principle adjustment		<u>(808,209)</u>
Opening net position, as restated	\$	<u>66,670,188</u>

XIX. NEW ACCOUNTING PRONOUNCEMENTS

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

- GASB 81 – *Irrevocable Split –Interest Agreements*. Effective for fiscal years beginning after December 15, 2017.
- 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.
- GASB 87 *Leases*. Effective for fiscal years beginning after December 15, 2019.
- GASB 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for fiscal years beginning after June 15, 2018.
- GASB 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2019.
- GASB 90 *Majority Equity Interests*. Effective for fiscal years beginning after December 15, 2018.

CITY OF BETHEL, ALASKA

Notes to Basic Financial Statements, Continued

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

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

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

GASB Statement No. 87, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct payments. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt and requires enhanced footnote disclosures.

GASB Statement No. 89 requires interest costs incurred before the end of a construction period to be recognized as an expenditure or expense in the period in which the cost is incurred for financial statements prepared under the current financial resources measurement focus or the economic resource measurement focus.

GASB Statement No. 90 requires a majority equity interest in a legally separate entity should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. Those governments and funds should measure the majority interests at fair value. For all other holdings of majority interests in a legally separate entity, a government should report the legal separate entity as a component unit.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Bethel, Alaska

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

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1582%	\$ 7,379,341	\$ 6,839,395	\$ 14,218,736	\$ 5,703,334	129%	62.37%
2016	0.2095%	\$ 10,160,037	\$ 2,721,922	\$ 12,881,959	\$ 6,158,985	165%	63.96%
2017	0.2351%	\$ 13,139,649	\$ 1,656,986	\$ 14,796,635	\$ 7,779,335	169%	59.55%
2018	0.1888%	\$ 9,761,520	\$ 3,636,551	\$ 13,398,071	\$ 8,126,472	120%	63.37%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
4. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

City of Bethel, Alaska

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

Public Employees' Retirement System (PERS)

June 30, 2018

Year	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
Alaska Retiree Healthcare Trust Plan (ARHCT):							
2018	0.1889%	\$ 1,595,287	\$ 595,216	\$ 2,190,503	\$ 8,126,472	19.63%	89.68%
Occupational Death and Disability (ODD):							
2018	0.3487%	\$ 49,480	\$ -	\$ 49,480	\$ 3,630,095	1.36%	212.97%
Retiree Medical Plan (RMP):							
2018	0.3487%	\$ 18,186	\$ -	\$ 18,186	\$ 3,630,095	0.50%	93.98%

Notes to Schedule:

1. Information presented for 2018 is based upon Plan measurement date June 30, 2017.
2. Measurement is one year prior to fiscal year end for all years presented.
3. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.

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

June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 580,937	\$ (580,937)	\$ -	\$ 6,158,985	9.43%
2016	\$ 583,637	\$ (583,637)	\$ -	\$ 7,779,335	7.50%
2017	\$ 672,658	\$ (672,658)	\$ -	\$ 8,126,472	8.28%
2018	\$ 800,182	\$ (800,182)	\$ -	\$ 9,256,532	8.64%

Notes to schedule

1. Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
2. Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

3. Actuarial cost method: Entry Age Normal - level percentage of payroll.
4. Amortization method: Level dollar, closed.
5. Amortization period: 25 years, as a level of percentage of payroll.
6. Equivalent single amortization period: 17 years.
7. Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
8. Inflation: 3.12% per annum.
9. Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
10. Investment rate of return: 8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
11. Retirement age: An age-related assumption is used for participants not yet receiving payments.
12. Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
13. In fiscal year 2017 the District implemented GASB 82, which required a retroactive change in covered payroll.
14. This schedule is intended to present 10 years of information. Additional years' information will be included as it becomes available.
15. In fiscal year 2018 the District included pension DBUL into the contractually required contribution. This will be a prospective change.

City of Bethel, Alaska
 Schedule of the City's Contributions (OPEB)
 Public Employees' Retirement System (PERS)
 June 30, 2018

Year	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Alaska Retiree Healthcare Trust Plan (ARHCT):					
2018	\$ 221,976	\$ (221,976)	\$ -	\$ 9,256,532	2.40%
Occupational Death and Disability (ODD):					
2018	\$ 8,354	\$ (8,354)	\$ -	\$ 6,877,245	0.12%
Retiree Medical Plan (RMP):					
2018	\$ 40,507	\$ (40,507)	\$ -	\$ 6,877,245	0.59%

Notes to schedule

- Valuation date: June 30, 2017, which was rolled forward to June 30, 2018.
- 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:

- Actuarial cost method: Entry Age Normal - level percentage of payroll.
- Amortization method: Level dollar, closed.
- Amortization period: 25 years, as a level of percentage of payroll.
- Equivalent single amortization period: 17 years.
- Asset valuation method: The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in FY2015, the assets value method recognizes 20% of the gain or loss each year, for a period of 5 years, all assets are valued at fair value.
- Inflation: 3.12% per annum.
- Salary increases: Ranges from 9.66% to 4.92% based on service for Peace Officer/Firefighter. Ranges from 8.55% to 4.34% based on age and service for All Others.
- Investment rate of return: 8%, net of OPEB plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Mortality: Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officers / Firefighters, 50% of the time for Others, 96% of all rates of the RP - 2000 Table Base Year projected to 2018 with projected scale BB.
- 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, 2018

	Budget		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental:				
Federal sources	\$ 645,067	645,067	886,218	241,151
State of Alaska	217,176	217,176	429,408	212,232
Local sources:				
Taxes	8,484,934	8,484,934	8,412,391	(72,543)
Charges for services	298,928	298,928	33,326	(265,602)
Rental income	2,776	2,776	2,675	(101)
Permits, licenses and fees	552,960	552,960	677,402	124,442
Income from investments	95,594	95,594	209,741	114,147
Miscellaneous	67,469	67,469	319,724	252,255
Total revenues	<u>10,364,904</u>	<u>10,364,904</u>	<u>10,970,885</u>	<u>605,981</u>
Expenditures:				
General government:				
Administration	423,817	472,471	472,518	(47)
City clerk	131,510	131,510	148,408	(16,898)
Finance	543,142	518,002	531,515	(13,513)
Planning	343,376	344,719	311,280	33,439
Technology	230,424	270,425	298,257	(27,832)
City attorney	200,011	200,011	219,296	(19,285)
Public safety:				
Fire department	1,341,918	1,697,019	1,230,405	466,614
Police department	3,001,295	3,037,894	2,689,692	348,202
Public works:				
Administration	181,236	181,480	137,633	43,847
Operations	1,556,571	1,810,357	1,684,935	125,422
Property maintenance	897,305	868,632	677,003	191,629
Capital outlay	125,408	125,408	1,298,564	(1,173,156)
Debt service:				
Interest	10,122	10,122	10,122	-
Principal	61,095	61,095	61,095	-
Community services:				
Parks and recreation	-	-	-	-
Special projects	177,700	216,156	207,900	8,256
Total expenditures	<u>9,224,930</u>	<u>9,945,301</u>	<u>9,978,623</u>	<u>(33,322)</u>
Excess of revenues over expenditures	1,139,974	419,603	992,262	572,659
Other Financing Sources (Uses)				
Debt proceeds	-	-	811,000	-
Transfers in	9,475	9,475	17,618	8,143
Transfers out	(668,975)	(668,975)	(556,040)	112,935
Net Other Financing Sources (Uses)	<u>(659,500)</u>	<u>(659,500)</u>	<u>272,578</u>	<u>121,078</u>
Net change in fund balance	\$ <u>480,474</u>	<u>(239,897)</u>	1,264,840	1,504,737
Fund Balance , beginning of year			13,254,741	
Fund Balance , end of year			\$ <u>14,519,581</u>	

City of Bethel, Alaska

Lagoon Upgrade Design Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Budget - Positive (Negative)
Revenues -				
Intergovernmental:				
Federal sources	\$ 6,176,758	6,176,758	5,023,199	(1,153,559)
State of Alaska	2,058,919	2,058,919	1,674,400	(384,519)
Total revenues	<u>8,235,677</u>	<u>8,235,677</u>	<u>6,697,599</u>	<u>(1,538,078)</u>
Expenditures				
Public works	-	-	365	(365)
Capital outlay	8,235,677	8,235,677	6,697,599	1,538,078
Total expenditures	<u>8,235,677</u>	<u>8,235,677</u>	<u>6,697,964</u>	<u>1,537,713</u>
(Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(365)</u>	<u>-</u>
Other financing sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>365</u>	<u>365</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>365</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

