

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF FAIRBANKS, ALASKA



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

John Eberhart
Mayor

Prepared by
Finance Department

Carmen Randle, CPA, Chief Financial Officer
Margarita Bell, CPA, Controller



CITY OF FAIRBANKS, ALASKA

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For the Fiscal Year Ended December 31, 2015

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Letter of Transmittal
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GFOA Distinguished Budget Presentation Award
Organizational Chart
List of Principal Officials





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October 31, 2016

To the Honorable Mayor, Members of the City Council and the Citizens of Fairbanks:

We present to you the comprehensive annual financial report (CAFR) of the City of Fairbanks (City) for the fiscal year ended December 31, 2015. Charter Section 8.7 requires that the City publish an annual report on its financial position and activity presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

INTRODUCTION

Responsibility and Internal Controls

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Independent Financial Audit

The City's financial statements have been audited by Kohler, Schmitt & Hutchison, PC, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unmodified opinion on the City's financial statements for the fiscal year ended December 31, 2015. Their opinion asserts that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report.

The City is also required to undergo an audit in conformity with the provisions of Alaska State Regulation 2 AAC 45.010 and Audit Guide and Compliance Supplement for State Single Audits. A schedule of state financial assistance, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are available in the Single Audit section of this report.

Management's Discussion and Analysis

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A provides an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, and conditions. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF FAIRBANKS

The City, incorporated in 1903, is located in Alaska's interior. It is located some 365 road miles north of Anchorage and 120 miles south of the Arctic Circle. The City has a land area of 33.8 square miles and a population of approximately 32,116. It is located within the bounds of the Fairbanks North Star Borough; the Borough has a land area of 7,361 square miles and a population of approximately 98,645, which includes City residents. The City levies a property tax on real property located within its boundaries. The City has the power to extend its corporate limits by annexations in accordance with state law.

Form of Government

The City operates under a "Council-Mayor" form of government. Policymaking and legislative authority are vested in the seven-member City Council, of which the Mayor is a member. The Council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City Attorney and City Clerk. The Mayor is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and for supervising the department heads. The Council is elected at large on a non-partisan basis. Council members and the Mayor are elected to three-year terms and cannot serve more than two consecutive terms.

General Government Functions and Proprietary Fund Operations

The City provides a variety of local government services, including public safety (police, fire, emergency dispatch and emergency medical services), street maintenance, refuse collection, funding of economic development, public improvements, building and fire code enforcement, storm drain management, and general administrative services.

The City has two proprietary funds which are classified as enterprise funds. They are the Municipal Utilities System Fund (MUS) and The Fairbanks Transportation Center (FTC).

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. Budgets for the general fund and the capital fund are adopted on an annual basis. The Council is required to adopt a balanced budget for the general fund no later than December 15th of the fiscal year. The budget is prepared by function level (departments). The Mayor may approve intradepartmental transfers of appropriated funds, except for transfers from non-wage accounts to accounts used for wages and benefits, overtime, and capital funds which require Council approval. All interdepartmental transfers of appropriated funds require Council approval. Expenditures may exceed appropriations on the object level, but not on the function level.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

According to the Fairbanks North Star Borough's (FNSB) *Community Research Quarterly, Winter 2015 edition*, tourism revenue from hotel-motel receipts increased by 5.1 percent to \$59,720,454. Foreclosures decreased from 165 in 2010 to 144 in 2011, rose to 162 in 2012, 193 in 2013 and 196 in 2014, and decreased to 178 in 2015. The average annual unemployment rate in 2015 slightly decreased to 5.5 percent from 5.8 percent in 2014. The annual average monthly employment increased for Mining and Logging by 7.1 percent; Construction by 11.5 percent; Trade, Transportation, and Utilities by 3.8 percent; Professional and Business Services by 4.3 percent; and Educational and Health Services by 1.9 percent. The annual average monthly employment remained the same for Manufacturing, Information, and Financial Activities. The annual average monthly employment for Government decreased by 2.6 percent with no change in Federal Government but decreases in State Government by 3.7 percent and Local Government by 3.1 percent.

The City is the major transportation hub for the interior of the State. It is the northern terminus for the Alaska Railroad that extends southward through Anchorage to the ice-free port of Seward. Of the four major highways in the State, three pass through Fairbanks, connecting it to south and central Alaska by paved, all-weather roads. The Dalton Highway, which extends north to Prudhoe Bay, parallel to the oil pipeline, furthers Fairbanks' role as a transportation center. The area supports the oil and defense industries through services, distribution and transportation services. Fort Wainwright, a U.S. Army installation, is situated within City limits. Eielson Air Force Base is approximately 21 miles southeast of the City.

The campus of the University of Alaska Fairbanks is located to the west of the City's boundaries. Enrollment at the University was 9,870 students as of Fall 2015. The University employs 2,784 people. The Fort Knox Gold Mine, located about 20 miles northeast of the City, is one of the world's largest open pit mines. The mine produces over 400,000 ounces of gold annually. Fairbanks serves as a major center for petroleum-related activity. Alyeska Pipeline Service Company, operator of the Trans-Alaska pipeline system, has a significant presence in the City. Flint Hills, Inc. and Petro Star Inc. operate refineries nearby in the borough.

The City financial outlook is positive, despite the State of Alaska's budget problems due to low oil prices. New businesses have recently come to our City and more are coming; Fort Wainwright has expanded with the AH-64 Apache helicopters transferred from Germany (the only Apache battalion in Alaska and one of only 20 in the US Army) and the scheduled arrival of Grey Eagle drones. Eielson Air Force Base was selected as the new home for the first F-35As in the Pacific with construction scheduled to begin in 2017.

Long Term Financial Planning

City ordinances require the general fund unassigned fund balance to be the greater of 20 percent of budgeted operational expenditures or \$4,000,000. On December 31, 2015, the unassigned fund balance in the City's general fund was \$11,487,174. During the annual budget process, departments are encouraged to forecast future capital needs. Annually each department transfers an estimated amount to the capital fund to help pay for future capital needs. Funds transferred to the capital fund are accumulated and budgeted annually as capital needs become due. By Charter, funds may not be transferred out of the capital fund to pay for general fund operating expenditures.

The City of Fairbanks maintains a permanent investment fund comprised of receipts associated with the sale of assets. The fund was originally established by the sale of the Municipal Utility System. Proceeds from any sales of real property are deposited in the fund. The Permanent Fund Advisory Committee is

managed by the head of the City Finance Department under the oversight of a five (5) person fund review board, including one member of the City Council, appointed by the Mayor and confirmed by the Council. This committee reviews the performance of the investment fund and makes recommendations for changes to the City Council. The City Council adopts investment fund policy by ordinance. At December 31, 2015 the fund balance was \$116,576,569. City code allows four percent of the five-year average of the market value to be transferred to the general fund to support city operations. One half of one percent of the five year average may be used for capital needs. In 2015, \$4,344,518 was transferred from the permanent fund to the general fund and \$543,065 was transferred from the permanent fund to the capital fund. In 2016, it is estimated that \$4,469,551 and \$558,694 will be transferred to the general fund and capital fund respectively.

Relevant Financial Policies

In 2012, the Council amended the permanent fund's investment policies after receiving recommendations from the Permanent Fund Review Board. This changed the asset allocation of the fund to 55 percent fixed income and 45 percent equities.

Major Initiatives

During the year, the City focused on providing essential services such as police, fire, and public works. The City continued funding the Emergency Services Patrol (ESP), a program that provides chronic inebriates/incapacitated persons with safe medical assessment and transport without tying up the time of spread-thin police officers and firefighters. Also along this area, the City worked with local Native and community leaders to pursue the development of a sobering center.

The City also focused on infrastructure improvements by reconstructing various streets and preparing the designs to reconstruct streets. These projects are funded by both grant and local revenues and are as follows:

Design Phase (City assisting the Alaska Department of Transportation):

- Cowles Street Reconstruction: Project will reconstruct Cowles Street from First Avenue to East Cowles Street, to include sidewalk, drainage, and illumination improvements.
- Chena Riverwalk, Phase III: Project will construct approximately 5,500 linear feet of pathway and up to three pedestrian bridges.
- Old Steese Highway Upgrades: Project will reconstruct Old Steese Highway from Wendell Avenue Bridge and intersection at Johansen Expressway.
- Third Street Widening: Project will reconstruct Third Street between Old Steese Highway and Hamilton intersections.
- Tenth Avenue Improvements: Project will reconstruct new sidewalks and road surface on 10th Avenue between Cushman and Lacey Street.
- Wembley Avenue Improvements: Project will reconstruct Wembley Avenue from Aurora Drive to Danby Street and construct a pedestrian facility.

Construction Phase:

- Bjerremark Subdivision Improvements Phase I: Project includes new sidewalks, additional street lighting, school zone flashing, and traffic calming techniques – Anticipated completion date of July 2017.
- Gateway Subdivision Improvements: Project includes roadway reconditioning and repaving, storm sewer improvements, sanitary sewer improvements, and water system improvements - Anticipated completion date of July 2017.
- Noble Street: Project will be managed by Alaska Department of Transportation and will reconstruct Noble Street from First Avenue to Gaffney Road. Anticipated completion date of July 2018.

- Rickert Subdivision Improvements: Project includes reconditioning of roadway, complete reconstruction of roadway, installation of new concrete sidewalks, reconstruction of storm drain system, and replacement of existing sewer and water. Anticipated completion date of July 2017.

AWARDS and ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairbanks for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2014. The City received this prestigious award for the past thirteen consecutive years (2002 - 2014). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Carmen Randle, CPA
Chief Financial Officer



Margarita Bell, CPA
Controller





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fairbanks
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

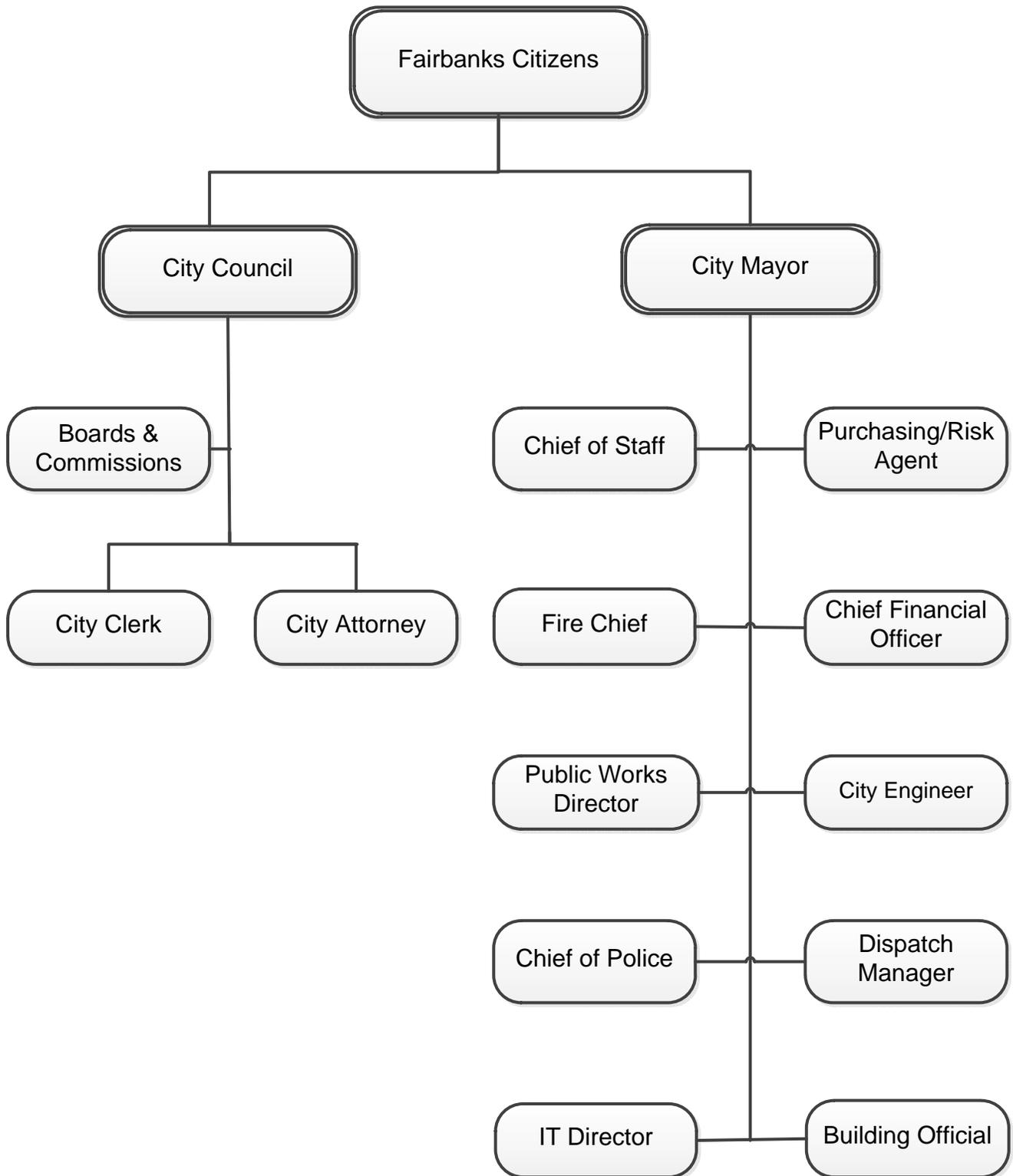
**City of Fairbanks
Alaska**

For the Fiscal Year Beginning

January 1, 2015

Executive Director

City of Fairbanks 2015



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2015

MAYOR

John Eberhart

CITY COUNCIL MEMBERS

Joy Huntington, Seat A
Perry Walley, Seat B
Bernard Gatewood, Seat C
Jim Matherly, Seat D
Jerry Cleworth, Seat E
David Pruhs, Seat F

ADMINISTRATION

John Eberhart, Mayor
Angela Foster-Snow, Acting Chief of Staff
Diana Snider, City Clerk
Robert Pristash, Acting City Engineer
James Styers, Fire Chief
Randall Aragon, Police Chief
Stephanie Johnson, Director of Emergency Dispatch Center
Verg Scott, Public Works General Foreman
Paul Ewers, City Attorney
Shannon Kumpula, Purchasing Agent
Clem Clooten, Building Official
Carmen Randle, Chief Financial Officer
Ben Barrio, Information Technology

FINANCIAL SECTION

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Nonmajor Special Revenue Funds
Nonmajor Capital Projects Funds



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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Fairbanks, 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 Fairbanks, Alaska as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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 Fairbanks, Alaska as of December 31, 2015, 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. The prior year partial comparative information has been derived from the City of Fairbanks, Alaska's 2014 financial statements and, in our report dated April 30, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Change in Accounting Principle

As described in Note 1, D. 16 to the financial statements, in 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27* and *GASB No.71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB 68*. . 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 management's discussion and analysis on pages M-1 through M-12, budgetary comparison information on pages 58 through 59, and pension liability and contribution information on pages 60 through 61 are 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbanks, Alaska's basic financial statements. The introductory section, combining and individual fund financial statements, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of state financial assistance are presented for purposes of additional analysis 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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not a required part of the basic financial statements of the City of Fairbanks, Alaska.

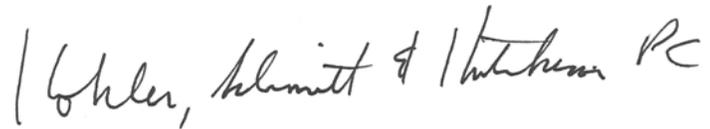
The combining and individual fund financial statements, supplementary information section, the schedule of expenditures of federal awards and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual fund financial statements, supplementary information section, the schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2016, on our consideration of the City of Fairbanks, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairbanks, Alaska's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Gohler, Schmidt & Hutchinson PC".

October 31, 2016
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2015

As management of the City of Fairbanks (City), we offer readers of this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at December 31, 2015 by \$253,779,212 (net position). Of this amount, \$10,672,817 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$984,876 during the fiscal year compared to an increase of \$3,453,745 in the prior year, prior to restatement due to change in accounting principle to record net pension liability. The governmental activities experienced a decrease in net position of \$860,358 compared to an increase of \$3,709,730 in the prior year and the business-type activities experienced a decrease of \$124,518 compared to a decrease of \$255,985 in the prior year.
- At December 31, 2015, the City's governmental funds reported combined ending fund balances of \$136,873,538. Approximately 14.4% of this total amount (\$19,713,280) is for spending at the government's discretion (committed, assigned, or unassigned).
- At December 31, 2015, unassigned fund balance for the general fund was \$11,487,174 or 32.9 percent of total general fund expenditures.
- During 2015, the City received revenue sharing and on-behalf payments to the City's Public Employees' Retirement System from the State of Alaska in the amount \$1,525,467 and \$2,334,013, respectively.
- During 2015, the City adjusted the net position to account for net pension liability in accordance with GASB 68.
- On March 18, 2009 Standard and Poor's Rating Services raised the ratings on the City's general obligation debt from "A-" to "A." The rating was upgraded following a review of credit strength.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. Over time, increases or decreases in

net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and building inspection. The major business-type activities of the City include the Fairbanks Transportation Center (FTC) and the Municipal Utilities System (MUS).

The government-wide financial statements can be found in the Basic Financial Statements and Required Supplementary Information (RSI) subsection of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fairbanks can be divided into two categories: governmental funds and proprietary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, permanent fund, and the grants and contracts fund, which are considered major funds. Data from the other two nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining or individual fund statements elsewhere in this report.

The City of Fairbanks adopts annual budgets for its general fund and capital fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements and budgetary comparison schedule for the general fund can be found in the Basic Financial Statements and RSI subsection of this report. The budgetary comparison schedule for the capital fund is located in the nonmajor capital projects funds subsection.

Proprietary funds

Proprietary funds are used to account for the City's ongoing operations which are similar to those often found in the private sector. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund categories include enterprise and internal service funds.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the remaining MUS assets and operations of the FTC. The compensated absences internal service fund accounts for the City's liability for accrued personal and compensatory leave. Each enterprise fund and the internal service fund are reported as a major fund in the basic financial statements.

The proprietary fund financial statements can be found in the Basic Financial Statements subsection of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the Basic Financial Statements and RSI subsection of this report.

Other Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents certain other RSI including budget comparisons for the general fund. Required supplementary information can be found in the Basic Financial Statements and RSI subsection of this report.