**ADDITIONAL SUPPLEMENTARY
INFORMATION**

City of Bethel, Alaska

General Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental -			
Federal sources - payment in lieu of taxes	\$ 645,067	886,218	241,151
State of Alaska:			
State PERS relief	-	124,798	124,798
Community revenue sharing	160,089	231,991	71,902
Motor vehicle registration tax	57,087	49,443	(7,644)
Electric and telephone cooperative tax	-	19,576	19,576
Liquor license	-	3,600	3,600
Total State of Alaska	<u>217,176</u>	<u>429,408</u>	<u>212,232</u>
Local sources:			
Taxes, including penalty and interest	8,484,934	8,412,391	(72,543)
Charges for services:			
Public safety	298,928	33,326	(265,602)
Rental income	2,776	2,675	(101)
Permits, licenses and fees:			
Gaming fees	365,340	440,606	75,266
Taxi permits	145,948	165,870	19,922
Business licenses	30,000	38,217	8,217
Animal control licenses/fees	2,216	3,415	1,199
Planning fees	1,343	1,075	(268)
Plat and recording fees	100	915	815
Site reviews	4,888	22,525	17,637
Parks and recreation	2,125	(300)	(2,425)
Other	1,000	5,079	4,079
Total permits, licenses and fees	<u>552,960</u>	<u>677,402</u>	<u>124,442</u>
Income from investments	95,594	209,741	114,147
Miscellaneous:			
Donations	-	189,834	189,834
Police department	16,793	4,661	(12,132)
Restitution payments	7,815	(320)	(8,135)
Other	42,861	125,549	82,688
Total miscellaneous	<u>67,469</u>	<u>319,724</u>	<u>252,255</u>
Total local sources	<u>9,502,661</u>	<u>9,655,259</u>	<u>152,598</u>
Total revenues	<u>10,364,904</u>	<u>10,970,885</u>	<u>605,981</u>

(Continued)

City of Bethel, Alaska

General Fund

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:			
General government:			
Administration:			
Personnel	\$ 554,624	553,261	1,363
Travel and training	8,786	8,686	100
Supplies	10,200	3,046	7,154
Utilities and fuel	41,906	63,498	(21,592)
Special events	10,000	5,664	4,336
Repairs and maintenance	2,052	2,853	(801)
Other purchased services	64,667	56,297	8,370
Minor equipment	1,607	2,161	(554)
Insurance	9,652	8,483	1,169
Other expenditures	51,521	40,335	11,186
Indirect cost recovery	<u>(282,544)</u>	<u>(271,766)</u>	<u>(10,778)</u>
Total administration	<u>472,471</u>	<u>472,518</u>	<u>(47)</u>
City clerk:			
Personnel	171,359	185,300	(13,941)
Travel and training	17,241	13,892	3,349
Supplies	2,500	941	1,559
Utilities and fuel	1,047	661	386
Other purchased services	41,709	41,628	81
Insurance	1,530	1,555	(25)
Other expenditures	27,633	24,003	3,630
Indirect cost recovery	<u>(131,509)</u>	<u>(119,572)</u>	<u>(11,937)</u>
Total city clerk	<u>131,510</u>	<u>148,408</u>	<u>(16,898)</u>
Finance:			
Personnel	668,978	550,485	118,493
Travel and training	29,200	29,322	(122)
Supplies	33,921	38,449	(4,528)
Utilities and fuel	1,102	1,431	(329)
Repairs and maintenance	1,519	1,168	351
Other purchased services	240,743	231,292	9,451
Insurance	5,300	3,279	2,021
Other expenditures	80,381	78,475	1,906
Indirect cost recovery	<u>(543,142)</u>	<u>(402,386)</u>	<u>(140,756)</u>
Total finance	<u>518,002</u>	<u>531,515</u>	<u>(13,513)</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	\$ 229,484	228,761	723
Travel and training	8,420	3,503	4,917
Supplies	3,900	3,537	363
Utilities and fuel	16,346	7,230	9,116
Repairs and maintenance	256	2,840	(2,584)
Other purchased services	62,666	46,814	15,852
Insurance	2,050	1,610	440
Other expenditures	21,597	16,985	4,612
Total planning	<u>344,719</u>	<u>311,280</u>	<u>33,439</u>
Technology:			
Personnel	138,076	128,643	9,433
Supplies	4,500	1,857	2,643
Utilities and fuel	7,899	4,549	3,350
Repairs and maintenance	1,519	1,269	250
Other purchased services	410,000	396,332	13,668
Equipment	42,500	-	42,500
Insurance	(1,452)	1,231	(2,683)
Other expenditures	157,815	179,017	(21,202)
Indirect cost recovery	(490,432)	(414,641)	(75,791)
Total technology	<u>270,425</u>	<u>298,257</u>	<u>(27,832)</u>
City attorney:			
Personnel	196,268	191,087	5,181
Travel and training	8,400	5,262	3,138
Utilities and fuel	772	481	291
Supplies	500	1,023	(523)
Other purchased services	26,000	45,319	(19,319)
Insurance	200	1,050	(850)
Other expenditures	17,874	20,135	(2,261)
Indirect cost recovery	(50,003)	(45,061)	(4,942)
Total city attorney	<u>200,011</u>	<u>219,296</u>	<u>(19,285)</u>
Total general government	<u>1,937,138</u>	<u>1,981,274</u>	<u>(44,136)</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	\$ 1,051,108	968,390	82,718
Travel and training	11,697	11,347	350
Supplies	31,696	31,014	682
Utilities and fuel	57,286	61,159	(3,873)
Repairs and maintenance	57,974	53,798	4,176
Other purchased services	24,340	24,199	141
Equipment	289,834	-	289,834
Insurance	51,700	41,081	10,619
Other expenditures	121,384	39,417	81,967
Total fire department	<u>1,697,019</u>	<u>1,230,405</u>	<u>466,614</u>
Police department:			
Personnel	2,543,043	2,254,004	289,039
Travel and training	31,818	29,677	2,141
Supplies	49,359	41,104	8,255
Utilities and fuel	110,317	127,143	(16,826)
Repairs and maintenance	29,193	20,513	8,680
Other purchased services	24,884	15,762	9,122
Insurance	142,000	110,454	31,546
Other expenditures	107,280	91,035	16,245
Total police department	<u>3,037,894</u>	<u>2,689,692</u>	<u>348,202</u>
Total public safety	<u>4,734,913</u>	<u>3,920,097</u>	<u>814,816</u>
Public works:			
Administration:			
Personnel	122,449	116,984	5,465
Travel and training	4,500	7,211	(2,711)
Supplies	2,500	867	1,633
Utilities and fuel	21,881	8,415	13,466
Repairs and maintenance	3,037	2,349	688
Other purchased services	(123)	544	(667)
Insurance	7,983	1,263	6,720
Other expenditures	19,253	-	19,253
Total administration	<u>181,480</u>	<u>137,633</u>	<u>43,847</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	\$ 685,745	677,929	7,816
Travel and training	1,000	100	900
Supplies	498,800	457,677	41,123
Utilities and fuel	131,494	140,096	(8,602)
Repairs and maintenance	169,922	184,922	(15,000)
Other purchased services	1,500	2,102	(602)
Equipment	303,788	205,151	98,637
Insurance	18,108	16,958	1,150
Total operations	<u>1,810,357</u>	<u>1,684,935</u>	<u>125,422</u>
Property maintenance:			
Personnel	615,739	501,123	114,616
Travel and training	3,547	264	3,283
Supplies	60,649	47,030	13,619
Utilities and fuel	81,734	72,282	9,452
Repairs and maintenance	37,845	20,693	17,152
Other purchased services	30,000	18,274	11,726
Insurance	8,550	6,131	2,419
Other expenditures	30,568	11,206	19,362
Total property maintenance	<u>868,632</u>	<u>677,003</u>	<u>191,629</u>
Total public works	<u>2,860,469</u>	<u>2,499,571</u>	<u>360,898</u>
Capital outlay:			
Equipment	<u>125,408</u>	<u>1,298,564</u>	<u>(1,173,156)</u>
Debt services:			
Interest	10,122	10,122	-
Principal	61,095	61,095	-
Total debt service	<u>71,217</u>	<u>71,217</u>	<u>-</u>
Community services:			
Library contribution	67,600	67,600	-
UAF 4-H contribution	112,000	112,000	-
Other expenditures	36,556	28,300	8,256
Total community services	<u>216,156</u>	<u>207,900</u>	<u>8,256</u>
Total expenditures	<u>9,945,301</u>	<u>9,978,623</u>	<u>(33,322)</u>
Excess of revenues over expenditures	<u>\$ 419,603</u>	<u>992,262</u>	<u>572,659</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>
Other financing sources (uses)			
Debt proceeds	-	811,000	811,000
Transfers in:			
Other governmental funds	<u>9,475</u>	<u>17,618</u>	<u>8,143</u>
Transfers out:			
Other governmental funds	-	(21,251)	(21,251)
Multi-use recreation center enterprise fund	<u>(668,975)</u>	<u>(534,789)</u>	<u>134,186</u>
Total transfers out	<u>(668,975)</u>	<u>(556,040)</u>	<u>112,935</u>
Net other financing sources (uses)	<u>(659,500)</u>	<u>272,578</u>	<u>121,078</u>
Net change in fund balance	\$ <u>(239,897)</u>	1,264,840	<u>693,737</u>
Fund Balance, beginning of year		<u>13,254,741</u>	
Fund Balance, end of year		\$ <u>14,519,581</u>	

City of Bethel, Alaska

Lagoon Upgrade Design Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental:			
Federal sources	\$ 6,176,758	5,023,199	(1,153,559)
State of Alaska	2,058,919	1,674,400	(384,519)
Total revenues	<u>8,235,677</u>	<u>6,697,599</u>	<u>(1,538,078)</u>
Expenditures:			
Public works -			
Advertising	-	365	365
Capital outlay	8,235,677	6,697,599	1,538,078
	<u>8,235,677</u>	<u>6,697,964</u>	<u>1,538,443</u>
(Deficiency) of revenues over expenditures	-	(365)	(365)
Other financing sources:			
Transfer in	-	365	365
Net change in fund balance	\$ <u>-</u>	-	<u>-</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		\$ <u>-</u>	

City of Bethel, Alaska
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds							
	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Homeland Security	USDA-RA Sewer Lagoon Jetty	911 Surcharges	Volunteer Fire Assistance	Land Water Conservation Grant
Assets:								
Cash and cash equivalents	\$ 5,397	4,430	-	-	-	61,325	14,923	43,981
Accounts receivable, net	-	-	-	-	-	-	-	-
Grants receivable	-	-	26,225	88,015	239,420	-	-	3,716
Investments	-	-	-	-	-	-	-	-
Total Assets	<u>5,397</u>	<u>4,430</u>	<u>26,225</u>	<u>88,015</u>	<u>239,420</u>	<u>61,325</u>	<u>14,923</u>	<u>47,697</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	-	-	341	-	183,433	-	7,453	8,000
Accrued payroll	-	-	5,809	-	-	1,836	-	-
Due to other funds	66,779	-	20,075	88,015	55,987	-	-	-
Unearned revenue	-	-	-	-	-	-	7,470	-
Total liabilities	<u>66,779</u>	<u>-</u>	<u>26,225</u>	<u>88,015</u>	<u>239,420</u>	<u>1,836</u>	<u>14,923</u>	<u>8,000</u>
Fund balances:								
Restricted	-	4,430	-	-	-	59,489	-	39,697
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	(61,382)	-	-	-	-	-	-	-
Total fund balances	<u>(61,382)</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,489</u>	<u>-</u>	<u>39,697</u>
Total liabilities and fund balances	<u>\$ 5,397</u>	<u>4,430</u>	<u>26,225</u>	<u>88,015</u>	<u>239,420</u>	<u>61,325</u>	<u>14,923</u>	<u>47,697</u>

(Continued)

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

	Permanent Fund	Capital Project Funds					Total Nonmajor Governmental Funds	
	Endowment	Institutional Corridor	Land Planning Development	Park Development	Sewage Lagoon	Fleet Replacement		Public Safety Building
Assets:								
Cash and cash equivalents	\$ 461,315	-	21,173	103,550	-	1,015,544	-	1,731,638
Accounts receivable, net	-	-	-	-	-	-	-	-
Grants receivable	-	857,161	-	-	374,559	-	57,034	1,646,130
Investments	1,452,369	-	-	-	-	-	-	1,452,369
Total Assets	<u>1,913,684</u>	<u>857,161</u>	<u>21,173</u>	<u>103,550</u>	<u>374,559</u>	<u>1,015,544</u>	<u>57,034</u>	<u>4,830,137</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	-	31,388	-	-	374,112	-	-	604,727
Accrued payroll	-	9	-	-	48	-	15	7,717
Due to other funds	33,356	825,764	-	-	399	-	57,019	1,147,394
Unearned revenue	-	-	-	-	-	-	-	7,470
Total Liabilities	<u>33,356</u>	<u>857,161</u>	<u>-</u>	<u>-</u>	<u>374,559</u>	<u>-</u>	<u>57,034</u>	<u>1,767,308</u>
Fund Balances:								
Restricted	-	-	-	-	-	-	-	103,616
Committed	1,880,328	-	-	-	-	-	-	1,880,328
Assigned	-	-	21,173	103,550	-	1,015,544	-	1,140,267
Unassigned	-	-	-	-	-	-	-	(61,382)
Total Fund Balances	<u>1,880,328</u>	<u>-</u>	<u>21,173</u>	<u>103,550</u>	<u>-</u>	<u>1,015,544</u>	<u>-</u>	<u>3,062,829</u>
Total Liabilities and Fund Balances	\$ <u>1,913,684</u>	<u>857,161</u>	<u>21,173</u>	<u>103,550</u>	<u>374,559</u>	<u>1,015,544</u>	<u>57,034</u>	<u>4,830,137</u>

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Year Ended June 30, 2018

	Special Revenue Funds							
	Police Asset Forfeiture	Rasmuson	Community Service Patrol	Homeland Security	USDA-RA Sewer Lagoon Jetty	911 Surcharges	Volunteer Firefighter Assistance	Land Water Conservation Grant
Revenues:								
Intergovernmental:								
Federal sources	\$ -	-	-	91,342	239,420	-	7,453	-
State of Alaska	-	-	232,613	-	-	-	-	43,413
Local sources:								
Charges for services	-	-	-	-	-	146,402	-	-
Income from investments	2	-	-	-	-	-	-	-
Miscellaneous	-	500	-	-	-	-	-	-
In-kind	-	-	32,308	-	-	-	-	-
Total revenues	<u>2</u>	<u>500</u>	<u>264,921</u>	<u>91,342</u>	<u>239,420</u>	<u>146,402</u>	<u>7,453</u>	<u>43,413</u>
Expenditures:								
Current:								
Public safety	-	-	286,209	88,042	-	241,246	7,453	-
Public works	-	-	-	-	-	-	-	8,000
Community services	-	500	-	-	-	-	-	-
Capital outlay	-	-	-	-	239,420	-	-	-
Total expenditures	<u>-</u>	<u>500</u>	<u>286,209</u>	<u>88,042</u>	<u>239,420</u>	<u>241,246</u>	<u>7,453</u>	<u>8,000</u>
Excess of revenues over (under) expenditures	<u>2</u>	<u>-</u>	<u>(21,288)</u>	<u>3,300</u>	<u>-</u>	<u>(94,844)</u>	<u>-</u>	<u>35,413</u>
Other financing sources (uses):								
Transfers in	-	-	21,288	-	-	-	10	4,284
Transfers (out)	-	-	-	(3,300)	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,288</u>	<u>(3,300)</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>4,284</u>
Net change in fund balances	2	-	-	-	-	(94,844)	10	39,697
Fund balances, beginning of year	<u>(61,384)</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,333</u>	<u>(10)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (61,382)</u>	<u>4,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,489</u>	<u>-</u>	<u>39,697</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances, Continued

	Special	Permanent	Capital Project Funds		
	Revenue Funds	Fund	Institutional	Land Planning	Park
	APEI	Endowment	Corridor	Development	Development
Revenues:					
Intergovernmental:					
Federal sources	\$ -	-	-	-	-
State of Alaska	-	-	1,609,970	-	-
Locals sources:					
Charges for services	-	-	-	-	-
Income from investments	-	11,836	-	-	-
Miscellaneous	4,512	-	-	-	83,000
In-kind	-	-	-	-	-
Total revenues	<u>4,512</u>	<u>11,836</u>	<u>1,609,970</u>	<u>-</u>	<u>83,000</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Public works	3,000	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	1,609,881	-	-
Total expenditures	<u>3,000</u>	<u>-</u>	<u>1,609,881</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>1,512</u>	<u>11,836</u>	<u>89</u>	<u>-</u>	<u>83,000</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(1,512)	(17,539)	(89)	-	-
Net other financing sources (uses)	<u>(1,512)</u>	<u>(17,539)</u>	<u>(89)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(5,703)	-	-	83,000
Fund balances, beginning of year	<u>-</u>	<u>1,886,031</u>	<u>-</u>	<u>21,173</u>	<u>20,550</u>
Fund balances, end of year	<u>\$ -</u>	<u>1,880,328</u>	<u>-</u>	<u>21,173</u>	<u>103,550</u>