The combining statements referred to earlier in connection with major and nonmajor funds are presented immediately after the basic financial statements. Combining and individual fund statements can be found in the financial section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position December 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 145,708,301	4,848,490	150,556,791
Capital assets, net	126,445,168	8,392,465	134,837,633
Total assets	<u>272,153,469</u>	<u>13,240,955</u>	<u>285,394,424</u>
Deferred outflows of resources	<u>1,963,051</u>	<u>-</u>	<u>1,963,051</u>
Liabilities			
Long-term liabilities outstanding	2,402,864	3,320	2,406,184
Other liabilities	17,662,937	4,801,991	22,464,928
Total liabilities	<u>20,065,801</u>	<u>4,805,311</u>	<u>24,871,112</u>
Deferred inflows of resources	<u>271,507</u>	<u>-</u>	<u>271,507</u>
Net position			
Net investment in capital assets	126,445,168	8,392,465	134,837,633
Restricted	116,661,227	-	116,661,227
Unrestricted	<u>10,672,817</u>	<u>43,179</u>	<u>10,715,996</u>
Total net position	<u>\$ 253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>

Net Position December 31, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 148,237,775	5,010,755	153,248,530
Capital assets, net	123,621,505	8,624,217	132,245,722
Total assets	<u>271,859,280</u>	<u>13,634,972</u>	<u>285,494,252</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Long-term liabilities outstanding	2,524,391	19,595	2,543,986
Other liabilities	2,628,801	5,055,215	7,684,016
Total liabilities	<u>5,153,192</u>	<u>5,074,810</u>	<u>10,228,002</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	123,621,505	8,624,217	132,245,722
Restricted	120,914,019	-	120,914,019
Unrestricted	<u>22,170,564</u>	<u>(64,055)</u>	<u>22,106,509</u>
Total net position	<u>\$ 266,706,088</u>	<u>8,560,162</u>	<u>275,266,250</u>

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$262,214,856 at December 31, 2015. The largest portion of the City's net position (51.4 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A large portion of the total net position (44.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,715,996 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City is able to report positive balances in total net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City restated the opening net position balance in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. See Note 1D.16 Change in Accounting Principles for more information.

Changes in Net Position for the year ended December 31, 2015

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 8,627,742	585,334	9,213,076
Operating grants and contributions	4,826,073	-	4,826,073
Capital grants and contributions	9,245,556	-	9,245,556
General revenues:			
Property taxes	14,875,855	-	14,875,855
Other taxes	6,116,410	-	6,116,410
Investment gain (loss)	269,253	-	269,253
Other	2,838,868	18	2,838,886
Total revenues	<u>46,799,757</u>	<u>585,352</u>	<u>47,385,109</u>
Expenses:			
General government	17,684,053	-	17,684,053
Public safety	16,554,512	-	16,554,512
Public works	13,000,898	-	13,000,898
Building inspections	675,169	-	675,169
Fairbanks Transportation Center	-	424,153	424,153
Municipal Utilities System	-	31,200	31,200
Total expenses	<u>47,914,632</u>	<u>455,353</u>	<u>48,369,985</u>
Increase (decrease) in net position before transfers	(1,114,875)	129,999	(984,876)
Transfers	254,517	(254,517)	-
Increase (decrease) in net position	(860,358)	(124,518)	(984,876)
Net position - beginning, as restated	<u>254,639,570</u>	<u>8,560,162</u>	<u>263,199,732</u>
Net position - ending	<u>\$ 253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>

**Changes in Net Position
for the year ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 7,375,723	556,381	7,932,104
Operating grants and contributions	10,676,943	-	10,676,943
Capital grants and contributions	6,729,479	-	6,729,479
General revenues:			
Property taxes	14,270,470	-	14,270,470
Other taxes	5,879,565	-	5,879,565
Investment gain (loss)	8,358,472	-	8,358,472
Other	3,098,823	25	3,098,848
Total revenues	<u>56,389,475</u>	<u>556,406</u>	<u>56,945,881</u>
Expenses:			
General government	18,534,706	-	18,534,706
Public safety	18,277,156	-	18,277,156
Public works	15,617,945	-	15,617,945
Building inspections	646,838	-	646,838
Fairbanks Transportation Center	-	384,291	384,291
Municipal Utilities System	-	31,200	31,200
Total expenses	<u>53,076,645</u>	<u>415,491</u>	<u>53,492,136</u>
Increase (decrease) in net position before transfers	3,312,830	140,915	3,453,745
Transfers	396,900	(396,900)	-
Increase (decrease) in net position	3,709,730	(255,985)	3,453,745
Net position - beginning	<u>262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>
Net position - ending	<u>\$ 266,706,088</u>	<u>8,560,162</u>	<u>275,266,250</u>

Analysis of Changes in Net Position

Governmental activities

Governmental activities decreased the City's net position by \$860,358. Key elements of the changes in net position are as follows:

- The additional pension expense of \$1,577,737 to reflect the net pension liability in accordance with GASB 68.
- The investment earnings decreased by \$8,089,219 due to net unrealized losses.
- The decreases in general government and public works expenses offset the loss in revenue.

Business-type activities

Business-type activities decreased the City's net position by \$124,518. Key elements of the decrease are as follows:

- The MUS Fund transferred \$396,900 in rental income to the Permanent Fund for investment. This amount was offset by a transfer of \$142,383 to FTC Fund to cover prior year losses and current year expenditures.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. This amount is also intended to cover cash flow requirements, normal variances in revenue and expenditure estimates, abnormal variances in State revenue estimates versus actual State appropriations, unforeseen litigation costs and judgments, and expenditures of an emergency nature.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$136,873,538, a decrease of \$2,035,567 in comparison to the prior year. Of the amount, \$11,487,174 (8.39 percent) is unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$11,487,174 while total fund balance is \$13,255,005. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (32.86 percent) of total general fund expenditures, while total fund balance represents (37.92 percent) of total general fund expenditures.

The general fund's fund balance increased by \$1,894,760 during the current fiscal year. The general fund's unassigned fund balance increased by \$1,852,738. City code Sec. 2-651 states that in no case shall unassigned general fund balance be less than, the greater of 20 percent of budgeted operational expenditures or \$4,000,000. Twenty percent of the budgeted operational expenditures were \$7,222,309, which is \$4,264,865 less than the 2015 unassigned fund balance.

Significant changes in the general fund's revenue and expenditures are as follows:

- Revenue from employer relief payments from The State of Alaska (State) Public Employees Retirement System (PERS) decreased by \$382,147
- Revenue from all taxes increased by \$842,229
- Revenue from charges for licenses and permits increased by \$650,455
- Revenue from Fines and Forfeitures decreased by \$223,273
- Revenue received for fees charged for services increased \$514,661
- Salaries and wages with benefits increased by \$208,391. The increase was due to wage openers on existing labor contracts in 2015. Public Works employees and General Government employees received increases to their pay and benefits.

- Transfers to other funds decreased by \$3,178,476, while transfers from other funds increased by \$224,842

The permanent fund has a total fund balance of \$116,576,569 all of which is restricted for investments. Certain earnings from the investments are intended to replace the payments in lieu of taxes previously provided by the MUS to the general fund.

The permanent fund balance decreased by \$4,308,968 during 2015. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$4,344,518 and \$543,065, respectively. Significant increases to fund balance was a \$396,900 transfer from MUS fund from rental income, \$23,216 received from the sale of real property, and the fund's earnings were \$269,207. Detailed information about the permanent fund is located in Note 4 of the notes to the financial statements.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the MUS and the FTC at the end of the fiscal year was \$1,183,756 and \$7,251,888 respectively, most of which is invested in capital assets. The total decrease in net position was \$31,200 for the MUS fund and a decrease of \$93,318 for the FTC fund.

Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

It is Council's intent that the budget accurately reflects revenues and expenditures. Budget variances are reviewed by the staff and the Finance Committee to identify changes in expected revenue and expenditures. If considered necessary, the committee recommends amendments to the budget for the City Council's consideration to more accurately reflect the current state of operations.

Differences between the original budget for total revenues and the final amended budget, excluding inter-fund transfers, increased budgeted revenues by \$265,288. Significant differences are briefly summarized as follows:

- \$ 111,265 increase in tax revenue.
- \$ 49,767 increase in charges for services.
- \$ 204,173 increase in licenses and permits.
- \$ 156,382 decrease in fines and forfeitures.
- \$ 56,465 increase in other revenues.
- \$ 35,117 increase in Intergovernmental revenue.

Differences between the original budget for total expenditures and the final amended budget increased appropriations by \$525,364. Significant differences are briefly summarized as follows:

- \$ 186,717 increase in general government and administrative activities.
- \$ 64,835 increase allocated to public safety.

- \$ 261,380 increase allocated to public works.
- \$ 12,432 increase allocated to building inspections.

During the year revenues exceeded budgetary estimates by \$1,365,811. Expenditures and encumbrances were less than budgetary estimates by \$958,169. The most significant differences were as follows:

- Charges for services were \$356,652 and intergovernmental revenue was \$966,241 higher than anticipated whereas fines and forfeitures was \$133,577 less than anticipated.
- General government expenditures were \$294,788 higher than anticipated due to State of Alaska Public Retirement System on-behalf contributions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Information regarding the capitalization policy and other information is contained in Notes 1 and 3 to the financial statements.

The City's investment in capital assets for its governmental and business type activities is \$134,837,633 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure.

The total increase in the City's investment in capital assets for the current fiscal year was \$2,591,912 (a 2.28 percent increase for governmental activities and 2.69 percent decrease for business-type activities).

Major capital asset events during the current fiscal year include the following:

- \$12.6 million for Noble Street from First Avenue to Gaffney Road. This project will reconstruct Noble Street, including new pavement, storm water drainage system, curb and gutter, sidewalks, striping, and illumination. Only the funds relating to design and construction administration will run through the city. The gross costs will be reflected in infrastructure as a pass through federal donation via the State of Alaska Department of Transportation. The design phase is expected to be completed in 2016 with construction scheduled for completion in 2017.
- \$11.0 million for Cushman Complete Street, funded by state dollars is in the construction phase and is scheduled to be completed in 2016. The project involves the traffic revisions, ADA improvements, illumination, drainage improvements, beautification, and utility upgrades. The area included in this project is Cushman Street from First Avenue to Gaffney Road.
- \$8.7 million for Helmericks Avenue Extension and Bentley Trust Road Upgrade, funded by state dollars is in the design phase for Phase II and is scheduled to be completed in 2016. The purpose of the project is to improve access to the Bentley Retail Area bound by College Road, the Old Steese Highway, and the Johansen Expressway. Transportation improvements involved reconstructing the Bentley Trust Road from Old Steese Highway to College Road and extending Helmericks Avenue to connect with Bentley Trust Road, including construction of pedestrian facilities on all new and existing roads.
- \$8.0 million for South Cushman Street from 15th Avenue to the Mitchell Expressway. This project reconstructed approximately 4,500 feet of South Cushman Street, including new pavement, storm water drainage system, curb and gutter, sidewalks, striping, and illumination. Construction was completed in 2015. The State will complete the final project phase in 2016.

- \$5.3 million Wickersham Street project upgraded the street and side avenues, relocated power from above to below ground, and upgraded all utilities, including the storm water drainage system. The project was funded by federal and state dollars. The design and construction phase was completed in 2014 and the project was finalized in 2015.

Capital Assets
December 31, 2015
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,209,673	454,356	9,664,029
Construction in progress	19,548,946	-	19,548,946
Buildings	20,983,105	6,939,709	27,922,814
Equipment	8,227,825	-	8,227,825
Infrastructure	68,475,619	998,400	69,474,019
Total	\$ 126,445,168	8,392,465	134,837,633

Capital Assets
December 31, 2014
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,263,393	454,356	9,717,749
Construction in progress	15,827,976	-	15,827,976
Buildings	21,789,674	7,128,545	28,918,219
Equipment	8,098,269	11,716	8,109,985
Infrastructure	68,642,193	1,029,600	69,671,793
Total	\$ 123,621,505	8,624,217	132,245,722

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$22,464,928. This is a significant increase from prior year due to net pension liability. Additional information on the City's long-term liabilities can be found in Note 3.F to the basic financial statements.

**Outstanding Debt
December 31, 2015**

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 1,712,682	-	1,712,682
Alaska clean water loans	-	4,801,991	4,801,991
Self-Insurance losses	614,456	-	614,456
Net pension liability	15,335,799	-	15,335,799
Total	\$ 17,662,937	4,801,991	22,464,928

**Outstanding Debt
December 31, 2014**

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 1,835,594	-	1,835,594
Alaska clean water loans	-	5,055,216	5,055,216
Self-Insurance losses	793,207	-	793,207
Total	\$ 2,628,801	5,055,216	7,684,017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On December 7, 2015 the City Council passed *Ordinance No. 5998 As Amended* adopting the 2016 budget for the general fund. The original budget projects revenues and other financing sources to be \$36,250,394 and expenditures in the amount of \$35,260,917 increasing fund balance by \$989,477.

On February 8, 2016, *Ordinance No. 6003 As Amended* was passed. This ordinance decreased revenues in the amount of \$2,711,252 and increased expenditures in the amount of \$481,144.

On April 25, 2016, *Ordinance No. 6008 As Amended* was passed. This ordinance ratified the AFLCIO and IBEW labor agreement and amended the 2016 budget by increasing revenues in the amount of \$9,378 and increasing expenditures in the amount of \$99,470 for wages and benefits and \$21,250 for general expenditures. Total fund balance in the general fund is projected to be \$12,159,122 with an unassigned balance of \$9,844,861.

In October 2007, Proposition A. established a permanent maximum base rate of tax levy of 4.9 mills on real property taxes. Proposition A. created a tax cap within the City's maximum allowed tax. For 2016, the mill levy estimate projects the maximum revenue allowed from all taxes will be \$20,490,761. The calculation allows \$15,027,453 for property taxes, but is limited to \$15,010,129 by the 4.9 mill cap. The cap leaves \$17,325 in taxes that could be levied. The City's greatest challenge is adoption of new sources of revenue to allow collection of the total revenue allowed by the City's Charter. Any new or additional sales tax levied, other than hotel/motel, alcohol, and tobacco, must be approved by the voters in a general election.

The FY2017 State fiscal year budget appropriates approximately \$800,000 in shared revenue to the City.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fairbanks finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Finance Department, City of Fairbanks, 800 Cushman Street, Fairbanks, Alaska 99701-4615.

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information (RSI)

Budgetary Comparisons

Schedule of Proportionate Share of Net Pension Liability

Schedule of Contributions

Notes to Required Supplementary Information



BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements consolidate and report on all of the City's nonfiduciary financial activities on an accrual basis of accounting. These statements have separate columns for the City's governmental activities and its business-type activities.

Fund Financial Statements

The fund financial statements report the City's financial position and operations by governmental funds and proprietary funds. Governmental funds are accounted for on a modified accrual basis of accounting. Proprietary funds are accounted for on an accrual basis of accounting. In addition, the governmental fund statements are reconciled to the governmental activities columns of government-wide financial statements.

Notes to Financial Statements

The notes to the financial statements provide a summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements.



CITY OF FAIRBANKS, ALASKA

Statement of Net Position

December 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in central treasury	\$ 18,802,874	497	18,803,371
Restricted cash and cash equivalents	6,467,881	-	6,467,881
Investments, restricted	109,814,506	-	109,814,506
Accounts receivable (net)	5,682,806	406,856	6,089,662
Internal balances	17,046	(17,046)	-
Inventory	1,231,555	-	1,231,555
Prepaid expenses	499,031	-	499,031
Noncurrent receivables	3,192,602	4,458,183	7,650,785
Capital assets			
Non-depreciable	9,209,673	454,356	9,664,029
Construction in progress	19,548,946	-	19,548,946
Depreciable, net of accumulated depreciation	97,686,549	7,938,109	105,624,658
Total assets	<u>272,153,469</u>	<u>13,240,955</u>	<u>285,394,424</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,963,051</u>	<u>-</u>	<u>1,963,051</u>
Total assets and deferred outflows of resources	<u>\$ 274,116,520</u>	<u>13,240,955</u>	<u>287,357,475</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 2,109,057	-	2,109,057
Unearned revenue	293,807	3,320	297,127
Noncurrent liabilities			
Due within one year	1,907,294	343,808	2,251,102
Due in more than one year	15,755,643	4,458,183	20,213,826
Total liabilities	<u>20,065,801</u>	<u>4,805,311</u>	<u>24,871,112</u>
DEFERRED INFLOWS OF RESOURCES	<u>271,507</u>	<u>-</u>	<u>271,507</u>
NET POSITION			
Net Investment in capital assets	126,445,168	8,392,465	134,837,633
Restricted for:			
Law enforcement	84,658	-	84,658
Subsequent year expenditures	5,028,245	-	5,028,245
Permanent fund investment	111,548,324	-	111,548,324
Unrestricted	10,672,817	43,179	10,715,996
Total net position	<u>253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 274,116,520</u>	<u>13,240,955</u>	<u>287,357,475</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 17,684,053	2,180,129	22,749	8,188,740	(7,292,435)	-	(7,292,435)
Public safety	16,554,512	3,323,851	834,927	368,060	(12,027,674)	-	(12,027,674)
Public works	13,000,898	2,037,256	3,968,397	688,756	(6,306,489)	-	(6,306,489)
Building inspections	675,169	1,086,506	-	-	411,337	-	411,337
Total governmental activities	47,914,632	8,627,742	4,826,073	9,245,556	(25,215,261)	-	(25,215,261)
Business-type activities:							
Municipal Utilities System	31,200	396,900	-	-	-	365,700	365,700
Fairbanks Transportation Center	424,153	188,434	-	-	-	(235,719)	(235,719)
Total business-type activities	455,353	585,334	-	-	-	129,981	129,981
Total	\$ 48,369,985	9,213,076	4,826,073	9,245,556	(25,215,261)	129,981	(25,085,280)
General Revenues:							
Property tax					14,875,855	-	14,875,855
Hotel motel tax					2,869,170	-	2,869,170
Alcohol beverage tax					2,309,214	-	2,309,214
Tobacco tax					938,026	-	938,026
Unrestricted shared revenue					2,257,980	-	2,257,980
Investment income					269,253	-	269,253
Interest income					156,746	18	156,764
Miscellaneous					424,142	-	424,142
Transfers - internal activity					254,517	(254,517)	-
Total general revenues and transfers					24,354,903	(254,499)	24,100,404
Change in net position					(860,358)	(124,518)	(984,876)
Net position - beginning, as restated (Note 1 D. 16)					254,639,570	8,560,162	263,199,732
Net position- ending					\$ 253,779,212	8,435,644	262,214,856

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds
Balance Sheet
December 31, 2015