(Continued)

City of Bethel, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances, Continued

	Capital Project Funds				Total Nonmajor Governmental Funds
	Sewage Lagoon	Fleet Replacement	Public Safety Building	Sanitation Deficiency	
Revenues:					
Intergovernmental:					
Federal sources	\$ -	-	-	510,364	848,579
State of Alaska	519,278	-	66,322	-	2,471,596
Local sources;					
Charges for services	-	-	-	-	146,402
Income from investments	-	-	-	-	11,838
Miscellaneous	-	-	-	-	88,012
In-kind	-	-	-	-	32,308
Total revenues	<u>519,278</u>	<u>-</u>	<u>66,322</u>	<u>510,364</u>	<u>3,598,735</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	622,950
Public works	-	-	-	-	11,000
Community services	-	-	-	-	500
Capital outlay	519,404	-	66,322	510,364	2,945,391
Total expenditures	<u>519,404</u>	<u>-</u>	<u>66,322</u>	<u>510,364</u>	<u>3,579,841</u>
Excess of revenues over (under) expenditures	<u>(126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,894</u>
Other financing sources (uses):					
Transfers in	126	-	-	-	25,708
Transfers (out)	-	-	-	-	(22,440)
Net other financing sources (uses)	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,268</u>
Net change in fund balances	-	-	-	-	22,162
Fund balances, beginning of year	<u>-</u>	<u>1,015,544</u>	<u>-</u>	<u>-</u>	<u>3,040,667</u>
Fund balances, end of year	<u>\$ -</u>	<u>1,015,544</u>	<u>-</u>	<u>-</u>	<u>3,062,829</u>

City of Bethel, Alaska

Police Asset Forfeiture Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Year Ended June 30, 2018

	<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, beginning of year		<u>(61,384)</u>	
Fund balance, end of year		\$ <u><u>(61,382)</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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues - local sources - other	\$ -	500	(500)
Expenditures:			
Community services -			
Other purchased services	-	500	500
Excess of revenues over expenditures	\$ -	-	-
Fund Balance, beginning of year		4,430	
Fund Balance, end of year		\$ 4,430	

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental -			
State of Alaska	\$ 323,081	232,613	(90,468)
Local sources - in-kind	32,308	32,308	-
Total revenues	<u>355,389</u>	<u>264,921</u>	<u>(90,468)</u>
Expenditures:			
Public safety:			
Personnel	290,356	218,282	72,074
Travel and training	14,624	-	14,624
Supplies	9,813	8,373	1,440
Utilities and fuel	17,684	3,785	13,899
Minor equipment	6,000	21,948	(15,948)
Insurance	-	1,513	(1,513)
In-kind expenditures	16,912	32,308	(15,396)
Total expenditures	<u>355,389</u>	<u>286,209</u>	<u>69,180</u>
(Deficiency) of revenues over expenditures	-	(21,288)	(21,288)
Other financing sources:			
Transfer in	-	21,288	21,288
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		<u>\$ -</u>	

City of Bethel, Alaska

Homeland Security Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ 103,987	91,342	(12,645)
Expenditures -			
Public safety - equipment	103,987	88,042	15,945
Excess of revenues over expenditures	-	3,300	3,300
Other financing sources:			
Transfer out	-	(3,300)	(3,300)
Net change in fund balance	\$ -	-	-
Fund balance, beginning of year		-	
Fund balance, end of year		\$ -	

City of Bethel, Alaska

USDA-RA Sewer Lagoon Jetty Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ 1,669,358	239,420	(1,429,938)
Expenditures -			
Capital outlay - professional services	1,669,358	239,420	1,429,938
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

911 Surcharges Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - charges for services	\$ <u>155,000</u>	<u>146,402</u>	<u>(8,598)</u>
Expenditures:			
Public safety:			
Personnel	105,387	192,665	(87,278)
Utilities and fuel	-	229	(229)
Supplies	-	1,087	(1,087)
Other purchased services	40,500	41,342	(842)
Rents and leases	4,800	4,806	(6)
Insurance	<u>1,000</u>	<u>1,117</u>	<u>(117)</u>
Total expenditures	<u>151,687</u>	<u>241,246</u>	<u>(89,559)</u>
(Deficiency) revenues over expenditures	\$ <u>3,313</u>	(94,844)	<u>(98,157)</u>
Fund balance , beginning of year		<u>154,333</u>	
Fund balance , end of year		\$ <u>59,489</u>	

City of Bethel, Alaska

Volunteer Fire Assistance Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental -			
Federal sources	\$ <u>7,453</u>	<u>7,453</u>	<u>-</u>
Expenditures			
Public safety - minor equipment	<u>7,453</u>	<u>7,453</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Transfer in	<u>-</u>	<u>10</u>	<u>10</u>
Net change in fund balance	\$ <u>-</u>	<u>10</u>	<u>10</u>
Fund balance , beginning of year		<u>(10)</u>	
Fund balance , end of year		\$ <u>-</u>	

City of Bethel, Alaska

APEI Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - miscellaneous	\$ -	4,512	4,512
Expenditures			
Public works - supplies	-	3,000	(3,000)
Excess of revenues over expenditures	-	1,512	1,512
Other financing uses -			
Transfers out	-	(1,512)	(1,512)
Net change in fund balance	\$ -	-	-
Fund balance , beginning of year		-	
Fund balance , end of year		\$ -	

City of Bethel, Alaska

Land Water Conservation Grant Special Revenue Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Intergovernmental - State of Alaska	\$ -	43,413	43,413
Expenditures:			
Public works:			
Supplies	-	787	787
Minor equipment	-	7,213	7,213
Total expenditures	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Excess of revenues over expenditures	-	35,413	35,413
Other financing uses -			
Transfers in	-	4,284	4,284
Net change in fund balance	<u>\$ -</u>	<u>39,697</u>	<u>39,697</u>
Fund balance , beginning of year		<u>-</u>	
Fund balance , end of year		<u>\$ 39,697</u>	

City of Bethel, Alaska

Endowment Permanent Fund

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

Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues -			
Local sources - investment income	\$ -	11,836	11,836
Expenditures	-	-	-
Excess of revenues over expenditures	-	11,836	(11,836)
Other financing uses -			
Transfers out	-	(17,539)	17,539
Net change in fund balance	\$ -	(5,703)	5,703
Fund balance , beginning of year		<u>1,886,031</u>	
Fund balance , end of year		<u>\$ 1,880,328</u>	

City of Bethel, Alaska
 Water and Sewer Utility Enterprise Fund
 Statement of Net Position
 June 30, 2018

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$	3,504,091
Accounts receivable (net of allowance)		704,238
Inventory		65,550
Total current assets		4,273,879

Capital assets:

Construction in progress		11,314,993
Depreciable assets		34,982,564
Less accumulated depreciation		(26,151,767)
Net capital assets		20,145,790

Deferred outflows of resources -

Pension and OPEB deferrals		458,063
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Total assets and deferred outflows of resources	\$	24,877,732
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Liabilities, Deferred Inflows of Resources and Net Position

Liabilities:

Current liabilities:

Accounts payable		138,405
Accrued payroll		74,828
Accrued leave		133,319
Security deposits		358,528
Total current liabilities		705,080

Long-term Liabilities:

Advances from other funds		1,996,668
Net pension and OPEB liabilities		3,445,694
Total long-term liabilities		5,442,362

Total liabilities		6,147,442
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Deferred inflows of resources -

Pension and OPEB deferrals		572,924
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Net position:

Net investment in capital assets		20,145,790
Unrestricted		(1,988,424)
Total net position		18,157,366

Total liabilities, deferred inflows of resources and net position	\$	24,877,732
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City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:	
Charges for services	\$ 6,958,047
Other	4,339
Total operating revenues	<u>6,962,386</u>
Operating expenses:	
Personnel	2,802,478
Travel and training	9,861
Materials and supplies	161,092
Utilities and fuel	757,552
Minor equipment and tools	84,882
Depreciation	1,098,612
Other purchased services	55,946
Insurance	109,980
Repairs and maintenance	649,835
Other expenses	60,204
Bad debt expense	36,149
Indirect cost	588,218
Total operating expenses	<u>6,414,809</u>
Income from operations	547,577
Nonoperating revenues -	
Investment income	10,489
State PERS relief	99,490
Income before transfers and contributions	657,556
Capital contributions	<u>9,057,572</u>
Change in net position	<u>9,715,128</u>
Net position, beginning of year, as previously stated	9,044,343
Cumulative effect of a change in accounting principle	<u>(602,105)</u>
Net position, beginning of year, as restated	<u>8,442,238</u>
Net position, end of year	<u>\$ 18,157,366</u>

City of Bethel, Alaska
Water and Sewer Utility Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 6,930,689
Payment to suppliers	(2,445,428)
Payment to employees	<u>(2,909,251)</u>
Net cash flows from operating activities	<u>1,576,010</u>
Cash Flows from (for) Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(102,273)</u>
Net increase in cash and cash equivalents	<u>1,473,737</u>
Cash and cash equivalents, beginning of year	<u>2,030,354</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,504,091</u></u>
Reconciliation of loss from operations to net cash flows from operating activities:	
Income from operations	\$ 547,577
Adjustments to reconcile loss from operations to net cash flows from operating activities:	
Depreciation	1,098,612
Pension and OPEB expense	942,253
(Increase) decrease in assets:	
Accounts receivable	(55,293)
Inventory	(15,452)
Increase (decrease) in liabilities:	
Accounts payable	83,743
Accrued payroll	10,793
Accrued leave	13,961
Deposits	23,596
Unfunded pension and OPEB liabilities	<u>(1,073,780)</u>
Net cash flows from operating activities	<u><u>\$ 1,576,010</u></u>
Noncash items:	
Capital assets transferred from governmental funds	<u><u>\$ 9,057,572</u></u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Net Position
June 30, 2018

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 2,949,484
Accounts receivable (net of allowance)	346,556
Inventory	63,201
Investments	1,181,131
Total current assets	<u>4,540,372</u>

Capital assets:

Land	2,237,356
Construction in progress	1,167,200
Depreciable assets	32,779,185
Less accumulated depreciation	<u>(10,727,190)</u>
Net capital assets	<u>25,456,551</u>

Deferred outflows of resources -

Pension and OPEB deferrals	<u>55,060</u>
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Total assets and deferred outflows of resources	<u><u>\$ 30,051,983</u></u>
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Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:

Accounts payable	13,356
Accrued payroll	13,764
Accrued leave	11,909
Total current liabilities	<u>39,029</u>

Long-term liabilities -

Net pension and OPEB liabilities	<u>374,317</u>
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Total liabilities	<u>413,346</u>
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Deferred inflows of resources -

Pension and OPEB deferrals	<u>49,400</u>
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Net position:

Net investment in capital assets	25,456,551
Unrestricted	4,132,686
Total net position	<u>29,589,237</u>

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 30,051,983</u></u>
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City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:	
Charges for services	\$ 1,131,172
Other	1,596
Total operating revenues	<u>1,132,768</u>
Operating expenses:	
Personnel	337,853
Travel and training	1,297
Materials and supplies	11,286
Utilities and fuel	48,104
Minor equipment and tools	20,950
Depreciation	798,558
Other purchased services	10,499
Insurance	21,077
Repairs and maintenance	89,653
Other expenses	6,282
Indirect cost	82,447
Total operating expenses	<u>1,428,006</u>
Loss from operations	<u>(295,238)</u>
Nonoperating revenues:	
State PERS relief	8,744
Investment income	(3,981)
Total nonoperating revenues	<u>4,763</u>
Change in net position	<u>(290,475)</u>
Net position, beginning of year, as previously stated	29,930,659
Cumulative effect of a change in accounting principle	<u>(50,947)</u>
Net position, beginning of year, as restated	<u>29,879,712</u>
Net position, end of year	<u>\$ 29,589,237</u>

City of Bethel, Alaska
Municipal Dock Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,289,225
Payment to suppliers	(514,866)
Payment to employees	(346,341)
Net cash flows from operating activities	<u>428,018</u>
Cash flows (for) investing activities:	
Redemption of investments	1,197,702
Investment income	(3,981)
Net cash flows from investing activities	<u>1,193,721</u>
Cash flows (for) capital and related financing activities:	
Acquisition of capital assets	<u>(1,894,471)</u>
Net (decrease) in cash and cash equivalents	(272,732)
Cash and cash equivalents, beginning of year	<u>3,222,216</u>
Cash and cash equivalents, end of year	<u>\$ 2,949,484</u>
Reconciliation of income from (for) operations to net cash flows from operating activities:	
Loss from operations	\$ (295,238)
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation and amortization	798,558
Pension and OPEB expense	(10,804)
(Increase) decrease in assets:	
Accounts receivable	156,457
Increase (decrease) in liabilities:	
Accounts payable	(223,271)
Accrued payroll	1,438
Accrued leave	878
Net cash flows from operating activities	<u>\$ 428,018</u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statements of Net Position
June 30, 2018

Assets**Current assets:**

Cash and cash equivalents	\$ 891,963
Accounts receivable (net of allowance)	3,235
Inventory	6,614
Total current assets	<u>901,812</u>

Long-term assets -

Restricted cash - bond reserve	<u>217,445</u>
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Capital assets:

Construction in progress	17,419
Land	43,000
Depreciable assets	9,876,329
Less accumulated depreciation	<u>(5,376,069)</u>
Net capital assets	<u>4,560,679</u>

Total long-term assets	<u>4,778,124</u>
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Total assets	<u>\$ 5,679,936</u>
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Liabilities and Net Position**Liabilities****Current liabilities:**

Accounts payable	21,943
Current portion - bonds payable	165,000
Accrued interest payable	7,754
Unearned revenue	51,135
Total current liabilities	<u>245,832</u>

Long-term Liabilities:

Advances from other funds	928,960
Bonds payable, net of current portion	1,835,000
Unamortized bond premium	268,280
Total long-term liabilities	<u>3,032,240</u>

Total liabilities	<u>3,278,072</u>
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Net position:

Net investment in capital assets	2,292,399
Restricted - bond reserve	217,445
Unrestricted	<u>(107,980)</u>
Total net position	<u>2,401,864</u>

Total liabilities and net position	<u>\$ 5,679,936</u>
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City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:	
Charges for services	\$ 724,026
Other	(4,896)
Total operating revenues	<u>719,130</u>
Operating expenses:	
Utilities and fuel	127,198
Depreciation and amortization	340,702
Other purchased services	94,009
Insurance	28,307
Repairs and maintenance	7,755
Total operating expenses	<u>597,971</u>
Income from operations	121,159
Nonoperating revenues (expenses):	
Investment income	1,781
Interest expense	(67,616)
Refunding costs	12,845
Net nonoperating revenues (expenses)	<u>(52,990)</u>
Change in net position	68,169
Net position, beginning of year	<u>2,333,695</u>
Net position, end of year	<u>\$ 2,401,864</u>

City of Bethel, Alaska
Rental Property Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 769,849
Payment to suppliers	(248,482)
Net cash flows from operating activities	<u>521,367</u>
Cash Flows from Noncapital Financing Activities	
Bad debt recovery	<u>12,845</u>
Cash flows (for) capital and related financing activities:	
Acquisition of capital assets	(17,419)
Payments on long-term debt	(175,000)
Interest paid on long-term debt	(97,425)
Net cash flows (for) capital and related financing activities	<u>(289,844)</u>
Cash flows from investing activities -	
Investment income	<u>1,781</u>
Net increase in cash and cash equivalents	246,149
Cash and cash equivalents, beginning of year	<u>863,259</u>
Cash and cash equivalents, end of year	<u>\$ 1,109,408</u>
Reconciliation of income from operations to net cash flows from operating activities:	
Income from operations	\$ 121,159
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation and amortization	340,702
(Increase) decrease in assets:	
Accounts receivable	(416)
Increase (decrease) in liabilities:	
Accounts payable	8,787
Unearned revenue	51,135
Net cash flows from operating activities	<u>\$ 521,367</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 891,963
Restricted cash - bond reserve	217,445
	<u>\$ 1,109,408</u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Net Position
June 30, 2018

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 4,275,420
Accounts receivable, net of allowance	116,577
Inventory	3,276
Total current assets	4,395,273

Capital assets:

Land	18,252
Depreciable assets	1,186,265
Less accumulated depreciation	(712,219)
Net capital assets	492,298

Deferred outflows of resources -

Pension and OPEB deferrals	54,539
	54,539

Total assets and deferred outflows of resources	\$ 4,942,110
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Liabilities, deferred inflows of resources and net position

Liabilities:

Current liabilities:

Accounts payable	7,447
Accrued payroll	9,933
Accrued leave	35,750
Total current liabilities	53,130

Long-term liabilities:

Landfill closure costs	2,517,098
Net pension and OPEB liabilities	449,216
Total long-term liabilities	2,966,314