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in central treasury	\$ 9,886,391	-	-	7,080,738	16,967,129
Restricted cash and cash equivalents	500	6,382,723	-	84,658	6,467,881
Restricted investments	-	109,814,506	-	-	109,814,506
Receivables (net of allowance for uncollectibles)	4,731,399	574,140	3,569,803	-	8,875,342
Prepaid assets	499,031	-	-	-	499,031
Due from other funds	3,709,978	21,600	-	-	3,731,578
Total assets	<u>\$ 18,827,299</u>	<u>116,792,969</u>	<u>3,569,803</u>	<u>7,165,396</u>	<u>146,355,467</u>
LIABILITIES					
Accounts payable	\$ 1,931,648	7,539	-	123,432	2,062,619
Deposits	46,438	-	-	-	46,438
Unearned revenue	293,807	-	-	-	293,807
Due to other funds	21,600	-	3,569,803	-	3,591,403
Total liabilities	<u>2,293,493</u>	<u>7,539</u>	<u>3,569,803</u>	<u>123,432</u>	<u>5,994,267</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,278,801</u>	<u>208,861</u>	<u>-</u>	<u>-</u>	<u>3,487,662</u>
FUND BALANCES					
Nonspendable	499,031	-	-	-	499,031
Restricted	-	116,576,569	-	84,658	116,661,227
Committed	250,000	-	-	877,552	1,127,552
Assigned	1,018,800	-	-	6,079,754	7,098,554
Unassigned	11,487,174	-	-	-	11,487,174
Total fund balances	<u>13,255,005</u>	<u>116,576,569</u>	<u>-</u>	<u>7,041,964</u>	<u>136,873,538</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 18,827,299</u>	<u>116,792,969</u>	<u>3,569,803</u>	<u>7,165,396</u>	<u>146,355,467</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2015

Amounts reported for governmental activities in the statement of net position (page 5) are different because:

Total fund balances of governmental funds (page 9)	<u>\$ 136,873,538</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	491,918,576
Land and land improvements	9,209,673
Construction in progress	19,548,946
Buildings	33,634,565
Equipment	25,661,730
Accumulated depreciation	<u>(453,528,322)</u>
	<u>126,445,168</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,231,555</u>
Deferred outflows represent costs incurred at the fund level, but future costs in the Statement of Net Position.	
Deferred pension costs	<u>1,963,051</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Self-insurance losses	(614,456)
Net pension liability	<u>(15,335,799)</u>
	<u>(15,950,255)</u>
Certain deferred inflows represent resources or benefits received at the fund level but future resources in the Statement of Net Position.	
Deferred pension costs	<u>(271,507)</u>
Revenues related to notes receivable were deferred in the governmental funds because they were not collected within 180 days after year end in prior years. The accrual basis recognizes these revenues as earned in prior years.	
Deferred special assessments	22,420
Deferred sales tax, penalties and interest	56,381
Deferred Tract I and Tract II note receivable	208,861
Deferred Techite note receivable	3,200,000
	<u>3,487,662</u>
Net position of governmental activities (page 5)	<u>\$ 253,779,212</u>



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2015

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 20,992,265	-	-	-	20,992,265
Charges for services	5,147,122	-	-	-	5,147,122
Intergovernmental	4,628,621	-	11,677,462	75,492	16,381,575
Licenses and permits	2,263,001	-	-	-	2,263,001
Fines and forfeitures	672,646	-	-	-	672,646
Special assessments	8,360	-	-	-	8,360
Investment earnings	-	269,207	-	45	269,252
Other revenues	556,714	-	1,565,806	1,276,500	3,399,020
Total revenues	34,268,729	269,207	13,243,268	1,352,037	49,133,241
Expenditures					
Current					
General government	11,241,718	168,257	-	589,968	11,999,943
Public safety	15,172,742	-	726,431	55,347	15,954,520
Public works	7,806,840	-	3,968,397	204,534	11,979,771
Building inspections	666,241	-	-	-	666,241
Capital outlay					
General government	36,600	-	8,180,380	1,005,577	9,222,557
Public safety	-	-	368,060	375,171	743,231
Public works	34,070	-	-	917,679	951,749
Total expenditures	34,958,211	168,257	13,243,268	3,148,276	51,518,012
Excess (deficiency) of revenues over expenditures	(689,482)	100,950	-	(1,796,239)	(2,384,771)
Other financing sources (uses)					
Transfers in	4,344,518	454,449	-	2,174,880	6,973,847
Transfers out	(1,831,747)	(4,887,583)	-	-	(6,719,330)
Sale of capital assets	71,471	23,216	-	-	94,687
Total other financing sources (uses)	2,584,242	(4,409,918)	-	2,174,880	349,204
Net change in fund balances	1,894,760	(4,308,968)	-	378,641	(2,035,567)
Fund balances - beginning	11,360,245	120,885,537	-	6,663,323	138,909,105
Fund balances - ending	\$ 13,255,005	116,576,569	-	7,041,964	136,873,538

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 For the year ended December 31, 2015

Amounts reported for governmental activities in the statement of activities (page 7) are different because:

Net change in fund balances - total governmental funds (page 13) \$ (2,035,567)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays and expenditures	10,917,537
Depreciation expense	<u>(8,198,692)</u>
	<u>2,718,845</u>

Gains and losses from disposal of capital assets are not reported on the governmental fund financial statements and proceeds from sales are reported as revenue. Under full accrual accounting, gains and losses on disposal is reported and proceeds from sales are not reported as revenue.

Proceeds from the sale of assets	(9,850)
Loss on Disposal	<u>(43,870)</u>
	<u>(53,720)</u>

Assets donated to the City are not reported in governmental funds. In the statement of activities, revenue is recorded for the fair value of the assets at date of donation.

Road reconstruction project costs	5,335,842
Decrease in Construction in progress	<u>(5,177,304)</u>
	<u>158,538</u>

Inventories are reported under the purchase method in the governmental funds, and under the consumption method in the statement of activities.

3,228

Collections on receivables provide current financial resources to governmental funds. However, the collection on notes receivable decreases the notes receivable balance in the statement of net position. In the current period, proceeds were received from:

Advanced Grant Revenue	(20,000)
Tract I and Tract II receivable	(15,780)
Techite note receivable	<u>(200,000)</u>
	<u>(235,780)</u>

Accrued interest is deferred in the governmental fund statements though reported as earned in the statement of activities.

(7,552)

Collections on special assessments receivable

(3,574)

Collections on special assessment penalties and interest

(5,790)

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:

Increase in reserve for self-insurance losses	178,751
Net increase in net pension liability and related deferred accounts	<u>(1,577,737)</u>
	<u>(1,398,986)</u>

Change in net position of governmental activities (page 7)

\$ (860,358)



CITY OF FAIRBANKS, ALASKA

Proprietary Funds Statement of Net Position December 31, 2015

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
ASSETS				
Current assets				
Cash	\$ -	497	497	1,835,745
Accounts receivable	-	63,048	63,048	66
GHU Clean Water loan receivable	343,808	-	343,808	-
Total current assets	343,808	63,545	407,353	1,835,811
Noncurrent assets				
GHU Clean Water loan receivable	4,458,183	-	4,458,183	-
Capital assets				
Land	185,356	269,000	454,356	-
Plant in service	22,488,506	-	22,488,506	-
Buildings	-	9,550,693	9,550,693	-
Infrastructure	1,560,000	-	1,560,000	-
Less accumulated depreciation	(23,050,106)	(2,610,984)	(25,661,090)	-
Total noncurrent assets	5,641,939	7,208,709	12,850,648	-
Total assets	<u>\$ 5,985,747</u>	<u>7,272,254</u>	<u>13,258,001</u>	<u>1,835,811</u>
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	\$ 343,808	-	343,808	-
Due to general fund	-	17,046	17,046	123,129
Compensated absences	-	-	-	1,712,682
Unearned revenue	-	3,320	3,320	-
Total current liabilities	343,808	20,366	364,174	1,835,811
Noncurrent liabilities				
Alaska Clean Water loan payable	4,458,183	-	4,458,183	-
Compensated absences	-	-	-	-
Total noncurrent liabilities	4,458,183	-	4,458,183	-
Total liabilities	4,801,991	20,366	4,822,357	1,835,811
NET POSITION				
Net investment in capital assets	1,183,756	7,208,709	8,392,465	-
Unrestricted	-	43,179	43,179	-
Total net position	1,183,756	7,251,888	8,435,644	-
Total liabilities and net position	<u>\$ 5,985,747</u>	<u>7,272,254</u>	<u>13,258,001</u>	<u>1,835,811</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Operating revenues				
Rental income	\$ 396,900	188,434	585,334	-
Other revenue	-	-	-	1,810,741
Total operating revenues	<u>396,900</u>	<u>188,434</u>	<u>585,334</u>	<u>1,810,741</u>
Operating expenses				
Employee benefits	-	-	-	1,810,741
Management fees	-	203,512	203,512	-
Operating expenses	-	20,090	20,090	-
Depreciation	-	200,551	200,551	-
Total operating expenses	<u>-</u>	<u>424,153</u>	<u>424,153</u>	<u>1,810,741</u>
Operating income (loss)	<u>396,900</u>	<u>(235,719)</u>	<u>161,181</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	18	18	-
Rental depreciation	(31,200)	-	(31,200)	-
Total nonoperating revenue (expenses)	<u>(31,200)</u>	<u>18</u>	<u>(31,182)</u>	<u>-</u>
Income (loss) before contributions and transfers	365,700	(235,701)	129,999	-
Transfers in	-	142,383	142,383	-
Transfers out	<u>(396,900)</u>	<u>-</u>	<u>(396,900)</u>	<u>-</u>
Change in net position	(31,200)	(93,318)	(124,518)	-
Total net position - beginning	<u>1,214,956</u>	<u>7,345,206</u>	<u>8,560,162</u>	<u>-</u>
Total net position - ending	<u>\$ 1,183,756</u>	<u>7,251,888</u>	<u>8,435,644</u>	<u>-</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds

Statement of Cash Flows

For the year ended December 31, 2015

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	
Cash flows from operating activities				
Receipts from customers	\$ 396,900	186,176	583,076	-
Receipts for interfund services provided	-	-	-	1,778,465
Payments for interfund services provided	-	-	-	(1,810,741)
Payments to management	-	(308,848)	(308,848)	-
Payments for operating expenses	-	(20,090)	(20,090)	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>(142,762)</u>	<u>254,138</u>	<u>(32,276)</u>
Cash flows from noncapital financing activities				
Transfer to parking garage	-	142,383	142,383	-
Transfer to permanent fund	(396,900)	-	(396,900)	-
Net cash provided (used) by noncapital financing activities	<u>(396,900)</u>	<u>142,383</u>	<u>(254,517)</u>	<u>-</u>
Cash flows from capital and other related financing activities				
Payment to Alaska DEC	(343,808)	-	(343,808)	-
Payment to Golden Heart Utilities	(90,584)	-	(90,584)	-
Receipt from Alaska DEC	90,584	-	90,584	-
Receipt from Golden Heart Utilities	343,808	-	343,808	-
Net cash provided (used) by capital and other related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Interest received	-	18	18	-
Net cash provided by investing activities	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Net increase (decrease) in cash	-	(361)	(361)	(32,276)
Cash at beginning of the year	-	858	858	1,868,021
Cash at end of the year	<u>\$ -</u>	<u>497</u>	<u>497</u>	<u>1,835,745</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 396,900	(235,719)	161,181	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	200,551	200,551	-
(Increase) decrease in assets				
Accounts receivable	-	14,017	14,017	(50)
Due from other funds	-	(105,336)	(105,336)	-
(Decrease) increase in liabilities				
Prepaid rent	-	(16,275)	(16,275)	-
Compensated absences	-	-	-	(122,912)
Due to other funds	-	-	-	90,686
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>(142,762)</u>	<u>254,138</u>	<u>(32,276)</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity
- B. Government-wide and Fund Financial Statements
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
- D. Assets, Liabilities, and Net Position – Fund Balance
 - 1. Equity in central treasury, cash, and investments
 - 2. Statement of cash flows
 - 3. Receivables and payables
 - 4. Inventory and prepaid items
 - 5. Restricted assets
 - 6. Capital assets
 - 7. Deferred outflows/inflows of resources
 - 8. Compensated absences
 - 9. Pensions
 - 10. Long-term obligations
 - 11. Fund equity
 - 12. Encumbrances
 - 13. Use of estimates
 - 14. Comparative data / reclassifications
 - 15. Rounding
 - 16. Change in accounting principles

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Minimum Fund Balance Requirement
- B. Audit Requirement
- C. Deficit Fund Equity
- D. Excesses of Expenditures and Encumbrances over Appropriations
- E. Fund Balance Detail

NOTE 3 - DETAILED NOTES ON ALL FUNDS

- A. Deposits and Investments
- B. Property Taxes
- C. Interfund Receivables, Payables, and Transfers
- D. Leases
- E. Deferred Outflows/Inflows of Resources
- F. Long-Term Debt
- G. Capital Assets

NOTE 4 – OTHER INFORMATION

- A. Risk Management
- B. Contingent Liabilities
- C. Retirement Plans
- D. Permanent Fund

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Fairbanks, Alaska (the "City") was incorporated on November 10, 1903. The City is a home rule city under the laws of the State of Alaska; home rule municipalities operate under a charter approved by the voters. The City's charter provides for a Council-Mayor form of government. The City provides a variety of local government services, including: public safety (police, fire, emergency dispatch and emergency medical services), street maintenance, refuse collection, funding of economic development, public improvements, building and fire code enforcement, storm drain management, and general administrative services.

The accompanying financial statements present the activities of the City of Fairbanks. The basic 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 governmental units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead 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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within 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 collected within 180 days of the end of the current fiscal period. Property, hotel/motel, liquor, and tobacco taxes are considered available if collected within 60 days after year-end. Expenditures generally are 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.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Property taxes, hotel/motel, liquor, tobacco taxes, charges for services, rent, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Licenses, permits, fines, and forfeitures are not susceptible to accrual because generally they are not measurable until received in cash. Long-term receivables including special assessments and notes receivable are susceptible to accrual, but the associated revenue is deferred until collected. If the susceptible to accrual criteria are met, expenditure-driven grants allow revenue recognition when qualified expenditures are incurred and all other eligibility requirements have been met. Other grants and intergovernmental revenues are recognized when all eligibility requirements are met and they are measurable and available. Interest income is accrued when earned. All other revenues are considered to be measurable and available only when cash is received by the City.

The City reports deferred inflows of resources in the governmental funds when the asset is recognized before revenue recognition criteria are met. The City budgets receipts from long-term receivables on the cash basis and defers revenue which has not been collected by year-end. Unearned revenue is recorded when resources are received by the City before it has a legal claim to them, as when cash from grants are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, or cash is received from long-term receivables, the liability or deferred inflow of resources is removed and revenue is recognized.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

The Permanent Fund, which is governed by provisions in the City Charter and Code of Ordinances, generates income to help fund operations of the City.

The Grants and Contracts Special Revenue Fund accounts for receipts and expenditures of grants and contracts which provide for operations, equipment, and capital activities.

The City reports the following major enterprise funds:

The Municipal Utilities System Fund (MUS) accounts for receipts of operating revenue from the rental of the remaining assets of the former Municipal Utilities System, which was sold in phases in 1997 and 1998.

The Fairbanks Transportation Center (FTC) Fund accounts for provisions of parking spaces in the downtown area. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The Special Revenue Funds account for proceeds of specific revenue sources which are legally or otherwise restricted to expenditures for specific purposes.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities other than those financed by proprietary funds.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The Internal Service Fund accounts for the activity related to the City's compensated absences.

As a general rule the effect of inter-fund activity has been removed from these statements. Exceptions to this rule are the charges between the government's compensated absences function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the applicable functions.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 FTC enterprise fund are charges to customers for parking services. The MUS enterprise fund charges customers for rental of the facility. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position – Fund Balance

1. Equity in central treasury, cash, and investments

Cash resources of the City are combined to form a central treasury of cash and investments. A participating fund's share in the central treasury is displayed in the accompanying financial statements as equity in central treasury. Excluded from the central treasury are certain restricted cash and cash equivalents and restricted investments. Funds which are financed by reimbursable grants, bond proceeds and sources of revenue outside the general government do not participate in the central treasury. The central treasury provides short-term loans to those funds which are displayed as an interfund receivable or payable. Investment earnings are recorded in the general fund, except for the earnings of the permanent fund, enterprise funds, and other funds whose earnings are required to provide funding for a program or project. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Investment earnings are reported at fair value. See Note 3 A for a detailed discussion of the City's investment policies.

2. Statement of cash flows

For purposes of the statement of cash flows the enterprise funds consider their equity in central treasury to be cash equity.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position – Fund Balance, Continued

3. Receivables and payables

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

Advances between funds as reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The governmental funds statement reports accounts and property tax receivables net of an allowance for uncollectible accounts. Individual fund statements report receivables at full value with a reduction for the allowance.

4. Inventory and prepaid items

Inventory is located and maintained at public works. It consists of parts and fuel required to keep the City's equipment fleet operational. The inventory valuation is a weighted average of the price paid for each unit spread over the units on hand. Inventory is recorded as expenditures when used (consumption method) in the government-wide statements. The City's governmental funds record expenditures when inventory is purchased (purchase method). Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements and are recorded as expenditures when used (consumption method).

5. Restricted assets

Restricted cash in the general fund consists of cash advanced by grantors to fund specific projects or programs.

Restricted cash and investments in the permanent fund are restricted for investment.

Restricted cash in the asset forfeitures special revenue fund consists of cash received from the United States Department of Justice (DOJ) Asset Forfeiture Program. The DOJ distributes asset forfeitures involving federal controlled substance cases. Federal regulations require those portions of forfeited assets distributed to the City be restricted for police use and are not to supplant normally budgeted amounts.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position – Fund Balance, Continued

6. Capital assets

The City reports capital assets, including, property, plant, equipment, and infrastructure (e.g., roads, sidewalks, and similar items), in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$1,000,000 for buildings and infrastructure, and an estimated useful life of greater than one year.

Initially the City recorded its infrastructure at estimated cost. As the City constructs or acquires additional capital assets, including infrastructure, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of acquisition.

Infrastructure is depreciated using the straight-line method over the useful lives of the assets with a full year of depreciation in the year of acquisition and disposal. Other capital assets are depreciated using the straight-line method over the useful lives of the assets.

	<u>Useful Life (Years)</u>
Governmental activities:	
Buildings	50
Furniture and equipment	5-20
Software	3
Infrastructure	30
Business-type activities - enterprise funds:	
Wastewater utility plant and equipment	15-35
Common plant and equipment	15-40
Utilidors	50
Parking garage	50

7. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City had deferred outflows related to pension plans.

In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows related to pension plans.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position – Fund Balance, Continued

8. Compensated absences

City employees accumulate earned but unused annual and compensatory leave under the terms of collective bargaining agreements and City code for non-union employees. All employees are paid accumulated eligible leave upon termination. All leave is accrued when incurred in the government-wide financial statements. The compensated absences internal service fund reports the governmental funds' liability on the accrual basis.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alaska Public Employees' Retirement System (PERS) and the additions to/deductions 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.

10. Long-term obligations

In government-wide financial statements, and proprietary fund types in the 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt 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.

11. Fund equity

Net Position

In the government-wide financial statements net position is displayed in three components as follows:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

11. Fund equity, Continued

Restricted – Consists of the following:

Law Enforcement- This category includes federal asset forfeiture funds restricted by the United States Department of Justice for law enforcement purpose.

Subsequent year expenditures- This category includes the Permanent Fund 5 year average market value available for General Fund and Capital Fund appropriations. See Note 4D for details about the Permanent Fund.

Permanent fund investment- This category includes fund restricted for permanent fund investment. See Note 4D for details about the Permanent Fund.

Unrestricted – This category includes all other amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Fund equity is classified as “fund balance” in the governmental fund statements. In the City’s fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources. The five classifications of fund balance are classified as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, long-term amount of loans and notes receivable, property held for resale or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example prepaid amounts and inventories.

Restricted - Fund balances are reported as restricted when constraints imposed on their use 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 balances are reported as committed when the resources can only be used for specific purposes imposed by formal action of the City Council – the government’s highest level of decision making authority. The City Council may remove or modify the commitment by taking the same formal action that imposed the constraint originally. This can occur, via ordinance, as part of the annual budget appropriation or subsequent budget amendments. Ordinances are the highest level of action the City Council may take and are considered legislative in nature. Each ordinance is subject to two public hearings before passage.

Assigned – Amounts in the assigned fund balance are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council has the authority to assign amounts to be used for specific purposes.

Unassigned – This classification represents the residual classification for the general fund. The general fund always reports positive unassigned fund balance but it may be necessary to report negative unassigned fund balance in other governmental funds.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

11. Fund equity, Continued

When both restricted and unrestricted resources are available for use, it is the City's policy to spend restricted fund balance as external party restrictions are satisfied. Commitments will be spent as the conditions for the commitment are present and require satisfaction; assignments are spent when the circumstances creating the assignment are ready to be fulfilled. Unassigned fund balance may only be spent after the resources for the other fund balance classifications are not available.

12. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the City's governmental funds. Encumbrances, if any, outstanding at year-end are reported as appropriate restraints of fund balance if they meet the criteria and definitions outlined in the fund balance section of these notes. Encumbrances do not lapse at year-end.

The City had the following amounts reported as encumbrances at December 31, 2015:

General Fund	\$ 404,344
Grants & Contracts Fund*	4,008,671
Other Governmental Funds	<u>1,545,092</u>
Total	\$ <u>5,958,107</u>

*Encumbrances are funded with next year's revenues and are not included in fund balance.

13. Use of estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

14. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the individual statements for the general fund, major special revenue fund, and the permanent fund. Reclassifications are made periodically to previously issued financial statements to conform to current year presentation.

15. Rounding

Each amount in the financial statements is rounded to its natural whole number. As a result, some subtotals and totals may not equal the sum of detail amounts.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

16. Change in Accounting Principle

In 2015 the City adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which among other accounting and reporting criteria, requires the City to recognize its proportional share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the City's fiscal year. As a result of the implementation of this statement, the City recorded opening balance adjustments to increase assets and liabilities and to decrease opening net position as follows:

	Governmental Activities	Business Activities	Total
Opening net position, as originally presented	\$ 266,706,088	8,560,162	275,266,250
Change in accounting principle adjustment	<u>(12,066,518)</u>	<u>-</u>	<u>(12,066,518)</u>
Opening net position, as restated	<u>\$ 254,639,570</u>	<u>8,560,162</u>	<u>263,199,732</u>

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Minimum Fund Balance Requirement

City ordinances require that the unassigned general fund balance be set at 20 percent of budgeted annual expenditures but not less than \$4,000,000. At December 31, 2015, 20 percent of annual budgeted expenditures were \$7,222,309. The unassigned fund balance in the City's general fund was \$11,487,174.

B. Audit Requirement

The City's Charter requires an independent audit to be performed annually and submitted to the City Council within 180 days after the end of the fiscal year. The City did not issue the December 31, 2015 audit by the reporting deadline of June 30, 2016 because the City did not receive the required Alaska Public Employees' Retirement System (PERS) information from the State of Alaska to report the required provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The City sought and received voter approval to extend the deadline for circumstances outside of the City's control.

C. Deficit Fund Equity

There were no funds with a deficit in total fund balance at December 31, 2015.

D. Excess of Expenditures and Encumbrances over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the general account within the general government function of the general fund by \$511,052 due to a higher than anticipated State of Alaska Public Retirement System on-behalf payment. This excess was recovered by higher than anticipated State of Alaska Public Retirement System on-behalf revenue.

Budget variances are reviewed by the Finance Committee. The committee recommends amendments to the budget for the City Council's consideration. Excess expenditures were funded by greater than anticipated revenues. Significant budget variances are discussed in the Management's Discussion and Analysis.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

E. Fund Balance Detail

	General Fund	Permanent Fund	Nonmajor Governmental	Total
Nonspendable				
Prepayments	\$ 499,031	-	-	499,031
Restricted				
Investment	-	116,576,569	-	116,576,569
Federal Asset Forfeiture	-	-	84,658	84,658
Total Restricted	-	116,576,569	84,658	116,661,227
Committed				
Snow Removal	250,000	-	-	250,000
Capital Projects	-	-	877,552	877,552
	250,000	-	877,552	1,127,552
Assigned				
Encumbrances	404,344	-	1,545,092	1,949,436
Self Insurance	614,456	-	-	614,456
Capital	-	-	4,534,662	4,534,662
	1,018,800	-	6,079,754	7,098,554
Unassigned	11,487,174	-	-	11,487,174
Total Fund Balance	\$ 13,255,005	116,576,569	7,041,964	136,873,538

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

At December 31, 2015, the carrying amount of the City's cash and deposits was \$4,492,579 and the bank balances totaled \$5,240,217. The bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name. Banking services are provided to the City under agreements with KeyBank and Mt. McKinley Bank. Mt. McKinley provides lock box services for the collection of the City's garbage service accounts and ambulance billings. See page S-2 in the Supplementary Information Section for a schedule of the City's total deposits and investments.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

Investments

(1) Fairbanks General Code Sections 2-676 – 2-688 describe the objectives, policies, and procedures for investing the City's funds (except for assets accounted for in the permanent fund). As described in the Fairbanks General Code, the City's investment policy for all funds is to apply the prudent-person (investor) rule: The City Council, the Permanent Fund Review Board, the City staff, the investment managers, and the bank custodians shall exercise the judgment and care under the circumstances then prevailing which an investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the long-term investment of funds considering the probable safety of capital as well as probable income. The assets governed by Sections 2-676 – 2-688 may be invested in the following instruments:

- A. Demand deposits;
- B. U.S. treasury bills;
- C. Treasury notes or bonds maturing within one year;
- D. Insured or fully collateralized certificates of deposit of banks and savings and loan associations maturing within one year;
- E. Repurchase agreements collateralized by U.S. treasury securities and market-to-market;
- F. The Alaska Municipal League Investment Pool;
- G. Money market mutual funds whose portfolios consist entirely of U.S. government securities;
- H. Obligations of the Export-Import Bank of the United States, the United States Postal Service, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, the Federal Banks for Cooperatives, the Federal Home Loan Bank, the Federal Land Banks, the Farmers Home Administration, and the Federal Home Loan Mortgage Association, or any agency or instrumentality of the federal government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing.
 - a. Funds may be invested in longer maturities, prime bankers' acceptances and secured commercial paper upon adoption of a motion of authorization by the majority of the City Council at a regular or special public meeting.
 - b. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue.

(2) Fairbanks General Code Section 2-260 describes the policies, procedures, and governance of the permanent fund's assets. The purpose of the permanent fund is to maximize income for capital and operating expenses of the City and preserve in trust assets of the City for present and future generations of City residents. The principal goal shall be to preserve principal and maintain purchasing power. The investment policy is to allow only the following investment vehicles:

- A. Obligations of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

- B. Bonds or other taxable yield U.S. dollar denominated debt instruments of this state, its agencies, municipalities, any other state, or corporation which at the time of investment have an investment grade rating of a nationally recognized rating agency; if the rating of a bond becomes less than investment grade and has a maturity greater than one year, it must be sold in an orderly manner within 90 days of down grading.
- C. Bank certificates of deposit which are insured or secured as to the payment of principal and interest;
- D. Corporate obligations of investment grade quality as recognized by a nationally recognized rating organization. If, after purchase, these obligations are downgraded below investment grade, they shall be sold in an orderly manner within 90 days of down grading. In no circumstance shall any bonds be purchased after January 1, 2009 with a yield to maturity that exceeds 600 basis points above a comparable duration treasury note/bond at the date of purchase;
- E. Short-term investment funds (STIF) which are limited to investments set forth in sections (2) (A)-(D) of this section or the Alaska Municipal League Investment Pool as set forth in state statute;
- F. Domestic equities, which taken as a whole, attempt to replicate the Standard & Poor's 500 Index, including both mutual funds and exchange traded funds (ETF's);
- G. International equities, which taken as a whole, attempt to replicate the FTSE Developed ex North American Index or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar index, including both mutual funds and ETF's;
- H. Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts, including both mutual funds and ETF's;
- I. Domestic equities, which taken as a whole, attempt to replicate the S & P 400 MidCap Index, including both mutual funds and ETF's;
- J. Commodities, which taken as a whole, attempt to replicate a broad based commodity index, such as the Dow-Jones UBS Commodity Index, including mutual funds, ETF's, and exchange traded notes (ETNs);
- K. Emerging markets equity index funds, which taken as a whole, attempt to replicate the FTSE Emerging Market Index or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar index, including both mutual funds and ETF's;
- L. International Bond index funds, which taken as a whole attempt to replicate Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index, including both mutual funds and ETF's;
- M. U.S Treasury Inflation Protected Securities (TIPS), and/or mutual funds or ETF's which attempt to replicate the Barclays Capital U.S Treasury Inflation Protected Securities Index;
- N. The following investment practices are prohibited and shall constitute limitations to fund investments:
 - a. Options and futures may not be purchased or sold; complex derivatives and complex structured notes which provide for uncertain payment dates and amounts are prohibited without the express, written consent of the City Council, as are practices which involve the use of leveraging through reverse repurchase agreements.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

- b. Investments in U.S. dollar denominated obligations of corporations shall be limited to a percentage level as provided for by the City Council from time to time. Investment grade to be defined by at least one nationally recognized rating service. The investment in the lowest level investment grade securities is to be limited to no more than 10 percent of the marketable debt securities.
- c. No investment shall be made in any one individual security or issuer in excess of 5 percent of the total investment portfolio, measured by market value, except for obligations of the U.S. government and its agencies.
- d. No investments, cumulatively, shall be made in any one industry in excess of 25 percent of the total investment portfolio except for obligations of the U.S. and its agencies without quarterly disclosure to the Review Board for consideration.
- e. Effective January 1, 2009, no commercial residential mortgage backed securities (MBS, etc., but not to exclude securities issued by a U.S. government agency) and no further commercial mortgage backed securities (CMBS, etc.) may be purchased.

Fair Value Measurements

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized by the valuation inputs used to measure an asset's fair value in accordance with generally accepted accounting principles. Categories are as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

City Level 1 investments are valued using quoted market prices. Level 2 investments are valued using matrix pricing technique that values securities on a summary basis and not on an individual basis. As of December 31, 2015, the City had the following recurring fair value measurements:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity mutual funds	\$ 56,098,231	-	56,098,231	-
U.S. treasuries and agencies	28,330,553	-	28,330,553	-
External investment pool	20,778,673	20,778,673	-	-
Corporate bonds	19,930,930	-	19,930,930	-
Foreign bonds	2,810,792	-	2,810,792	-
Foreign mutual funds	2,644,000	-	2,644,000	-
	<u>\$ 130,593,179</u>	<u>20,778,673</u>	<u>109,814,506</u>	<u>-</u>

Investment Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to losses arising from changes in interest rates by limiting investment maturities in all funds except the permanent fund as noted in (1)C, (1)D, and (1)H a & b. The City does not have a policy limiting maturities in the permanent fund.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

As of December 31, 2015, the City had the following investments and maturities subject to interest rate risk:

Investment Type	Investments and Maturities (in Years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
U.S. treasuries and agencies	\$ 28,330,553	-	8,086,197	6,748,868	13,495,488
External investment pool	20,778,673	20,778,673	-	-	-
Corporate bonds	19,930,930	3,339,691	13,434,527	514,035	2,642,677
Foreign bonds	2,810,792	-	2,810,792	-	-
	<u>\$ 71,850,948</u>	<u>24,118,364</u>	<u>24,331,516</u>	<u>7,262,903</u>	<u>16,138,165</u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. For an investment, it is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City policy, as stated in Section 2-686 of the Code requires all investment securities purchased by the City to be held in third-party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information. Deposit-type securities (i.e., certificates of deposit, repurchase agreements) shall be collateralized through the deposit of collateral in the amount of 102 percent of the invested amount for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Corporation (FSLIC) coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As described above, the City's investment policy limits investments in debt securities in the permanent fund to a rating issued by a nationally recognized agency of Baa or higher. The City has no investment policy that would further limit the ratings of its investment choices.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits exposure to concentration risk in the permanent fund as described in (2) N c & d of this section. On December 31, 2015, investments in the permanent fund were within required investment limitations. The City has no investment policy that would further limit its concentration of credit risk. GAAP requires disclosure of any investment in a single issuer of 5 percent or more except for U.S. government obligations and obligations explicitly guaranteed by the U.S. government.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

At December 31, 2015, the City's exposure to credit and concentration risk is as follows:

Investment Type	Fair Value	Credit Rating ^(A)	Percentage of total Investments
Equity mutual funds	\$ 56,098,231	N/A	42.97%
U.S. treasuries and agencies	28,330,553	N/A	21.69%
Fixed income mutual fund	2,644,000	N/A	2.02%
Corporate bonds	8,103,300	A/A	
Corporate bonds	1,015,221	A/Aaa	
Corporate bonds	1,062,683	A/Baa	
Corporate bonds	1,190,050	AA/Aa	
Corporate bonds	1,151,988	AAA/Aaa	
Corporate bonds	102,741	AAA/Unrated	
Corporate bonds	3,043,252	BBB/A	
Corporate bonds	3,763,590	BBB/Baa	
Corporate bonds	498,105	BBB/Unrated	
Total Corporate Bonds ^(B)	<u>19,930,930</u>		15.26%
Foreign bonds	2,265,852	Unrated/Aaa	
Foreign bonds	544,940	BBB/A	
Total Foreign Bonds ^(B)	<u>2,810,792</u>		2.15%
External investment pool	<u>20,778,673</u>	AAA/Aaa	<u>15.91%</u>
	<u>\$ 130,593,179</u>		<u>100.00%</u>

^(A) Standard & Poor's / Moody's Investor's Service

^(B) Aggregated by credit rating. No single issuer equals or exceeds 5%.

The Alaska Municipal League Investment Pool (AMLIP) is a not-for-profit entity which provides a means for eligible political subdivisions in the State of Alaska (Public Entities) to secure the maximum investment return consistent with preservation of capital and liquidity by pooling money temporarily available for investment. The Pool's membership is limited to Public Entities, including municipalities and their subdivisions, school districts and regional educational attendance areas. AMLIP is considered to be an external investment pool as defined by GASB Statement No. 31. AMLIP is not SEC-registered, but is a 2a7-like pool, operating in a manner consistent with that rule. In December 2015, Standard & Poor's Rating Services affirmed its AAA principal stability fund rating to AMLIP. Stand-alone financial statements can be obtained by writing to the investment advisor, AML Investment Pool, Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or through the internet at www.amlip.org and selecting the document link at the bottom of the website.

Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. The pool is incorporated in the State of Alaska (State) as a nonprofit corporation and reports to a board of directors. Alaska Statute 37.23.050 requires the retention of an investment manager.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

The investment manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool may only purchase securities with a remaining maturity within 13 months of the date of purchase, except that floating rate securities may be purchased if they are subject to an annual reset. The dollar weighted average maturity of the portfolio is typically 90 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of December 31, 2015, the fair value of the investments in the pool approximates amortized cost at which the investments were reported. The fair value of the City's investment in AMLIP is the same as the value of its pool units.

B. Property Taxes

The City's taxing authority is limited by the terms of the City Charter. The total amount of tax that can be levied during a year cannot exceed the total amount levied for the preceding year except as provided in the Charter. For computation purposes, the preceding year's tax levy is adjusted for inflation, new construction, additional voter approved services, new judgments against the City, and special appropriations necessary on an emergency basis. The limitation does not apply to any appropriation for payments on bonds. Any excess of tax levied over two percent of the maximum allowable tax is to be applied to the following year's formula as a reduction in the maximum allowable tax.

In October 2007, Proposition A was approved by the voters of the City reducing the maximum base mill rate for commercial and residential property to 4.9 mills (\$490 per \$100,000 taxable assessed value).

Property is assessed as of January 1 and taxes are levied before June 15. Property taxes attach as an enforceable lien on the property on July 1 and are payable in two installments on September 1 and November 1. The Fairbanks North Star Borough bills and collects its own property taxes as well as the taxes for the City. Taxes are considered delinquent on September 2 for the first installment and November 2 for the second installment

C. Interfund Receivables, Payables, and Transfers

Interfund balances are short-term loans to provide interim financing of construction projects, programs or other purposes. All outstanding balances are expected to be repaid within one year. The composition of interfund balances at December 31, 2015 was as follows:

Due from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Grants and contracts fund	\$ 3,569,803
	Fairbanks Transportation Center	17,046
	Internal Service fund	123,129
	General Fund	<u>21,600</u>
Permanent fund	Total	<u><u>\$ 3,731,578</u></u>

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Interfund Receivables, Payables, and Transfers, Continued

Interfund transfers are used for funding capital projects, general operations, or authorized transactions in accordance with City code. The composition of interfund transfers at December 31, 2015 was as follows:

<u>Transfers In:</u>	<u>Transfers Out:</u>			
	<u>General Fund</u>	<u>Permanent Fund</u>	<u>MUS Enterprise Fund</u>	<u>Total</u>
General fund	\$ -	4,344,518	-	4,344,518
Permanent fund	57,549	-	396,900	454,449
Nonmajor governmental funds	1,631,815	543,065	-	2,174,880
Proprietary fund	142,383	-	-	142,383
Total	<u>\$ 1,831,747</u>	<u>4,887,583</u>	<u>396,900</u>	<u>7,116,230</u>

The General Fund transfer of \$1,831,747 is authorized in accordance with City code. The amount transferred to the permanent fund for sale of real estate was \$57,549, to the capital fund for capital projects was \$1,631,815, and to the parking garage for operations was \$142,383.