Total liabilities	3,019,444
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Deferred inflows of resources -

Pension and OPEB deferrals	87,240
	87,240

Net position:

Net investment in capital assets	492,298
Unrestricted	1,343,128
Total net position	1,835,426

Total liabilities, deferred inflows of resources and net position	\$ 4,942,110
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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, 2018

Operating revenues:	
Charges for services	\$ <u>1,189,349</u>
Operating expenses:	
Personnel	389,377
Travel and training	1,884
Materials and supplies	4,649
Utilities and fuel	36,299
Minor equipment and tools	12,644
Depreciation	68,223
Other purchased services	9,015
Insurance	7,322
Repairs and maintenance	130,953
Landfill closure costs	59,931
Other expenses	7,353
Indirect cost	89,706
Total operating expenses	<u>817,356</u>
Income from operations	<u>371,993</u>
Nonoperating revenues -	
State PERS relief	<u>15,416</u>
Change in net position	<u>387,409</u>
Net position, beginning of year, as previously stated	1,540,648
Cumulative effect of a change in accounting principle	<u>(92,631)</u>
Net position, beginning of year, as restated	<u>1,448,017</u>
Net position, end of year	<u>\$ <u>1,835,426</u></u>

City of Bethel, Alaska
Solid Waste Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 1,172,522
Payment to suppliers	(302,198)
Payment to employees	(411,437)
Net cash flows from operating activities	<u>458,887</u>
Cash flows (for) capital related financing activities:	
Acquisition of capital assets	<u>(32,000)</u>
Net increase in cash and cash equivalents	426,887
Cash and cash equivalents , beginning of year	<u>3,848,533</u>
Cash and cash equivalents , end of year	\$ <u><u>4,275,420</u></u>
Reconciliation of income from operations to net cash flows from operating activities:	
Income from operations	371,993
Adjustments to reconcile income from operations to net cash flows from operating activities:	
Depreciation	68,223
Pension and OPEB expense	52,441
(Increase) decrease in assets:	
Accounts receivable	(16,827)
Increase (decrease) in liabilities:	
Accounts payable	(2,373)
Accrued payroll	1,209
Accrued leave	(3,145)
Landfill closure costs	59,931
Unfunded pension and OPEB liabilities	(72,565)
Net cash flows from operating activities	\$ <u><u>458,887</u></u>

City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Net Position
June 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 3,599,780
Inventory	23,179
Total current assets	<u>3,622,959</u>

Capital assets:

Depreciable assets	23,297,167
Less accumulated depreciation	<u>(2,990,940)</u>
Net capital assets	<u>20,306,227</u>

Total assets	\$ <u><u>23,929,186</u></u>
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Liabilities and Net Position

Liabilities -

Current liabilities -	
Accounts payable	<u>106,670</u>

Net position:

Net investment in capital assets	20,306,227
Unrestricted	<u>3,516,289</u>
Total net position	<u>23,822,516</u>

Total liabilities and net position	\$ <u><u>23,929,186</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, 2018

Operating Revenues:	
Charges for services:	
Pro-shop and concession revenue	\$ 113,941
Facility rental income	11,897
Public donations	5,000
Permits, licenses and fees	364,358
Total operating revenues	<u>495,196</u>
Operating expenses:	
Repairs and maintenance	7,787
Other purchased services	821,606
Depreciation	815,218
Insurance	31,773
Utilities and fuel	307,003
Other expenses	3,393
Indirect cost	37,600
Total operating expenses	<u>2,024,380</u>
Loss from operations	(1,529,184)
Nonoperating revenues:	
Investment income	55,413
Total nonoperating revenues	<u>55,413</u>
Loss before contributions and transfers	(1,473,771)
Transfers in - General fund	<u>534,789</u>
Change in net position	(938,982)
Net position, beginning of year	<u>24,761,498</u>
Net position, end of year	<u>\$ 23,822,516</u>

City of Bethel, Alaska
Multi-Use Recreation Center Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 575,483
Payment to suppliers	(1,132,381)
Net cash flows (for) operating activities	<u>(556,898)</u>
Cash flows from noncapital financing activities:	
Transfers in - General Fund	<u>534,789</u>
Cash flows from investing activities -	
Investment income received	<u>55,413</u>
Net in cash and cash equivalents	33,304
Cash and cash equivalents, beginning of year	<u>3,566,476</u>
Cash and cash equivalents, end of year	<u>\$ 3,599,780</u>
Reconciliation of loss from (for) operations to net cash flows for operating activities:	
Loss from operations	\$ (1,529,184)
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:	
Depreciation	815,218
(Increase) decrease in assets:	
Accounts receivable	80,287
Increase (decrease) in liabilities:	
Accounts payable	76,781
Net cash flows (for) operating activities	<u>\$ (556,898)</u>

City of Bethel, Alaska
Public Transit Nonmajor Enterprise Fund
Statement of Net Position
June 30, 2018

Assets and Deferred Outflows of Resources

Current assets:	
Inventory	\$ 4,636
Total current assets	<u>4,636</u>
Capital assets:	
Depreciable assets	365,214
Less accumulated depreciation	<u>(269,570)</u>
Net capital assets	<u>95,644</u>
Deferred outflows of resources -	
Pension and OPEB deferrals	<u>20,837</u>
Total assets and deferred outflows of resources	<u>\$ 121,117</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accounts payable	3,664
Accrued payroll	6,517
Accrued leave	24,754
Due to other funds	208,847
Total current liabilities	<u>243,782</u>
Long-term-	
Net pension and OPEB liabilities	<u>222,103</u>
Total liabilities	<u>465,885</u>
Deferred inflows of resources -	
Pension and OPEB deferrals	<u>57,983</u>
Total liabilities and deferred inflows of resources	<u>523,868</u>
Net position:	
Net investment in capital assets	95,644
Unrestricted	<u>(498,395)</u>
Total net position	<u>(402,751)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 121,117</u>

City of Bethel, Alaska

Public Transit Nonmajor Enterprise Fund

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

Operating revenues -	
Charges for services	\$ <u>32,513</u>
Operating expenses:	
Personnel	264,038
Materials and supplies	3,382
Utilities and fuel	36,564
Minor equipment and tools	1,936
Depreciation and amortization	31,424
Other purchased services	467
Insurance	6,059
Repairs and maintenance	21,886
Other expenses	64,476
Total operating expenses	<u>430,232</u>
Loss from operations	<u>(397,719)</u>
Nonoperating revenues:	
Federal sources	191,193
State PERS relief	9,470
Loss on disposal of assets	(10,723)
Total nonoperating revenues	<u>189,940</u>
Change in net position	<u>(207,779)</u>
Net position, beginning of year, as previously stated	(132,446)
Cumulative effect of a change in accounting principle	<u>(62,526)</u>
Net position, beginning of year, as restated	<u>(194,972)</u>
Net position, end of year	<u>\$ <u>(402,751)</u></u>

City of Bethel, Alaska
Public Transit Nonmajor Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from (for) operating activities:	
Receipts from customers	\$ 32,513
Payment to suppliers	(136,006)
Payment to employees	(285,484)
Net cash flows (for) operating activities	<u>(388,977)</u>
Cash flows from (for) noncapital financing activities:	
Operating grants received	228,774
Increase (decrease) in due to central treasury	160,203
Net cash flows from noncapital financing activities	<u>388,977</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	\$ (397,719)
Adjustments to reconcile loss from operations to net cash flows (for) operating activities:	
Depreciation and amortization	31,424
Pension and OPEB expense	19,205
(Increase) decrease in assets:	
Increase (decrease) in liabilities:	
Accounts payable	(1,236)
Accrued payroll	889
Accrued leave	7,442
Unfunded pension and OPEB liabilities	(48,982)
Net cash flows (for) operating activities	<u><u>\$ (388,977)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Net Position
June 30, 2018

	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Assets			
Current assets -			
Inventory	\$ -	256,696	256,696
Total current assets	-	256,696	256,696
Capital assets:			
Depreciable assets	-	86,902	86,902
Less accumulated depreciation	-	(84,675)	(84,675)
Net capital assets	-	2,227	2,227
Total assets	\$ -	258,923	258,923
Liabilities and net position:			
Current liabilities:			
Accounts and claims payable	377,062	16,365	393,427
Accrued payroll	-	10,367	10,367
Accrued leave	-	14,665	14,665
Due to other funds	551,024	163,710	714,734
Total current liabilities	928,086	205,107	1,133,193
Net position:			
Net investment in capital assets	-	2,227	2,227
Unrestricted	(928,086)	51,589	(876,497)
Total net position	(928,086)	53,816	(874,270)
Total liabilities and net position	\$ -	258,923	258,923