The Permanent Fund transfer of \$4,887,583 is authorized annually in accordance with City Charter. The amount transferred to the general fund for operations was \$4,344,518 and to the capital fund for capital acquisitions was \$543,065.

The MUS fund transferred \$396,900 to the permanent fund from plant lease payments received in accordance with City code.

D. Leases

Lessor operating leases

The MUS enterprise fund contains the proceeds from the lease of the wastewater treatment plant to Golden Heart Utilities Inc. (GHU) under the terms of a non-cancelable operating lease signed October 6, 1997. The lease provides for monthly rental payments to the City in the amount of \$33,075 for 30 years. A comprehensive lease security agreement was signed by the City with GHU for the plant and all subsequent additions and replacements. GHU has the option to purchase the plant for \$5,000,000 prior to the 20th year of the lease less a credit against the purchase price for prior lease payments discounted at seven percent. In the last 10 years of the lease, GHU may purchase the plant for the fair market value, less improvements made by the lessee. The option purchase price will be, at a minimum, the discounted present value of the remaining lease payments at a seven percent discount rate. Rental income of \$396,900 was recognized in 2015.

The City signed an agreement to lease the utilidor to GHU, Golden Valley Electric Association, Inc., Alaska Communication Services, Inc., Aurora Energy LLC, and GCI Cable, Inc. The lease calls for \$80,000 per year in rent for 50 years with an option to renew for another 50 years.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Leases, Continued

The City leases real property to various tenants for various amounts under cancelable and non-cancelable operating leases.

The assets being leased as lessor are as follows:

Asset	Governmental Activities	Business Activities
Land	\$ 5,012,998	185,356
Buildings	809,150	-
Plant in service (includes equipment)	-	24,048,506
Less: Accumulated depreciation	(401,439)	(23,050,106)
Total	\$ 5,420,709	1,183,756

The following schedule reflects the minimum rental receipts under non-cancelable operating leases for each of the next five years:

	Governmental Activities	Business Activities	Total
2016	\$ 130,051	396,900	526,951
2017	128,302	396,900	525,202
2018	125,484	396,900	522,384
2019	98,661	396,900	495,561
2020	91,209	396,900	488,109
Total minimum rental receipts	\$ 573,707	1,984,500	2,558,207

E. Deferred Outflows/Inflows of Resources

At December 31, 2015, the City's deferred inflows of resources reported in the governmental funds included the following:

	General	Permanent	Grant	Total Governmental Funds
Special assessments	\$ 78,801	-	-	78,801
Notes Receivable	-	208,861	-	208,861
Techite Receivable	3,200,000	-	-	3,200,000
Total deferred inflows of resources	\$ 3,278,801	208,861	-	3,487,662

The City reported deferred outflows/inflows of resources in the government-wide financial statements. See Note 4.C. for more information.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-Term Debt

Revolving Loans

The City Council approved Ordinance 5889 to seek voter approval of pass-through loans from the Alaska Clean Water Fund (ACWF) to GHU. On October 2, 2012 the citizens of the City of Fairbanks overwhelming voted to approve the loans (79.34% voted yes). The low interest financing will lessen the rate increases that citizens pay GHU for major upgrades on the wastewater plant.

In 2010 and 2009, the City of Fairbanks received ACWF loans (administered by the State of Alaska Department of Environmental Conservation) in the amount of \$130,827 and \$577,873, respectively, for a sodium hypo-chloride system at the wastewater treatment plant on behalf of GHU. The loan repayment is twenty years following initiation of the operation of the facility and will include a finance charge of 1.5 percent. The City will be repaid by GHU and at December 31, 2015 the receivable and loan balance is \$496,090.

In 2013, the City of Fairbanks received an ACWF loan of \$2,100,150 for the sludge dewatering system on behalf of GHU. In 2014 the loan was increased to \$4,625,600, the full amount authorized. The loan repayment is fifteen years following initiation of the operation of the facility. The first payment was in 2014, and included a finance charge of 1.5 percent. The City will be repaid by GHU, and at December 31, 2015 the receivable and loan balance is \$4,008,853.

In 2014, the City of Fairbanks received an ACWF loan of \$206,464 for the Clarifier system on behalf of GHU. In 2015 the loan was increased to \$297,048. In 2016 it is anticipated that the loan will increase to \$650,623 the full amount authorized and the first payment is expected to be made in 2017. The loan repayment is fifteen years following the initiation of the operation of the facility and will include a finance charge of 1.5 percent. The City will be repaid by GHU and at December 31, 2015 the receivable and loan balance is \$297,048.

The loans are collateralized by the \$396,000 rental income recorded in the MUS enterprise fund (115% of annual loan payments), and Fairbanks Sewer and Water, Inc., GHU's parent company, guarantees the loan repayment obligation of GHU in the event of default by GHU. Any and all structures and/or equipment constructed will remain the property of the City until such time the loan is paid in full by GHU. As an additional security measure to ensure repayment by GHU, the City legally assigned all of its rights and privileges to the rental income and other payments from GHU to the Department of Environmental Conservation as its successor and assignee in case of default, including the right to collect accelerated payments in certain circumstances.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-Term Debt, Continued

Changes in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year	Due in more than one year
Governmental activities:						
Compensated absences	\$ 1,835,594	1,810,741	1,933,653	1,712,682	1,712,682	-
Self-Insurance losses	793,207	15,723	194,474	614,456	194,612	419,844
Net pension liability	<u>11,364,267</u>	<u>3,971,532</u>	<u>-</u>	<u>15,335,799</u>	<u>-</u>	<u>15,335,799</u>
Governmental activity Long-term liabilities	<u>\$ 13,993,068</u>	<u>5,797,996</u>	<u>2,128,127</u>	<u>17,662,937</u>	<u>1,907,294</u>	<u>15,755,643</u>
Business-type activities:						
Alaska clean water loans						
Dewatering Loan	\$ 4,317,226	-	308,373	4,008,853	308,373	3,700,480
Hypochlorite Loan	531,525	-	35,435	496,090	35,435	460,655
Clarifier Loan	<u>206,464</u>	<u>90,584</u>	<u>-</u>	<u>297,048</u>	<u>-</u>	<u>297,048</u>
Business-type activities Long-term liabilities	<u>\$ 5,055,215</u>	<u>90,584</u>	<u>343,808</u>	<u>4,801,991</u>	<u>343,808</u>	<u>4,458,183</u>

The internal service fund (ISF) serves the governmental funds. Accordingly, the long-term liabilities for the ISF are included as part of the above totals for governmental activities. At year-end \$1,712,682 of ISF compensated absences are included in the above amounts. Compensated absences are liquidated by the ISF. Claims and judgments are liquidated by the general fund.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 3 – DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 9,263,393	-	(53,720)	9,209,673
Construction in progress	15,827,976	8,898,274	(5,177,304)	19,548,946
Total capital assets, not being depreciated	<u>25,091,369</u>	<u>8,898,274</u>	<u>(5,231,024)</u>	<u>28,758,619</u>
Capital assets, being depreciated				
Infrastructure	487,032,445	5,335,842	(449,711)	491,918,576
Buildings	33,634,565	-	-	33,634,565
Equipment	24,214,721	2,019,263	(572,254)	25,661,730
Total capital assets, being depreciated	<u>544,881,731</u>	<u>7,355,105</u>	<u>(1,021,965)</u>	<u>551,214,871</u>
Less accumulated depreciation				
Infrastructure	(418,390,252)	(5,502,416)	449,711	(423,442,957)
Buildings	(11,844,891)	(806,569)	-	(12,651,460)
Equipment	(16,116,452)	(1,889,707)	572,254	(17,433,905)
Total accumulated depreciation	<u>(446,351,595)</u>	<u>(8,198,692)</u>	<u>1,021,965</u>	<u>(453,528,322)</u>
Total capital assets being depreciated, net	<u>98,530,136</u>	<u>(843,587)</u>	<u>-</u>	<u>97,686,549</u>
Governmental activities capital assets, net	<u>\$ 123,621,505</u>	<u>8,054,687</u>	<u>(5,231,024)</u>	<u>126,445,168</u>
Business-type activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 454,356	-	-	454,356
Total capital assets, not being depreciated	<u>454,356</u>	<u>-</u>	<u>-</u>	<u>454,356</u>
Capital assets, being depreciated				
Infrastructure	1,560,000	-	-	1,560,000
Buildings	19,101,501	-	-	19,101,501
Equipment	12,937,698	-	-	12,937,698
Total capital assets being depreciated	<u>33,599,199</u>	<u>-</u>	<u>-</u>	<u>33,599,199</u>
Less accumulated depreciation				
Infrastructure	(530,400)	(31,200)	-	(561,600)
Buildings	(11,972,956)	(188,836)	-	(12,161,792)
Equipment	(12,925,983)	(11,715)	-	(12,937,698)
Total accumulated depreciation	<u>(25,429,339)</u>	<u>(231,751)</u>	<u>-</u>	<u>(25,661,090)</u>
Total capital assets being depreciated, net	<u>8,169,860</u>	<u>(231,751)</u>	<u>-</u>	<u>7,938,109</u>
Business-type activities capital assets, net	<u>\$ 8,624,216</u>	<u>(231,751)</u>	<u>-</u>	<u>8,392,465</u>

Depreciation expense was charged to activities/programs of the primary government as follows:

Governmental activities	
General government	\$ 5,809,141
Public safety	1,356,268
Public works	1,024,355
Building Inspections	8,928
Total depreciation expense - governmental activities	<u>\$ 8,198,692</u>

Depreciation expense for business-type activities is allocated over the following programs:

Fairbanks Transportation Center	\$ 200,551
Municipal Utility System	31,200
Total depreciation expense - business type activities	<u>\$ 231,751</u>

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION

A. Risk Management

The City is exposed to risks arising from general liability, automobile liability, property liability, workers compensation and employee health claims. The City's risk management program employs combinations of self-insurance and high deductible coverage through the Alaska Municipal League Joint Insurance Association, Inc. (AML/JIA). The AML/JIA policy provides high deductible coverage for property, general liability, auto liability, public official's liability, crimes, police professional liability, and full coverage for workers compensation claims. The City retains risk for the deductible portions of the policy and workers compensation claims incurred prior to July 1, 2004. Public safety employees are insured for health care through the Public Safety Employees Association. All other City employees are covered for health through various union plans.

The City records liabilities for all known unpaid claims when they are reported to the risk manager. The balance of these claims was \$614,456 at December 31, 2015. Self-insurance losses are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Self-insurance losses include estimates for expected future developments on claims already reported, as well as considering known and unknown events that might create claims, but for which none have been reported. Based on the type of claim, estimates of the ultimate cost of settling these claims are made by using case-by-case review of claims or by extrapolating historical experience. Both methods adjust for current trends and other information and the estimates include the effects of inflation and other economic and social factors. A liability for incurred but not reported claims was based on historical experience. The City has assigned fund balance in the amount of \$614,456 for its self-insurance program. Settlements have not exceeded coverage's in each of the last three years.

Changes in the claims liabilities included in assigned fund balances for self-insurance losses for fiscal years 2015 and 2014 follow:

	<u>Claims Liability</u> <u>December 31, 2015</u>	<u>Claims Liability</u> <u>December 31, 2014</u>
January 1	\$ 793,207	785,249
Current year claims	15,723	249,294
Changes in estimates for claims of the prior period	(35,813)	(34,838)
Claims payments	<u>(158,661)</u>	<u>(206,498)</u>
December 31	<u>\$ 614,456</u>	<u>793,207</u>

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

B. Contingent Liabilities

The City, in the normal course of its activities, is involved in various claims and litigation and has recorded amounts it considers sufficient to cover settlements that may be payable as a result of unfavorable outcomes. For other claims and litigation, the outcomes are more uncertain and are not presently determinable. However, in the opinion of management and the City's attorney, the disposition of these matters is not expected to have a material positive or adverse effect on the City's financial statements. Adequate reserves for claims and litigation covered by the City's self-insurance program are recorded as reserved for self-insurance losses. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, would become a liability of the general fund or other applicable funds. Disallowances, if any, cannot be determined at this time. In the City's opinion, any such disallowances would be immaterial.

The City is subject to a number of claims, some of which involve substantial amounts, arising out of the conduct of its business including those relating to environmental matters. Liabilities are recorded for environmental matters in the same manner as other long-term obligations. Although the City does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon future completion of studies, they may be significant to the results of operations. While the ultimate results of claims involving the City cannot be determined, management does not expect that these matters will have a material adverse effect on the financial operations of the City.

C. Retirement Plans

As of December 31, 2015, approximately 63 percent of all regular employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). The remaining employees participate in pension plans offered by the International Brotherhood of Electrical Workers (IBEW) or the labor union trust plans covered under the contract with the AFL-CIO Joint Crafts Unit. In 2015, the City contributed between \$5.50 and \$14.15 per compensable hour to the Alaska Electrical Trust Fund (AETF) and the other plans covered by the AFL-CIO Joint Crafts agreement. The total contribution to the AETF and the AFL-CIO pension plans for 2015 was \$693,199 and \$860,519, respectively. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation for the IBEW and AFL-CIO Joint Crafts Unit employees' retirement is limited to the amount paid under the labor agreements.

Stand-alone financial statements for the PERS plan can be obtained by contacting the Alaska Department of Administration, Division of Retirement and Benefits, PO Box 110203, Juneau, Alaska 99811-0203; by calling 907-465-4460 or by accessing the division's web site at www.state.ak.us/drb on the internet. Employer contributions to the PERS are actuarially determined and have been paid or accrued by the City of Fairbanks.

Defined Benefit (DB) Pension Plan

Plan Description

The Defined Benefit Pension Plan is administered by the State of Alaska (State) and was established to provide pension, post-employment healthcare, survivor, and disability benefits to eligible employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. Tiers I, II, and III are a defined benefit plan. Effective July 1, 2006, the State Legislature (Senate Bill 141) closed the defined benefit plans of PERS to new members and new employees after that date participate in the Tier IV PERS Defined Contribution (DC) Plans described later in these notes. Effective July 1, 2008, the State Legislature (Senate Bill 125) converted the PERS plan from an agent multiple-employer to a cost sharing multiple-employer plan.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Employee Contribution Rates

Employee contribution rates for the defined benefit plan are 7.5 percent of compensation for City police officers and firefighters. All other employees contribute 6.75 percent.

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 contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution plan are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

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. 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 Adopted Rates for current and future years.

State (On-behalf) Contribution Rate – This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in 2014, the State Legislature appropriated a one-time contribution to the Plan in the amount of \$1 billion. As a result, the On-behalf Contribution Rate for 2015 significantly exceeds the statutory amount. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenue and expenditure.

Annual Required Contribution (ARC) Rate – This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the rate disregards all future Medicare Part D payments. The ARC Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used. As of June 30, 2015, the ARC Rate uses an 8.00% pension discount rate and a 4.90% healthcare discount rate. As of December 31, 2015, the rate uses an 8.00% pension discount rate and a 4.55% healthcare discount rate.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Contribution rates for the year ended December 31, 2015 were determined in the June 30, 2012 and June 30, 2013 actuarial valuation as follows:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>State Contribution Rate</u>
January 1 through June 30, 2015			
Pension	12.54%	34.57%	42.41%
Postemployment healthcare	9.46%	9.46%	-
Total Contribution Rates	<u>22.00%</u>	<u>44.03%</u>	<u>42.41%</u>
July 1 through December 31, 2015			
Pension	13.25%	16.88%	3.63%
Postemployment healthcare	8.75%	10.31%	1.56%
Total Contribution Rates	<u>22.00%</u>	<u>27.19%</u>	<u>5.19%</u>

In 2015, the City was credited with the following contributions into the pension plan. Employee contributions were \$520,512.

	<u>December 31, 2015</u>
Employer contributions (including DBUL)	\$ 1,051,514
Nonemployer contributions (on-behalf)	<u>2,268,183</u>
Total Contributions	<u>\$ 3,319,697</u>

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2015, the City reported a liability of \$15,335,799 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The City's proportion of the net pension liability was based on the present value of contributions for FY2017 to FY2039 as determined by projections based on the June 30, 2014 valuation. At December 31, 2015, the City's proportion was .31620 percent.

For the year ended December 31, 2015, the City recognized pension expense of \$1,577,737 in the government-wide financial statements. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,876	-
Changes in assumptions	896,700	-
Net difference between projected and actual earnings on pension plan investments	-	271,507
Changes in proportion and differences between City contributions and proportionate share of contributions	513,014	-
City contributions subsequent to the measurement date	535,462	-
Total Deferred Outflows and Inflows Related to Pensions	\$ 1,963,052	271,507

\$535,462 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Amount Reserved</u>
FY2016	\$ 1,125,139
FY2017	(\$ 46,291)
FY2018	(\$ 174,371)
FY2019	\$ 251,605

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial valuation for the year ended June 30, 2015 (latest available) was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Investment Return/ Discount Rate	8.00% per year (geometric), compounded annually, net of expenses.
Salary Scale	Graded by years of service, from 9.66% to 4.92% for Peace Officers/Firefighters Graded by age and years of service, from 8.55% to 4.34% for all other
Payroll Growth	3.62% per year (inflation and productivity)
Inflation	3.12%
Mortality	Pre-termination Rate 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/Firefighters, 50% of the time for others. Post-termination Rate based on 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Project Scale BB.
Total Turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. 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. For Peace Officers/Firefighter, Tier 1, deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% female members are assumed to be married. For Peace Officers/Firefighters, 85% of male members and 60% female members are assumed to be married.

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

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Actuarial Assumptions continued

The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.35%
Global equity (non-US)	5.55
Private equity	6.25
Fixed income composite	0.80
Real estate	3.65
Alternative equity	4.70

Discount Rate

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

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the City's proportionate share of the net pension liability as of June 30, 2015, calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	<u>Proportional Share</u>	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
System Net Pension	100.00%	\$6,447,683,000	\$4,850,014,000	\$3,504,942,000
City's proportionate share of the net pension liability - Employer portion	0.31620%	\$20,387,646	\$15,335,799	\$11,082,666

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial reports as described earlier in these notes.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Defined Contribution (DC) Pension Plan

Plan Description

The Defined Contribution Pension Plan is also administered by the State of Alaska (State) and was established to provide individual pension accounts, retiree medical insurance plan, and a separate Health Reimbursement Arrangement account to provide additional resources for retired members to pay medical premiums and other eligible medical expenses not covered by the medical plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Employees hired after July 1, 2006 participate in PERS Tier IV, this defined contribution pension plan. This Plan is included in the comprehensive annual financial reports for PERS as described earlier in these notes.

Employee Contribution Rates

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account. Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employer Contribution Rates

For the year ended December 31, 2015, the City was required to contribute 5% of covered salary into the plan. However, the total employer contribution must equal 22% of covered payroll. After subtracting, the defined contribution (DC) pension rates, Occupational Death and Disability Plan, Retiree Medical Plan, and the HRA contribution, any residual amount of the 22% is deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

For the year ended December 31, 2015, the City and employee contributions to PERS were \$124,712 and \$199,539, respectively. The City contribution amount was recognized as pension expense.

Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

The City participates in the Alaska Retiree Healthcare Trust (ARHCT) as part of the PERS DB Plan (Tiers I, II, and III). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level and the Plan is administered by the State of Alaska. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employee Contribution Rates

Employees do not contribute to the DB OPEB Plans.

Employer Contribution Rates

The City was required to contribute 9.46% and 8.75% of covered payroll into the OPEB plan as of June 30, 2015 and December 31, 2015, respectively. For the year ended December 31, 2015, the City contributed \$744,947. In addition, the City received \$65,830 as an on-behalf contribution. These amounts were recognized as expense.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

Defined Contribution OPEB

The City participates in the Occupational Death and Disability Plan and Retiree Medical Plan as part of the PERS DC Plan (Tiers IV). These plans provide for death, disability, and post-employment health care. In addition, PERS defined contribution members participate in the Health Reimbursement Agreement. Information on these plans is included in the comprehensive financial report for the PERS plan as described earlier in these notes.

Employee Contribution Rates

Employees do not contribute to the DC OPEB Plans.

Employer Contribution Rates

The City is required to contribute 1.06% for Peace Officers/Firefighters and .22% for other employees in the ODD Plan and 1.66% in the Retiree Medical Plan as of June 30, 2015 and 1.05% for Peace Officers/Firefighters and .22% for other employees in the ODD Plan and 1.68% in the Retiree Medical Plan as of December 31, 2015. State statute establishes the contribution amount for the Health Reimbursement Agreement as “three percent of the average annual employee compensation of all employees of all employers in the plan”; this amount is calculated as a flat rate for each full time employee per pay period at \$81.69 as of June 30, 2015 and \$83.52 as of December 31, 2015.

For the year ended December 31, 2015, the City contributed \$133,706 in DC OPEB costs. These amounts were recognized as expense.

Labor Contracts

City employees are represented by the following recognized labor associations and unions: the International Brotherhood of Electrical Workers (IBEW), the Fairbanks AFL-CIO Joint Crafts Council (AFL-CIO), the International Fairbanks Fire Fighters Association (IFFA) and the Fairbanks Police Department Employees Association (FPDEA) which is affiliated with the Public Safety Employees Association.

Negotiated agreements are in effect with IBEW which will expire on May 31, 2017 and AFL-CIO which will expire on December 31, 2016. The FPDEA agreement expired on December 31, 2013 and the IFFA agreement expired on May 1, 2015; both contracts are currently being negotiated.

Deferred Compensation Plans

The City maintains a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is optional and is available to all permanent employees of the City. Under the plan, employees are permitted to defer a portion of their salaries and the related federal income taxes until the withdrawal date. The deferred compensation is not available for withdrawal by employees until termination, retirement, death, or an emergency.

The deferred compensation plan assets are held in trust for the exclusive benefit of the participants. The City contracted with five separate, unrelated companies for the administration of the deferred compensation plan. Investments were managed by the respective administrators under various investment options. The choice of the investment options were made by participants.

In 2015, City notified participants that MetLife was selected as the only deferred compensation plan and that all contributions to other plans would cease as of December 31, 2017. As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrators. In the opinion of management, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund

In October 1996, the voters of the City of Fairbanks approved amendment of the City Charter to establish a permanent fund using proceeds from the sale of the Municipal Utilities System. The net proceeds of most sales of land are also deposited in the fund. Appropriations from the permanent fund were limited to replacing the payments in lieu of taxes (PILOT) previously appropriated from the MUS enterprise fund to the general fund.

The fund is managed by the City's Chief Financial Officer under the oversight of a Permanent Fund Review Board. Members of the review board are appointed by the Mayor and confirmed by the Council.

GAAP defines income from investments to include interest and dividend income, amortization of premiums paid or discounts received at the time of purchase, realized gains and losses on the sale of investments, and changes in fair value of investments held. Investment income of the permanent fund consisted of:

	2015	2014
Interest income	\$ 1,898,743	2,067,580
Dividends	1,471,224	1,507,469
Net realized (losses) gains	4,916,822	270,727
Net unrealized (losses) gains	(8,017,582)	4,512,672
	\$ 269,207	8,358,448

During 2002, the City passed Ordinance 5485 which placed before the voters an amendment to the City Charter's permanent fund. The amendment, which was approved by the voters in 2003, provides that the amount available for annual appropriation for general operations is limited to 4 percent of the average of the previous 5 years' fund market value, as defined by generally accepted accounting principles (base year = 1998). An additional 0.5 percent of the 5 year average fund market value of previous years can be made available for appropriation for capital expenditures.

The amount available for appropriation for general operations and capital expenditures in 2015 is calculated as follows (based on an average of 2010 - 2014 amounts):

Total average investments held in trust	\$	107,828,342
Total average other assets		793,653
Total average liabilities		(9,049)
 Total average fund value	 \$	 <u>108,612,946</u>
 Available for general operations	 \$	 4,344,518
Available for capital expenditures	\$	543,065

For 2015 the entire amount available for appropriation for general operations and capital expenditures during the year was transferred to the general and capital funds.

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
(Continued)

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund, Continued

The amount available for appropriation for general operations and capital expenditures in 2016 is calculated as follows (based on an average of 2011 - 2015 amounts):

Total average investments held in trust	\$	111,136,048
Total average other assets		609,793
Total average liabilities		<u>(7,063)</u>
Total average fund value	\$	<u><u>111,738,778</u></u>
Available for general operations	\$	4,469,551
Available for capital expenditures	\$	558,694



REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual
Schedule of Proportionate Share of Net Pension Liability
Schedule of Contributions
Notes to Required Supplementary Information

CITY OF FAIRBANKS, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 20,787,014	20,898,279	20,992,265	93,986
Charges for services	4,740,703	4,790,470	5,147,122	356,652
Intergovernmental	3,627,263	3,662,380	4,628,621	966,241
Licenses and permits	1,965,194	2,169,367	2,263,001	93,634
Fines and forfeitures	962,605	806,223	672,646	(133,577)
Rental	164,734	164,734	163,128	(1,606)
Interest and penalties	130,500	184,163	156,746	(27,417)
Other	224,500	227,302	245,200	17,898
Total revenues	<u>32,602,513</u>	<u>32,902,918</u>	<u>34,268,729</u>	<u>1,365,811</u>
Expenditures				
General government				
Mayor and city council	602,561	604,411	595,620	8,791
City attorney	181,316	183,315	172,909	10,406
City clerk	349,232	357,101	317,259	39,842
Finance	936,547	953,159	937,648	15,511
Information systems	1,657,140	1,687,272	1,607,172	80,100
Risk management	1,413,460	1,463,293	1,401,679	61,614
General account	5,706,161	5,784,583	6,295,635	(511,052)
Total general government	<u>10,846,417</u>	<u>11,033,134</u>	<u>11,327,922</u>	<u>(294,788)</u>
Public safety				
Police	7,244,676	7,256,063	6,682,023	574,040
Dispatch	2,021,721	2,025,136	1,994,488	30,648
Fire	6,537,167	6,587,200	6,479,075	108,125
Total public safety	<u>15,803,564</u>	<u>15,868,399</u>	<u>15,155,586</u>	<u>712,813</u>
Public works				
Works	7,577,995	7,781,302	7,332,574	448,728
Engineering	687,107	745,180	661,517	83,663
Total public works	<u>8,265,102</u>	<u>8,526,482</u>	<u>7,994,091</u>	<u>532,391</u>
Building inspections				
	<u>671,099</u>	<u>683,531</u>	<u>675,778</u>	<u>7,753</u>
Total expenditures	<u>35,586,182</u>	<u>36,111,546</u>	<u>35,153,377</u>	<u>958,169</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,983,669)</u>	<u>(3,208,628)</u>	<u>(884,648)</u>	<u>2,323,980</u>

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended December 31, 2015

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 4,330,032	4,344,518	4,344,518	-
Transfers out	(615,034)	(1,855,887)	(1,831,747)	24,140
Sale of capital assets	50,000	45,949	71,471	25,522
Total other financing sources (uses)	3,764,998	2,534,580	2,584,242	49,662
Net change in fund balances	\$ 781,329	(674,048)	1,699,594	2,373,642

**Explanation of differences between budgetary revenues
and expenditures, and GAAP revenues and
expenditures**

The City recognizes encumbrances as expenditures for budgetary purposes, but not for GAAP purposes.

195,166

Net changes in fund balance as reported on the statement
of revenues, expenditures, and changes in fund balances
governmental funds

\$ 1,894,760

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA

Schedule of Proportionate Share of Net Pension Liability Public Employees Retirement System December 31, 2015

	<u>2015</u>
City's proportion of the net pension liability	0.31620%
City's proportionate share of the net pension liability	\$ 15,335,799
State of Alaska proportionate share of the net pension liability	4,109,038
Total net pension liability	<u>\$ 19,444,837</u>
City's covered-employee payroll	\$ 6,853,107
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	223.78%
Plan fiduciary net position as a percentage of the total pension liability	63.96%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA

Schedule of Contributions
Public Employees Retirement System
Year Ended December 31, 2015

	<u>2015</u>
Contractually required contribution	\$ 1,507,684
Contributions in relation to the contractually required contribution	<u>\$ 1,505,698</u>
Contribution deficiency (excess)	<u>\$ 1,986</u>
City's covered-employee payroll	\$ 6,853,107
Contributions as a percentage of covered-employee payroll	22.0%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
Notes to Required Supplementary Information

Note 1 – Schedule of Revenues, Expenditures and Changes in Fund Balance Budget

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1, the Mayor submits to the Council a proposed balanced operating budget for the following fiscal year. The balanced operating budget includes proposed expenditures and the means of financing them.
2. At least one public hearing is held.
3. Prior to December 15, the budget is legally enacted through the passage of an ordinance. The final budget adopted by the Council shall be a balanced budget. If no Council action is taken by December 15, the Mayor's budget becomes the actual budget.
4. The Mayor may approve intradepartmental transfers of appropriated funds, except for transfers from non-wage accounts to accounts used for wages and benefits, overtime, and capital funds which require Council approval. All interdepartmental transfers of appropriated funds require Council approval. Expenditures may exceed appropriations on the object level, but not on the function level.
5. The Council revises the adopted budget by ordinance as needed. All transfers between departments or capital projects require Council approval.

Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, capital projects funds, enterprise funds and the internal service fund.

Budgets for the general fund, special revenue funds, capital projects funds, enterprise funds and the internal service fund are adopted on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. Budgets for the general and the capital fund are adopted on an annual basis. Budgets for the grants and contracts fund, and capital projects funds are adopted by project or program and are not budgeted on an annual basis.

Budgeted amounts were originally adopted by the City Council on December 6, 2014 or as amended by ordinances during 2015.

Note 2 – Schedule of Proportionate Share of Net Pension Liability

The information presented in this schedule is based on the Plan measurement date. For December 31, 2015, the Plan measurement date is June 30, 2015. The City did not have changes in benefit terms or assumptions from the prior measurement period. This schedule will present 10 years of information as it becomes available.

Note 3 – Schedule of Contributions

The information presented in this schedule is based on the City's contribution during fiscal year 2015. These contributions are reported as a deferred outflow on the December 31, 2015 basic financial statements. This schedule will present 10 years of information as it becomes available.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Major Governmental Funds

General Fund
Permanent Fund
Grants and Contracts Fund

Nonmajor Governmental Funds

Combining Statements
Special Revenue Fund Statements
Capital Projects Fund Statements



MAJOR GOVERNMENTAL FUNDS

General Fund

The general fund is the city's primary operating fund and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Permanent Fund

The permanent fund, which is governed by special charter provisions, generates income to help fund operations of the City.

Special Revenue Funds

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Grants and Contracts Special Revenue Fund

This fund accounts for the receipt and expenditures of grants and contracts which provide resources for operations, equipment, and capital activities.



CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Balance Sheet

December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
ASSETS		
Equity in central treasury	\$ 9,886,391	\$ 9,701,508
Restricted cash and cash equivalents	500	21,000
	<u>9,886,891</u>	<u>9,722,508</u>
Receivables		
Taxes	997,428	995,514
Accounts	1,305,223	1,402,017
Special assessments	22,420	25,996
Interest and penalties	58,234	114,887
Notes	278,945	352,883
Techite	3,200,000	3,400,000
Less allowance for uncollectible receivables	<u>(1,130,851)</u>	<u>(1,378,780)</u>
	<u>4,731,399</u>	<u>4,912,517</u>
Prepaid assets	499,031	473,424
Due from other funds	<u>3,709,978</u>	<u>1,896,803</u>
Total assets	<u>\$ 18,827,299</u>	<u>\$ 17,005,252</u>
LIABILITIES		
Accounts payable	\$ 1,931,648	\$ 1,872,067
Deposits	46,438	15,646
Unearned revenue	293,807	269,128
Due to other funds	<u>21,600</u>	<u>-</u>
Total liabilities	<u>2,293,493</u>	<u>2,156,841</u>
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	<u>3,278,801</u>	<u>3,488,166</u>
FUND BALANCE		
Nonspendable	499,031	473,424
Committed	250,000	250,000
Assigned	1,018,800	1,002,385
Unassigned	<u>11,487,174</u>	<u>9,634,436</u>
Total fund balance	<u>13,255,005</u>	<u>11,360,245</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 18,827,299</u>	<u>\$ 17,005,252</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
Revenues		
Taxes		
Real property	\$ 14,875,855	\$ 14,270,470
Hotel / motel	2,869,170	2,720,456
Alcoholic beverages	2,309,214	2,247,925
Tobacco distribution	938,026	911,185
Charges for services	5,147,122	4,632,461
Intergovernmental		
PERS relief payments	2,334,013	2,716,160
Other	2,294,608	3,241,442
Licenses and permits	2,263,001	1,612,546
Fines and forfeitures	672,646	895,919
Special assessments	8,360	16,277
Other revenues		
Interest and penalties	156,746	122,993
Rental	163,128	155,904
Techite settlement	200,000	200,000
Other	36,840	51,018
Total revenues	34,268,729	33,794,756
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	435,899	430,849
Employee benefits	129,079	124,283
Other services	47,181	25,981
Inter-departmental	(16,539)	(86,072)
Total mayor and city council	595,620	495,041
City attorney		
Salaries and wages	236,627	234,687
Employee benefits	71,410	72,831
Other services	28,732	26,751
Inter-departmental	(163,860)	(161,577)
Total city attorney	172,909	172,692
City clerk		
Salaries and wages	198,664	224,334
Employee benefits	73,727	77,588
Other services	44,471	43,235
Total city clerk	316,862	345,157
Finance		
Salaries and wages	631,470	619,568
Employee benefits	207,574	203,849
Other services	98,604	103,382
Total finance	937,648	926,799

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
Expenditures - continued		
General government, continued		
Information technology		
Salaries and wages	483,512	479,480
Employee benefits	155,551	157,986
Other services	940,783	747,293
Total information technology	1,579,846	1,384,759
Risk Management		
Salaries and wages	78,335	-
Employee benefits	26,354	-
Other services	1,290,820	1,383,550
Total risk management	1,395,509	1,383,550
Non-departmental		
Community services	1,743,486	2,006,708
PERS relief payments	2,334,013	2,716,160
Hotel / motel distributions	2,165,825	2,153,302
Total non-departmental	6,243,324	6,876,170
Total general government	11,241,718	11,584,168
Public safety		
Police		
Salaries and wages	4,404,312	4,457,983
Employee benefits	1,626,389	1,672,753
Other services	696,099	656,918
Total police	6,726,800	6,787,654
Dispatch		
Salaries and wages	1,246,192	1,398,849
Employee benefits	513,047	528,675
Other services	225,600	174,210
Total dispatch	1,984,839	2,101,734
Fire		
Salaries and wages	3,979,921	4,015,854
Employee benefits	1,565,258	1,526,168
Other services	915,924	721,491
Total fire	6,461,103	6,263,513
Total public safety	15,172,742	15,152,901
Public works		
Works		
Salaries and wages	2,989,548	2,833,789
Employee benefits	1,631,226	1,483,732
Other services	2,521,235	2,588,146
Total works	7,142,009	6,905,667

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
Expenditures - continued		
Public works, continued		
Engineering		
Salaries and wages	453,802	429,404
Employee benefits	170,495	161,703
Other services	40,534	30,869
Total engineering	<u>664,831</u>	<u>621,976</u>
Total public works	<u>7,806,840</u>	<u>7,527,643</u>
Building inspections		
Salaries and wages	498,790	471,720
Employee benefits	152,580	145,286
Other services	14,871	19,878
Total building inspections	<u>666,241</u>	<u>636,884</u>
Capital outlay		
General government		
Information Technology	36,600	-
Nondepartmental	-	16,790
Total general government	<u>36,600</u>	<u>16,790</u>
Public safety		
Police	-	6,584
Total public safety	<u>-</u>	<u>6,584</u>
Public works		
Works	34,070	112,317
Total public works	<u>34,070</u>	<u>112,317</u>
Total capital outlay	<u>70,670</u>	<u>135,691</u>
Total expenditures	<u>34,958,211</u>	<u>35,037,287</u>
Excess (deficiency) of revenues over expenditures	<u>(689,482)</u>	<u>(1,242,531)</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
Other financing sources (uses)		
Transfers in	\$ 4,344,518	\$ 4,119,676
Transfers out	(1,831,747)	(5,010,223)
Sale of capital assets	71,471	223,283
Total other financing sources (uses)	2,584,242	(667,264)
Net change in fund balances	1,894,760	(1,909,795)
Fund balance - beginning	11,360,245	13,270,040
Fund balance - ending	\$ 13,255,005	\$ 11,360,245