City of Bethel, Alaska

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018

	<u>Employee Health Insurance</u>	<u>Vehicle and Equipment</u>	<u>Total Internal Service Funds</u>
Operating revenues -			
Interfund charges for services	\$ 2,473,613	733,768	3,207,381
Operating expenses:			
Personnel	-	519,311	519,311
Claims	1,768,074	-	1,768,074
Travel and training	-	8,072	8,072
Materials and supplies	-	7,646	7,646
Utilities and fuel	-	84,157	84,157
Minor equipment and tools	-	7,231	7,231
Depreciation	-	3,407	3,407
Other purchased services	708,508	9,269	717,777
Insurance	-	16,963	16,963
Repairs and maintenance	-	792	792
Other expenses	-	140	140
Indirect costs	-	106,453	106,453
Total operating expenses	<u>2,476,582</u>	<u>763,441</u>	<u>3,240,023</u>
Loss from operations	(2,969)	(29,673)	(32,642)
Net position, beginning of year	<u>(925,117)</u>	<u>83,489</u>	<u>(841,628)</u>
Net position, end of year	\$ <u><u>(928,086)</u></u>	<u><u>53,816</u></u>	<u><u>(874,270)</u></u>

City of Bethel, Alaska
Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2018

	Employee Health Insurance	Vehicle and Equipment	Total Internal Service Funds
Cash flows from (for) operating activities:			
Receipts from interfund services provided	\$ 2,474,416	733,768	3,208,184
Payment to suppliers	(2,212,869)	(261,968)	(2,474,837)
Payment to employees	-	(511,517)	(511,517)
Net cash flows from (for) operating activities	261,547	(39,717)	221,830
Cash flows from noncapital financing activities -			
Increase in due to other funds	(261,547)	39,717	(221,830)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents , beginning of year	-	-	-
Cash and cash equivalents , end of year	\$ -	-	-
Reconciliation of loss from operations to net cash flows (for) operating activities:			
Loss from operations	(2,969)	(29,673)	(32,642)
Adjustments to reconcile loss from operations to net cash flows (for) operating activities:			
Depreciation	-	3,407	3,407
(Increase) decrease in assets:			
Accounts receivable	803	-	803
Inventory	-	(14,166)	(14,166)
Increase (decrease) in liabilities:			
Accounts and claims payable	263,713	(7,079)	256,634
Accrued payroll	-	1,531	1,531
Accrued leave	-	6,263	6,263
Net Cash Flows (for) Operating Activities	\$ 261,547	(39,717)	221,830

City of Bethel, Alaska
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

Federal Grant Title	Grant Number	Catalog of Federal Domestic Assistance	Total Grant Award	Federal Share of Expenditures
U.S. Department of Agriculture				
Direct - Water and Waste System	None	10.unknown	\$ 1,669,358	239,420
Passed through the State of Alaska Department of Natural Resources:				
Volunteer Firefighter Assistance	None	10.664	7,453	7,453
Total Department of Agriculture			<u>1,676,811</u>	<u>246,873</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	886,218	886,218
Passed through the State of Alaska Department of Military and Veteran Affairs:				
State Homeland Security - 2015	EMW-2015-SS-00026-S01	97.067	103,987	91,342
Total Department of the Interior			<u>990,205</u>	<u>977,560</u>
U.S. Department of Transportation				
Passed through the State of Alaska Department of Transportation and Public Facilities - Rural Public Transit				
	2512-18-0100	20.509	250,597	191,193
U.S. Environmental Protection Agency				
Passed through the State of Alaska Department of Environmental Conservation				
Village Safe Water Program	14EP70	66.202	1,674,987	1,644,986
Village Safe Water Program	15EQ92	66.202	1,530,000	1,539,925
Village Safe Water Program	16EP29	66.202	1,651,358	1,470,788
Village Safe Water Program	18EQ57	66.202	375,000	367,500
Total CFDA 66.202			<u>5,231,345</u>	<u>5,023,199</u>
Village Safe Water Program	17AP66	93.210	266,401	266,401
Village Safe Water Program	17AP67	66.458	266,000	243,963
Total Environmental Protection Agency			<u>5,763,746</u>	<u>5,533,563</u>
Total Expenditures of Federal Awards			\$ 8,681,359	6,949,189
Reconciliation to statement of revenues, expenditures and changes in fund balances - governmental funds				
Less: federal sources per exhibit C-2				(191,193)
Total sources per exhibit B-3				<u>\$ 6,757,996</u>

CITY OF BETHEL, ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Bethel under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Bethel, it is not intended to and does not present the basic financial statements of the City of Bethel.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Passed Through Awards

No amounts were passed through to subrecipients.

City of Bethel, Alaska
 Schedule of State Financial Assistance
 Year Ended June 30, 2018

<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			
* Community Revenue Sharing	None	\$ 231,991	231,991
* Sewer and Water Project Institutional Corridor	14-DC-042	7,000,000	1,609,970
Police Dispatch System	12-DC-334	328,800	66,322
* Sewage Lagoon	15-DC-038	700,000	519,278
Total Department of Commerce, Community and Economic Development		8,260,791	2,427,561
Department of Administration			
Motor Vehicle Registration Tax	None	49,443	49,443
Electric Cooperative Revenue Sharing	None	19,576	19,576
Liquor License	None	7,500	3,600
* PERS on Behalf	None	257,918	293,380
Total Department of Administration		334,437	365,999
Department of Health and Social Services			
* Community Service Patrol	602-203-1702	323,081	232,613
Division of Parks and Outdoor Recreation			
Land and Water Conservation Fund Grant	02-00411	125,000	43,413
Department of Environmental Conservation			
* Village Safe Water Program	14EP70	558,329	548,329
* Village Safe Water Program	15EQ92	510,000	513,308
* Village Safe Water Program	16EP29	550,453	490,263
Village Safe Water Program	18EQ57	125,000	122,500
Total Department of Environmental Conservation		1,743,782	1,674,400
Total State Financial Assistance			\$ 4,743,986
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			
State Financial Assistance per Schedule			\$ 4,743,986
Adjustments:			
State financial assistance recorded in proprietary funds			(150,851)
PERS on-behalf adjustment for full accrual pension expense under GASB 68			(17,731)
Total State of Alaska revenues per exhibit B-3			\$ 4,575,404

City of Bethel

Notes to Schedule of State Financial Assistance

Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state award activity of the City of Bethel under programs of the State of Alaska for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City of Bethel, it is not intended to and does not present the basic financial statements of the City of Bethel.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Subrecipients

No state funds were passed through to Subrecipients.

Note 4. Major Programs

* denotes a major program for compliance audit purposes.

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bethel, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bethel's basic financial statements and have issued our report thereon dated July 1, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the federal accompanying schedule of findings and questioned costs that we consider to be material weaknesses as items 2018-001, 2018-002, and 2018-003.

Members of the Council
City of Bethel, Alaska

Compliance and Other Matters

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

City of Bethel's Response to Findings

City of Bethel's response to the findings identified in our audit is described in the accompanying federal schedule of findings and questioned costs and corrective action plan. City of Bethel's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
July 1, 2019

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, 2018. City of Bethel, Alaska's major federal program is identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. 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 and CFDA #66.202 Village Safe Water

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 and CFDA #66.202 Village Safe Water as described in Finding 2018-004 for reporting. Compliance with such requirements is necessary, in our opinion, for the City of Bethel, Alaska to comply with requirements applicable to those programs.

Qualified Opinion on CFDA #15.226 Payment in Lieu of Taxes and CFDA #66.202 Village Safe Water

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 and Village Safe Water Programs for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Members of the Council
City of Bethel, Alaska

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-004 that we consider to be a material weakness.

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

Altman, Rogers & Co.

Anchorage, Alaska
July 1, 2019

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

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

_____ Yes x No

Internal control over financial reporting:

Material weakness(es) identified?

x Yes _____ No

Significant deficiency(ies) identified?

_____ Yes x None reported

Noncompliance material to financial statements noted?

_____ Yes x No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified

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

x Yes _____ No

Significant deficiency(ies) identified

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

_____ Yes x None reported

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

x Yes _____ No

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

Qualified

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

_____ Yes x No

Identification of major program:

CFDA Number
15.226
66.202

Name of Federal Program
Payment in Lieu of Taxes
Village Safe Water

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes x No

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2018-001
Material Weakness

Internal Controls Over Harbor Billing

Condition: During internal control testwork over Harbor Billing we found three errors of the City failing to follow policies and procedures, and miscalculation of valuation for charges, and lack of support for transactions. This is a repeat finding of 2017-002.