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
ASSETS		
Restricted cash and cash investments		
Cash and cash equivalents	\$ 6,382,723	\$ 4,768,971
Investments	109,814,506	115,691,412
Receivables		
Interest	365,279	426,660
Notes	208,861	232,193
Due from general fund	21,600	-
Total assets	<u>\$ 116,792,969</u>	<u>\$ 121,119,236</u>
LIABILITIES		
Accounts payable	\$ 7,539	\$ 1,506
DEFERRED INFLOWS OF RESOURCES	<u>208,861</u>	<u>232,193</u>
FUND BALANCE		
Restricted for subsequent year expenditures	5,028,245	4,887,583
Restricted for investments	111,548,324	115,997,954
Total fund balance	<u>116,576,569</u>	<u>120,885,537</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 116,792,969</u>	<u>\$ 121,119,236</u>

CITY OF FAIRBANKS, ALASKA
Major Governmental Fund
Permanent Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2015
(With comparative totals for 2014)

	Totals	
	2015	2014
Revenues		
Investment earnings	\$ 269,207	\$ 8,358,448
Expenditures		
Current		
General government	168,257	167,809
Excess (deficiency) of revenues over expenditures	100,950	8,190,639
Other financing sources (uses)		
Transfers in	454,449	3,637,324
Transfers out	(4,887,583)	(4,634,636)
Sale of capital assets	23,216	196,252
Total other financing sources (uses)	(4,409,918)	(801,060)
Net change in fund balance	(4,308,968)	7,389,579
Fund balance - beginning	120,885,537	113,495,958
Fund balance - ending	\$ 116,576,569	\$ 120,885,537

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2015

(With comparative totals for 2014)

	Totals	
	2015	2014
ASSETS		
Receivables		
Accounts	\$ 479,633	\$ 10,508
Intergovernmental	3,090,170	1,753,411
Total assets	<u>\$ 3,569,803</u>	<u>\$ 1,763,919</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,942
Due to general fund	3,569,803	1,741,977
Total liabilities	<u>3,569,803</u>	<u>1,743,919</u>
DEFERRED INFLOWS OF RESOURCES		
Advanced grant funding	-	20,000
FUND BALANCE	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 3,569,803</u>	<u>\$ 1,763,919</u>

CITY OF FAIRBANKS, ALASKA
Major Special Revenue Fund
Grants and Contracts Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2015
(With comparative totals for 2014)

	Totals	
	2015	2014
Revenues		
Intergovernmental	\$ 11,677,462	\$ 12,686,689
Other	1,565,806	296,396
	13,243,268	12,983,085
Expenditures		
Current		
General government	-	-
Public safety	726,431	1,442,608
Public works	3,968,397	6,428,934
Capital outlay		
General government	8,180,380	3,437,878
Public safety	368,060	1,249,843
Public works	-	423,822
	13,243,268	12,983,085
Excess (deficiency) of revenues over expenditures	-	-
Fund balance - beginning	-	-
Fund balance - ending	\$ -	\$ -



NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet
Combining Statement of Revenues, Expenditures and Changes in Fund Balance

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2015

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Equity in central treasury	\$ -	7,080,738	7,080,738
Restricted cash and cash equivalents	84,658	-	84,658
	<u>\$ 84,658</u>	<u>7,080,738</u>	<u>7,165,396</u>
LIABILITIES			
Accounts payable	\$ -	123,432	123,432
FUND BALANCES			
Restricted	84,658	-	84,658
Committed	-	877,552	877,552
Assigned	-	6,079,754	6,079,754
	<u>84,658</u>	<u>6,957,306</u>	<u>7,041,964</u>
Total fund balances	<u>\$ 84,658</u>	<u>7,080,738</u>	<u>7,165,396</u>
Total liabilities and fund balances	<u>\$ 84,658</u>	<u>7,080,738</u>	<u>7,165,396</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2015

	Special Revenue	Capital Projects	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ 75,492	-	75,492
Investment earnings	45	-	45
Asset replacement and repair charges	-	1,276,500	1,276,500
	<u>75,537</u>	<u>1,276,500</u>	<u>1,352,037</u>
Expenditures			
Current			
General government	-	589,968	589,968
Public safety	19,361	35,986	55,347
Public works	-	204,534	204,534
Capital outlay			
General government	-	1,005,577	1,005,577
Public safety	-	375,171	375,171
Public works	-	917,679	917,679
	<u>19,361</u>	<u>3,128,915</u>	<u>3,148,276</u>
Excess (deficiency) of revenues over expenditures	<u>56,176</u>	<u>(1,852,415)</u>	<u>(1,796,239)</u>
Other financing sources			
Transfers in	-	2,174,880	2,174,880
	<u>-</u>	<u>2,174,880</u>	<u>2,174,880</u>
Net change in fund balances	56,176	322,465	378,641
Fund balances - beginning	<u>28,482</u>	<u>6,634,841</u>	<u>6,663,323</u>
Fund balances - ending	<u>\$ 84,658</u>	<u>6,957,306</u>	<u>7,041,964</u>



NONMAJOR SPECIAL REVENUE FUND

Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Asset Forfeiture Fund

This fund accounts for resources and expenditures for federal asset forfeiture funds.

CITY OF FAIRBANKS, ALASKA

Nonmajor Special Revenue Fund

Asset Forfeiture

Balance Sheet

December 31, 2015

ASSETS

Restricted cash and cash equivalents

\$ 84,658

FUND BALANCES

Restricted

\$ 84,658

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Fund
 Asset Forfeiture
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2015

Revenues		
Intergovernmental	\$	75,492
Interest		<u>45</u>
Total revenues		<u>75,537</u>
Expenditures		
Current		
Public safety		<u>19,361</u>
Total expenditures		<u>19,361</u>
Excess (deficiency) of revenues over expenditures		56,176
Other financing sources (uses)		<u>-</u>
Net change in fund balance		56,176
Fund balance - beginning		<u>28,482</u>
Fund balance - ending	\$	<u><u>84,658</u></u>



NONMAJOR CAPITAL PROJECTS FUND

Capital projects funds are used to account for financial resources to be used for the acquisition of capital assets or construction of major capital facilities other than those financed by proprietary funds.

Capital Fund

This fund accounts for the receipt and expenditures of resources designated for capital projects, equipment, and property replacement or maintenance.

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Balance Sheet

December 31, 2015

ASSETS

Equity in central treasury \$ 7,080,738

LIABILITIES

Accounts payable \$ 123,432

FUND BALANCE

Committed 877,552

Assigned 6,079,754

Total fund balance 6,957,306

Total liabilities and fund balance \$ 7,080,738

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2015

Revenues

Asset replacement and repair charges	<u>\$ 1,276,500</u>
--------------------------------------	---------------------

Expenditures

Current

General government	589,968
--------------------	---------

Public safety	35,986
---------------	--------

Public works	204,534
--------------	---------

Capital outlay

General government	1,005,577
--------------------	-----------

Public safety	375,171
---------------	---------

Public works	917,679
--------------	---------

Total expenditures	<u>3,128,915</u>
--------------------	------------------

Excess (deficiency) of revenues over expenditures	<u>(1,852,415)</u>
---	--------------------

Other financing sources (uses)

Transfers in	<u>2,174,880</u>
--------------	------------------

Total other financing sources (uses)	<u>2,174,880</u>
--------------------------------------	------------------

Net change in fund balance	322,465
----------------------------	---------

Fund balance - beginning	<u>6,634,841</u>
--------------------------	------------------

Fund balance - ending	<u><u>\$ 6,957,306</u></u>
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CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the year ended December 31, 2015

	Final Budgeted Amounts	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues			
Inter-departmental charges	\$ 1,276,500	1,276,500	-
Expenditures			
Capital outlay			
General government	2,552,581	1,514,516	1,038,065
Public safety	949,650	554,686	394,964
Public works	3,509,090	1,918,919	1,590,171
Total expenditures	<u>7,011,321</u>	<u>3,988,121</u>	<u>3,023,200</u>
Deficiency of revenues over expenditures	<u>(5,734,821)</u>	<u>(2,711,621)</u>	<u>(3,023,200)</u>
Other financing sources (uses)			
Transfers in	<u>2,167,518</u>	<u>2,174,880</u>	<u>7,362</u>
Total other financing sources (uses)	<u>2,167,518</u>	<u>2,174,880</u>	<u>7,362</u>
Net change in fund balances	<u>\$ (3,567,303)</u>	<u>(536,741)</u>	<u>3,030,562</u>

**Explanation of differences between budgetary revenues
and expenditures, and GAAP revenues and
expenditures**

The city recognizes encumbrances as expenditures for budgetary purposes, but not for GAAP purposes

859,206

Net changes in fund balance as reported on the combining statement of revenues, expenditures, and changes in fund balances nonmajor capital projects funds

\$ 322,465

SUPPLEMENTARY INFORMATION

Combined Schedule of Cash and Investments Classified by Depository – All Funds
Calculation of the Change in the Fair Value of Investments – Permanent Fund

These schedules provide additional fiscal data considered valuable in meeting other informational needs and in providing a better understanding of the finances of the City.

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Cash and Investments
 Classified by Depository - All Funds
 December 31, 2015

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	\$ 11,387	\$ 11,387
Mt. McKinley Bank	-	4,481,192	4,481,192
Key Trust			
U.S. securities and agencies	28,330,553	-	28,330,553
Equity mutual funds	56,098,231	-	56,098,231
Fixed income mutual fund	2,644,000	-	2,644,000
Corporate bonds	19,930,930	-	19,930,930
Foreign bonds	2,810,792	-	2,810,792
Alaska Municipal League Investment Pool	<u>20,778,673</u>	<u>-</u>	<u>20,778,673</u>
Total cash and investments	<u>\$ 130,593,179</u>	<u>\$ 4,492,579</u>	<u>\$ 135,085,758</u>
Reconciliation of cash and investments to governmental and proprietary funds			
Governmental funds			
Equity in central treasury			\$ 16,967,129
Restricted cash and cash equivalents			6,467,881
Restricted investments			<u>109,814,506</u>
Total governmental funds			<u>133,249,516</u>
Proprietary funds			
Enterprise funds			
Equity in central treasury			497
Internal service fund			
Cash			<u>1,835,745</u>
Total proprietary funds			<u>1,836,242</u>
Total cash and investments			<u>\$ 135,085,758</u>

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2015

Equity Securities

Fair value at December 31, 2015	\$	56,098,231
Cost of investments sold in 2015		20,445,046
Cost of investments purchased in 2015		(22,562,365)
Less fair value at December 31, 2014		<u>(60,409,145)</u>
Change in fair value of equity investments		<u>(6,428,233)</u>

Fixed-Income Securities

Fair value at December 31, 2015		53,716,275
Cost of investments sold in 2015		13,850,510
Cost of investments purchased in 2015		(13,873,866)
Less fair value at December 31, 2014		<u>(55,282,267)</u>
Change in fair value of fixed-income investments		<u>(1,589,348)</u>

Total change in fair value of investments \$ (8,017,581)

STATISTICAL SECTION

This part of the City of Fairbanks comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	ST-2
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	ST-12
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	ST-17
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	ST-21
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	ST-24
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year. The City implemented GASB 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF FAIRBANKS, ALASKA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$ 140,838,620	\$ 134,158,187	\$ 133,654,529	\$ 124,732,269
Restricted	106,549,909	110,063,456	85,671,713	91,962,459
Unrestricted	<u>4,163,917</u>	<u>2,964,919</u>	<u>18,751,881</u>	<u>21,196,951</u>
Total governmental activities net position	<u>\$ 251,552,446</u>	<u>\$ 247,186,562</u>	<u>\$ 238,078,123</u>	<u>\$ 237,891,679</u>
Business-type activities				
Net investment in capital assets	\$ 10,344,388	\$ 9,301,982	\$ 8,874,961	\$ 8,446,799
Restricted	625	-	-	-
Unrestricted	<u>80,000</u>	<u>92,000</u>	<u>78,687</u>	<u>79,419</u>
Total business-type activities net position	<u>\$ 10,425,013</u>	<u>\$ 9,393,982</u>	<u>\$ 8,953,648</u>	<u>\$ 8,526,218</u>
Primary government				
Net investment in capital assets	\$ 151,183,008	\$ 143,460,169	\$ 142,529,490	\$ 133,179,068
Restricted	106,550,534	110,063,456	85,671,713	91,962,459
Unrestricted	<u>4,243,917</u>	<u>3,056,919</u>	<u>18,830,568</u>	<u>21,276,370</u>
Total primary government net position	<u>\$ 261,977,459</u>	<u>\$ 256,580,544</u>	<u>\$ 247,031,771</u>	<u>\$ 246,417,897</u>

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 118,868,255	\$ 114,439,424	\$ 108,299,354	\$ 125,595,200	\$ 123,621,505	\$ 126,445,168
100,016,447	98,863,876	106,020,888	113,515,303	120,914,019	116,661,227
<u>23,174,926</u>	<u>21,652,792</u>	<u>23,083,794</u>	<u>23,885,855</u>	<u>22,170,564</u>	<u>10,672,817</u>
<u>\$ 242,059,628</u>	<u>\$ 234,956,092</u>	<u>\$ 237,404,036</u>	<u>\$ 262,996,358</u>	<u>\$ 266,706,088</u>	<u>\$ 253,779,212</u>
\$ 8,087,929	\$ 7,670,987	\$ 9,080,636	\$ 8,867,682	\$ 8,624,217	\$ 8,392,465
-	-	-	-	-	-
<u>39,971</u>	<u>1,953,252</u>	<u>-</u>	<u>(51,535)</u>	<u>(64,055)</u>	<u>43,179</u>
<u>\$ 8,127,900</u>	<u>\$ 9,624,239</u>	<u>\$ 9,080,636</u>	<u>\$ 8,816,147</u>	<u>\$ 8,560,162</u>	<u>\$ 8,435,644</u>
\$ 126,956,184	\$ 122,110,411	\$ 117,379,990	\$ 134,462,882	\$ 132,245,722	\$ 134,837,633
100,016,447	98,863,876	106,020,888	113,515,303	120,914,019	116,661,227
<u>23,214,897</u>	<u>23,606,044</u>	<u>23,083,794</u>	<u>23,834,320</u>	<u>22,106,509</u>	<u>10,715,996</u>
<u>\$ 250,187,528</u>	<u>\$ 244,580,331</u>	<u>\$ 246,484,672</u>	<u>\$ 271,812,505</u>	<u>\$ 275,266,250</u>	<u>\$ 262,214,856</u>

CITY OF FAIRBANKS, ALASKA

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 18,930,255	\$ 22,594,438	\$ 23,273,670	\$ 20,321,564
Public safety	20,036,926	17,030,460	16,276,165	16,875,480
Public works	7,855,135	7,602,159	8,874,555	9,277,145
Building inspections	625,166	607,066	623,616	580,013
Interest on long-term debt	438,158	393,395	346,645	297,620
Total governmental activities expenses	<u>47,885,640</u>	<u>48,227,518</u>	<u>49,394,651</u>	<u>47,351,822</u>
<i>Business-type activities</i>				
Municipal Utilities	386,793	385,442	312,607	312,607
Fairbanks Transportation Center	496,328	531,759	557,147	520,108
Total business-type activities expenses	<u>883,121</u>	<u>917,201</u>	<u>869,754</u>	<u>832,715</u>
 Total primary government expenses	 <u>\$ 48,768,761</u>	 <u>\$ 49,144,719</u>	 <u>\$ 50,264,405</u>	 <u>\$ 48,184,537</u>
 PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 53,736	\$ 209,694	\$ 1,863,445	\$ 1,705,629
Public safety	2,361,200	2,490,598	2,902,062	2,790,139
Public works	1,658,738	1,472,602	1,527,349	1,678,645
Building inspections	870,285	1,174,600	765,310	810,814
Operating grants and contributions	1,288,890	5,372,484	6,398,067	3,336,122
Capital grants and contributions	7,375,534	5,590,651	12,521,293	6,165,773
Total governmental activities program revenues	<u>13,608,383</u>	<u>16,310,629</u>	<u>25,977,526</u>	<u>16,487,122</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	165,365	221,440	228,858	204,977
Operating grants and contributions	-	-	-	159
Total business-type activities program revenues	<u>562,265</u>	<u>618,340</u>	<u>625,758</u>	<u>602,036</u>
Total primary government program revenues	<u>\$ 14,170,648</u>	<u>\$ 16,928,969</u>	<u>\$ 26,603,284</u>	<u>\$ 17,089,158</u>

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 17,744,737	\$ 18,119,261	\$ 19,777,837	\$ 17,283,253	\$ 18,534,706	\$ 17,684,053
17,079,301	17,230,789	17,473,736	17,151,562	18,277,156	16,554,512
12,001,873	11,484,960	11,179,444	13,741,033	15,617,945	13,000,898
618,059	641,468	653,783	676,773	646,838	675,169
246,320	195,570	55,190	28,215	-	-
<u>47,690,290</u>	<u>47,672,048</u>	<u>49,139,990</u>	<u>48,880,836</u>	<u>53,076,645</u>	<u>47,914,632</u>
295,803	295,803	260,098	31,200	31,200	31,200
593,308	523,742	484,643	424,602	384,291	424,153
<u>889,111</u>	<u>819,545</u>	<u>744,741</u>	<u>455,802</u>	<u>415,491</u>	<u>455,353</u>
<u>\$ 48,579,401</u>	<u>\$ 48,491,593</u>	<u>\$ 49,884,731</u>	<u>\$ 49,336,638</u>	<u>\$ 53,492,136</u>	<u>\$ 48,369,985</u>
\$ 1,949,147	\$ 1,920,916	\$ 1,222,012	\$ 918,736	\$ 1,947,754	\$ 2,180,129
2,928,498	2,947,032	3,085,975	3,010,712	2,956,695	3,323,851
1,490,336	1,599,410	1,804,586	1,810,491	1,966,209	2,037,256
596,717	871,644	916,972	717,556	505,065	1,086,506
1,939,065	7,297,799	5,638,466	7,711,240	10,676,943	4,826,073
<u>8,471,559</u>	<u>2,169,152</u>	<u>5,514,809</u>	<u>26,379,749</u>	<u>6,729,479</u>	<u>9,245,556</u>
<u>17,375,322</u>	<u>16,805,953</u>	<u>18,182,820</u>	<u>40,548,484</u>	<u>24,782,145</u>	<u>22,699,371</u>
396,900	396,900	396,900	396,900	396,900	396,900
218,717	197,345	201,061	191,245	159,481	188,434
-	-	-	-	-	-
<u>615,617</u>	<u>594,245</u>	<u>597,961</u>	<u>588,145</u>	<u>556,381</u>	<u>585,334</u>
<u>\$ 17,990,939</u>	<u>\$ 17,400,198</u>	<u>\$ 18,780,781</u>	<u>\$ 41,136,629</u>	<u>\$ 25,338,526</u>	<u>\$ 23,284,705</u>