Criteria: The City should follow its policies and procedures for all Harbor billing transactions to ensure they are recorded correctly and for the correct amount.

Context: We attempted to test 40 transactions out of the Harbor billing, but abandoned testwork after finding three errors within the first few transactions reviewed. The errors related to incorrect rate charges for services rendered and clerical calculation errors of total charges when re-calculating supporting documentation compared to total invoiced and in some instances, lacking any form of support for the transaction.

Cause: Policies and procedures were not followed for updated 2018 billing rates, lack of adequate review resulted in miscalculation of charges, as well as lacking adequate supporting documentation.

Effect: Could result in misstatements to the Harbor revenue.

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

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

Finding 2018-002
Material Weakness

Internal Control over P-cards

Condition: There is a lack of internal controls over the P-cards at the City. There was no list of open P-cards maintained and documentation of reconciliation or review of the charges could not be provided. This is a repeat of finding 2017-004.

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

Context: We haphazardly selected 2 of the master P-card statements to test. The first cardholder on the November statement that we tested had 23 transactions. None of these transactions had any sort of approval over the transactions. Also, only 4 of the transactions out of 23 had supporting receipts. Due to the failure to meet our audit objectives, we were unable to rely on controls over P-card transactions and had to abandon testwork.

CITY OF BETHEL, ALASKA

Federal Schedule of Findings and Questioned Costs, Continued

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

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

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

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

Finding 2018-003
Material Weakness

Internal Control over Material Journal Entries

Condition: Internal controls over Material Journal entries failed due to a lack of approval process and support over journal entries. There were three correcting material journal entries throughout the year that were made without support, review, or approval.

Criteria: The City's policies and procedures must be followed. Specifically, review and supporting documentation must be kept for material journal entries.

Context: We reviewed all general journal entries made during FY18 that were greater than or equal to \$50,000 based upon our calculated materiality. We reviewed the journal entries for documented support of the approval of the entry as well as for reasonableness and if they were reoccurring entries. We found 3 entries made during the year without support, one with a material amount of \$807,000.

Cause: Insufficient review over material journal entries.

Effect: This could result in materially misstated account balances that would affect the presentation of the financial statements.

Recommendation: The City should review all material journal entries and document the approval of each entry.

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

Federal Schedule of Findings and Questioned Costs, Continued

Section III – Federal Award Findings and Questioned Costs

Finding 2018-004 Material Weakness/ Material Noncompliance	<u>Internal Control Over Reporting – U.S. Department of Interior and U.S.– CFDA #15.226 Passed through the State of Alaska Department of Commerce, Community and Economic Development – Payment in Lieu of Taxes – Award Year 2017 and U.S. Environmental Protection Agency – CFDA #62.202 Passed through the State of Alaska Department of Environmental Conservation – Village Safe Water Program – Grant numbers 14EP70, 15EQ92, 16EP29 and 18EQ57</u>
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 2017-007.
Criteria:	Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (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 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 audit with sufficient time to meet the deadline.
Management Response:	Management agrees with the finding, see corrective action plan.

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, 2018. The City of Bethel, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Major State Programs

As described in Finding 2018-005 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 the 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, 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 each of its Major state programs for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

Management of the City of Bethel, 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's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Members of the Council
City of Bethel, Alaska

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance as described in the accompanying State Schedule of Findings and Questioned Costs as Finding 2018-005 that we consider to be a material weakness.

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

A handwritten signature in cursive script that reads "Altman, Rogers & Co.".

Anchorage, Alaska
July 1, 2019

City of Bethel, Alaska

State Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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?

Yes X None reported

Is a material noncompliance disclosed?

Yes X No

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

Yes X None reported

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

Qualified

Dollar threshold used to distinguish
a state major program:

\$ 150,000

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 2018-005

Internal Control over Reporting – All Major State Programs

Material Weakness/

Material Non Compliance

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



City of Bethel
City Manager's Office
PO Box 1388
Bethel AK 99559
(907) 543-1373 / (907) 543-1394 (fax)
www.cityofbethel.org

Summary of Prior Audit Findings

June 30, 2018

Section III – Summary of Prior Audit Findings

Financial Statement Findings

Finding 2017-001

Material Weakness

Internal Controls Over Endowment Fund

Condition:

The City moved funds out of the designated endowment fund account into a separate financial institution account recorded in the General Fund.

Status:

Finding resolved.

Finding 2017-002

Material Weakness

Internal Controls Over Harbor Billing

Condition:

During internal control testwork over Harbor Billing we found three errors of the City failing to follow policies and procedures, and miscalculation of valuation for charges.

Status:

Finding repeated as 2018-001.

Finding 2017-003

Significant Deficiency

Internal Control Over Cash Receipts

Condition:

Several cash receipts lacked proper supporting documentation or approval.

Status:

Finding resolved.

Finding 2017-004

Material Weakness

Internal Control over P-cards

Condition:

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

Status:

Finding repeated as 2018-002.

CITY OF BETHEL, ALASKA

Summary of Prior Audit Findings, Continued

Finding 2017-005
Material Weakness

Internal Control over the Multi-Use Recreation Center Operations

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

Status: Finding resolved.

Finding 2017-006

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

Material Weakness

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

Status: Finding Resolved.

Federal Award Findings

Finding 2017-007
**Material Weakness/
Material Noncompliance**

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

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 2016-007.

Status: Finding repeated as 2018-004.

State Award Findings

Finding 2017-008
**Material Weakness/
Material Noncompliance**

Internal Control over Reporting – All Major State Programs

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

Status: Finding repeated as 2018-005.



City of Bethel
City Manager's Office
PO Box 1388
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(907) 543-1373 / (907) 543-1394 (fax)
www.cityofbethel.org

Corrective Action Plan

June 30, 2018

Financial Statement Findings

Finding 2018-001

Internal Controls Over Harbor Billing

Name of Contact Person: Christine Blake, Finance Director

Corrective Action Plan: The Finance Department will review Harbor billing policies and procedures with Port staff and establish adequate internal controls designed to ensure compliance with the policies and procedures. Training of Port Staff on billing policies and procedures will be provided by the Finance Department. Ongoing monitoring of Port billing activities and compliance with established procedures will be performed by the Finance Department.

Proposed Completion Date: September 30, 2019

Finding 2018-002

Internal Controls Over P-cards

Name of Contact Person: Christine Blake, Finance Director

Corrective Action Plan: The Finance Department will develop and implement Citywide P-card policies and procedures. These policies and procedures will consider the recommendations made in the Government Finance Officers Association "Best Practice for Purchasing Card Programs" and will include required documentation of supervisory approval of all P-card purchases and receipts. The Finance Department will ensure P-card agreements are signed by every cardholder and will conduct ongoing monitoring of P-card activity for compliance with established policies and procedures.

Proposed Completion Date: October 31, 2019

Finding 2018-003

Internal Controls Over Material Journal Entries

Name of Contact Person: Christine Blake, Finance Director

Corrective Action Plan: The Finance Director will review all material journal entries for accuracy, reasonableness, compliance with applicable accounting standards, and adequate supporting documentation.

Proposed Completion Date: Currently in place.

CITY OF BETHEL, ALASKA

Corrective Action Plan, Continued

Federal Award Findings

Finding 2018-004

Internal Control Over Reporting – U.S. Department of Interior and U.S.–CFDA #15.226 Passed through the State of Alaska Department of Commerce, Community and Economic Development – Payment in Lieu of Taxes – Award Year 2017 and U.S. Environmental Protection Agency – CFDA #62.202 Passed through the State of Alaska Department of Environmental Conservation – Village Safe Water Program – Grant numbers 14EP70, 15EQ92, 16EP29 and 18EQ57

Name of Contact Person: Christine Blake, Finance Director

Corrective Action Plan: The City improved its financial reporting processes during FY18 by implementing a financial close and reporting process intended to allow more timely review and reconciliation of account balances. These changes are in now place, but were not fully implemented for the FY18 audit. We expect the audit report for FY19 to be completed prior to the statutory deadline of 9 months following our fiscal year end.

Proposed Completion Date: Currently in place.

State Award Findings

Finding 2018-005

Internal Control over Reporting – All Major State Programs

Name of Contact Person: Christine Blake, Finance Director

Corrective Action Plan: The City improved its financial reporting processes during FY18 by implementing a financial close and reporting process intended to allow more timely review and reconciliation of account balances. These changes are in now place, but were not fully implemented for the FY18 audit. We expect the audit report for FY19 to be completed prior to the statutory deadline of 9 months following our fiscal year end.

Proposed Completion Date: Currently in place.