CITY OF FAIRBANKS, ALASKA

Changes in Net Position Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
NET (EXPENSE) REVENUE				
<i>Governmental activities</i>	\$ (34,277,257)	\$ (31,916,889)	\$ (23,417,125)	\$ (30,864,700)
<i>Business-type activities</i>	(320,856)	(298,861)	(243,996)	(230,679)
Total primary government net expense	<u>\$ (34,598,113)</u>	<u>\$ (32,215,750)</u>	<u>\$ (23,661,121)</u>	<u>\$ (31,095,379)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 11,633,056	\$ 12,606,799	\$ 12,316,767	\$ 12,724,692
Hotel motel tax	2,606,629	2,685,417	2,750,491	2,364,118
Alcohol beverage tax	1,427,579	1,534,542	1,542,355	1,657,726
Tobacco tax	595,906	625,209	620,617	748,492
Shared revenue	2,520,920	1,716,251	1,938,769	1,850,338
Investment income	10,286,754	6,591,339	(20,549,751)	10,710,219
Interest income	158,916	182,885	479,648	223,240
Gain on sale of capital assets	208,985	807,699	-	-
Miscellaneous	155,759	220,072	203,820	202,531
Special item-Write off of NPO/OPEB	-	-	14,809,070	-
Transfers - internal activity	229,990	580,792	196,900	196,900
Total governmental activities	<u>29,824,494</u>	<u>27,551,005</u>	<u>14,308,686</u>	<u>30,678,256</u>
<i>Business-type activities</i>				
Interest income	754	-	562	149
Miscellaneous	96	(151,378)	-	-
Transfers - internal activity	(229,990)	(580,792)	(196,900)	(196,900)
Total business-type activities	<u>(229,140)</u>	<u>(732,170)</u>	<u>(196,338)</u>	<u>(196,751)</u>
Total primary government	<u>\$ 29,595,354</u>	<u>\$ 26,818,835</u>	<u>\$ 14,112,348</u>	<u>\$ 30,481,505</u>
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ (4,452,763)	\$ (4,365,884)	\$ (9,108,439)	\$ (186,444)
<i>Business-type activities</i>	(549,996)	(1,031,031)	(440,334)	(427,430)
Total primary government	<u>\$ (5,002,759)</u>	<u>\$ (5,396,915)</u>	<u>\$ (9,548,773)</u>	<u>\$ (613,874)</u>

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ (30,314,968)	\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)	\$ (28,294,500)	\$ (25,215,261)
(273,494)	(225,300)	(146,780)	132,343	140,890	129,981
<u>\$ (30,588,462)</u>	<u>\$ (31,091,395)</u>	<u>\$ (31,103,950)</u>	<u>\$ (8,200,009)</u>	<u>\$ (28,153,610)</u>	<u>\$ (25,085,280)</u>
\$ 14,107,284	\$ 14,047,318	\$ 14,109,307	\$ 14,333,209	\$ 14,270,470	\$ 14,875,855
2,518,545	2,476,320	2,504,130	2,632,839	2,720,456	2,869,170
1,919,076	2,117,465	2,126,694	2,147,775	2,247,924	2,309,214
917,461	937,129	934,351	930,378	911,185	938,026
1,938,054	2,908,426	2,935,794	2,300,539	2,339,182	2,257,980
10,756,324	2,431,203	10,179,570	10,787,731	8,358,472	269,253
181,612	147,689	195,278	170,011	122,993	156,746
-	-	-	-	-	-
1,947,661	418,540	23,090	225,292	636,648	424,142
-	-	-	-	-	-
196,900	(1,721,531)	396,900	396,900	396,900	254,517
<u>34,482,917</u>	<u>23,762,559</u>	<u>33,405,114</u>	<u>33,924,674</u>	<u>32,004,230</u>	<u>24,354,903</u>
-	108	77	68	25	18
72,076	-	-	-	-	-
(196,900)	1,721,531	(396,900)	(396,900)	(396,900)	(254,517)
<u>(124,824)</u>	<u>1,721,639</u>	<u>(396,823)</u>	<u>(396,832)</u>	<u>(396,875)</u>	<u>(254,499)</u>
<u>\$ 34,358,093</u>	<u>\$ 25,484,198</u>	<u>\$ 33,008,291</u>	<u>\$ 33,527,842</u>	<u>\$ 31,607,355</u>	<u>\$ 24,100,404</u>
\$ 4,167,949	\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322	\$ 3,709,730	\$ (860,358)
(398,318)	1,496,339	(543,603)	(264,489)	(255,985)	(124,518)
<u>\$ 3,769,631</u>	<u>\$ (5,607,197)</u>	<u>\$ 1,904,341</u>	<u>\$ 25,327,833</u>	<u>\$ 3,453,745</u>	<u>\$ (984,876)</u>

CITY OF FAIRBANKS, ALASKA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 1,328,071	\$ 611,282	\$ 534,862	\$ 845,087
Unreserved	4,486,602	7,477,759	8,814,262	10,404,015
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 5,814,673</u>	<u>\$ 8,089,041</u>	<u>\$ 9,349,124</u>	<u>\$ 11,249,102</u>
All other governmental funds				
Reserved	\$ 108,475,292	\$ 110,921,017	\$ 86,859,978	\$ 95,375,460
Unreserved, reported in:				
Grants and Contracts fund	-	-	(619,571)	(1,893,375)
Special revenue funds	2,002,808	2,638,293	3,114,178	2,306,017
Capital projects funds	(542,242)	(97,377)	17,886	-
Restricted				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Assigned				
Capital projects funds	-	-	-	-
JP Jones	-	-	-	-
Total all other governmental funds	<u>\$ 109,935,858</u>	<u>\$ 113,461,933</u>	<u>\$ 89,372,471</u>	<u>\$ 95,788,102</u>

Note: In 2011, The City adopted the provisions of GASB 54. Prior years presentation has not been reclassified or restated to reflect this change.

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 752,332	\$ -	\$ -	\$ -	\$ -	\$ -
12,032,831	-	-	-	-	-
-	403,799	394,735	424,514	473,424	499,031
-	-	-	-	-	-
-	250,000	250,000	250,000	250,000	250,000
-	823,233	891,376	967,270	1,002,385	1,018,800
-	9,515,887	10,492,755	11,628,256	9,634,436	11,487,174
<u>\$ 12,785,163</u>	<u>\$ 10,992,919</u>	<u>\$ 12,028,866</u>	<u>\$ 13,270,040</u>	<u>\$ 11,360,245</u>	<u>\$ 13,255,005</u>
\$ 101,486,558	\$ -	\$ -	\$ -	\$ -	\$ -
(612,049)	-	-	-	-	-
3,457,955	-	-	-	-	-
-	-	-	-	-	-
-	98,759,020	105,954,571	113,495,958	120,885,537	116,576,569
-	104,856	66,317	19,345	28,482	84,658
-	-	-	1,180,540	807,552	877,552
-	4,435,077	5,780,451	4,828,224	5,827,289	6,079,754
-	137,298	-	-	-	-
<u>\$ 104,332,464</u>	<u>\$ 103,436,251</u>	<u>\$ 111,801,339</u>	<u>\$ 119,524,067</u>	<u>\$ 127,548,860</u>	<u>\$ 123,618,533</u>

CITY OF FAIRBANKS, ALASKA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues				
Taxes	\$ 16,285,463	\$ 17,440,429	\$ 17,259,751	\$ 17,502,079
Charges for services	3,973,409	4,079,347	5,328,989	5,783,500
Intergovernmental	8,542,445	10,652,776	14,361,608	8,741,524
Licenses and permits	975,117	1,550,998	1,571,840	1,767,207
Fines and forfeitures	998,236	878,889	990,800	854,260
Special assessments	95,758	17,917	12,162	64,382
Investment earnings	10,044,318	6,194,223	(20,549,751)	10,710,958
Other revenues	2,343,657	1,870,313	2,161,822	1,781,787
Total revenues	43,258,403	42,684,892	21,137,221	47,205,697
Expenditures				
Current				
General government	7,982,040	12,853,392	13,020,533	8,997,667
Public safety	13,219,842	12,694,343	14,437,113	14,519,135
Public works	6,018,677	6,381,213	7,636,407	7,739,414
Building inspections	620,551	607,066	623,616	580,013
Capital outlay	6,328,739	4,712,401	7,614,509	5,701,742
Debt service - principal	1,130,000	1,175,000	1,230,000	1,280,000
Debt service - interest	438,158	393,395	346,645	297,620
Debt service - legal defeasance	-	-	-	-
Total expenditures	35,738,007	38,816,810	44,908,823	39,115,591
Other financing sources (uses)				
Transfers in	6,776,657	6,976,461	8,505,516	6,047,025
Transfers out	(6,546,667)	(6,395,669)	(8,308,616)	(5,850,125)
Sale of capital assets	572,211	1,351,569	745,323	28,603
Refunding bonds issued	-	-	-	-
Payment to refund bond	-	-	-	-
Bonds issued	-	-	-	-
Capital leases	-	-	-	-
Total other financing sources (uses)	802,201	1,932,361	942,223	225,503
Net change in fund balances	\$ 8,322,597	\$ 5,800,443	\$ (22,829,379)	\$ 8,315,609
Capitalized expenditures	\$ 4,197,548	\$ 3,739,895	\$ 10,067,611	\$ 4,559,859
Debt service as a percentage of noncapital expenditures	4.97%	4.47%	4.53%	4.57%

Fiscal Year

2010	2011	2012	2013	2014	2015
\$ 19,463,078	\$ 19,578,233	\$ 19,674,483	\$ 20,044,201	\$ 20,150,036	\$ 20,992,265
3,968,793	4,135,457	4,739,263	4,566,999	4,632,461	5,147,122
11,675,023	11,603,423	11,883,068	21,265,762	18,656,516	16,381,575
1,469,761	1,835,062	1,985,385	1,775,851	1,612,546	2,263,001
895,650	1,076,167	1,061,959	993,619	895,919	672,646
4,878	6,975	4,416	2,674	16,277	8,360
10,756,343	2,431,202	10,179,569	10,787,731	8,358,470	269,252
1,806,320	1,598,932	2,044,516	2,054,612	1,851,311	3,399,020
<u>50,039,846</u>	<u>42,265,451</u>	<u>51,572,659</u>	<u>61,491,449</u>	<u>56,173,536</u>	<u>49,133,241</u>
9,998,624	10,580,853	10,508,964	10,816,850	12,282,236	11,999,943
15,801,264	16,055,925	16,230,668	15,887,630	17,018,011	15,954,520
11,287,376	10,911,650	10,654,648	13,024,157	14,600,343	11,979,771
618,059	637,456	643,830	666,819	636,884	666,241
2,532,930	1,879,300	4,196,815	12,133,923	6,337,499	10,917,537
1,325,000	1,380,000	830,000	855,000	-	-
246,320	195,570	55,190	28,215	-	-
-	2,083,137	-	-	-	-
<u>41,809,573</u>	<u>43,723,891</u>	<u>43,120,115</u>	<u>53,412,594</u>	<u>50,874,973</u>	<u>51,518,012</u>
8,535,857	6,468,415	7,878,534	6,199,600	10,041,759	6,973,847
(8,338,957)	(8,189,946)	(7,481,634)	(5,802,700)	(9,644,859)	(6,719,330)
1,653,250	491,514	551,591	488,147	419,535	94,687
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,850,150</u>	<u>(1,230,017)</u>	<u>948,491</u>	<u>885,047</u>	<u>816,435</u>	<u>349,204</u>
<u>\$ 10,080,423</u>	<u>\$ (2,688,457)</u>	<u>\$ 9,401,035</u>	<u>\$ 8,963,902</u>	<u>\$ 6,114,998</u>	<u>\$ (2,035,567)</u>
<u>\$ 2,532,930</u>	<u>\$ 1,879,300</u>	<u>\$ 4,196,815</u>	<u>\$ 12,133,923</u>	<u>\$ 6,337,499</u>	<u>\$ 10,917,537</u>
4.00%	8.74%	2.27%	2.14%	0.00%	0.00%

CITY OF FAIRBANKS, ALASKA
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Farm Land	Vacant Land
2006	\$ 1,003,762,843	626,130,097	211,671,428	488,332	84,669,312
2007	1,097,996,461	662,033,922	231,384,922	482,127	104,128,954
2008	1,145,147,798	741,815,852	256,130,154	473,286	92,876,340
2009	1,132,741,671	764,912,210	348,466,609	961,540	86,039,692
2010	1,241,717,930	800,615,660	457,948,675	1,464,302	89,411,683
2011	1,152,896,581	877,760,066	474,208,349	1,452,866	87,150,747
2012	1,154,537,084	910,205,860	495,876,175	1,429,270	78,835,765
2013	1,124,926,958	931,699,775	529,004,854	1,424,032	78,530,230
2014	1,128,870,786	961,291,098	549,950,300	1,449,607	77,785,461
2015	1,128,811,911	1,004,604,771	568,654,549	2,112,250	67,768,887

Source: Fairbanks North Star Borough Treasury and Budget Division and Assessing Department.

Notes: Property taxes are assessed on a calendar year basis. Alaska statutes require property to be assessed at its full and true value as of January 1 of the assessment year; therefore, the assessed values are equal to actual values. Farm Land is assessed on the basis of full and true value for farm use. Prior year totals are comparable to the current year. Tax rates are per \$1,000 of assessed value.

Pipeline	Other	Assessed Full Value	Less Tax Exempt Property	Assessed Taxable Value	Total Direct Tax Rate
\$ -	12,121,996	1,938,844,008	188,285,678	1,750,558,330	6.700
-	5,457,207	2,101,483,593	193,564,582	1,907,919,011	6.594
20,844,390	6,809,558	2,264,097,378	198,894,447	2,065,202,931	5.991
29,545,680	7,386,880	2,370,054,282	202,861,221	2,167,193,061	5.927
28,367,570	5,453,670	2,624,979,490	204,738,495	2,420,240,995	5.803
26,754,310	3,339,335	2,623,562,254	210,557,929	2,413,004,325	5.843
18,582,830	7,652,000	2,667,118,984	214,320,664	2,452,798,320	5.734
39,813,320	3,552,306	2,708,951,475	212,011,356	2,496,940,119	5.716
68,771,830	3,544,251	2,791,663,333	217,109,235	2,574,554,098	5.549
48,349,420	5,455,473	2,825,757,261	220,700,185	2,605,057,076	5.678

CITY OF FAIRBANKS, ALASKA
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Direct City Rates					Overlapping Rates	Total
	Voter Approved Services	Debt Service	Claims & Judgments	Operations	Total Direct	Fairbanks North Star Borough *	
2006		0.393	0.484	5.823	6.700	12.923	19.623
2007		0.361	0.733	5.500	6.594	12.209	18.803
2008		0.336	0.755	4.900	5.991	11.287	17.278
2009		0.321	0.706	4.900	5.927	11.186	17.113
2010		0.286	0.617	4.900	5.803	11.432	17.235
2011		0.288	0.655	4.900	5.843	11.294	17.137
2012	0.284		0.550	4.900	5.734	11.216	16.950
2013	0.278		0.538	4.900	5.716	11.216	16.932
2014	0.270		0.379	4.900	5.549	11.356	16.905
2015	0.267		0.511	4.900	5.678	11.599	17.277

Source: City of Fairbanks Finance Department and Fairbanks North Star Borough.

Note: Alaska Statute 29.45.090 limits the amount of taxes levied to 3 percent of the assessed value of the property within the municipality. Furthermore, no municipality, or combination of municipalities occupying the same geographic area, may levy taxes which result in tax revenues from all sources exceeding \$1,500 a year for each person living within the municipal boundaries or which exceed the product of 225 percent of the average per capita full and true value in the state multiplied by the number of residents of the taxing municipality. However, there is no taxing limitation for debt service per Alaska Statute 29.45.100. With some exception, the total amount of tax that can be levied during a year cannot exceed the preceding year per Fairbanks General Code Section 6.5.

* The Fairbanks North Star Borough assess an area-wide levy applied to all properties within the borough.

CITY OF FAIRBANKS, ALASKA

Principal Taxable Properties
December 31, 2015
Current Year and Nine Years Ago

Taxpayer	2015 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(a)	2006 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(b)
Doyon Utilities	\$ 280,341,955	1	10.76%			
Fred Meyer Stores	53,792,815	2	2.06%	\$ 23,866,203	3	1.23%
Wal-Mart Stores Inc.	33,912,185	3	1.30%	24,889,144	2	1.28%
Westmark Hotel	33,251,338	4	1.28%	32,182,638	1	1.66%
GCI Cable Fairbanks Inc.	32,550,985	5	1.25%			
Tanana Clinic	29,032,787	6	1.11%			
Bentley Mall	27,886,313	7	1.07%	17,975,032	6	0.93%
Jillian Square Apartments LLC	21,793,700	8	0.84%	18,481,722	5	0.95%
Wal-Mart - Sam's Club	20,914,493	9	0.80%	15,771,759	8	0.81%
Safeway	19,638,034	10	0.75%			
Marriot Hotel				13,668,703	10	0.70%
North Star Alaska Housing Corp. - Wainwright				20,308,173	4	1.05%
Lowes				13,897,604	9	0.72%
Sophie Plaza				16,023,725	7	0.83%
	<u>\$ 553,114,605</u>		<u>21.23%</u>	<u>\$ 197,064,703</u>		<u>10.16%</u>

Source: Fairbanks North Star Borough Assessing Department.

Note: This is a table of principal taxable properties rather than tax payers. Cumulative totals for individual taxpayers are not available.

^(a) \$ 2,605,057,076

^(b) \$ 1,938,844,008

CITY OF FAIRBANKS, ALASKA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	11,728,741	11,432,623	97.48%	282,467	11,715,090	99.88%
2007	12,580,818	12,238,969	97.28%	345,388	12,584,357	100.03%
2008	12,372,632	11,844,752	95.73%	399,176	12,243,928	98.96%
2009	12,849,334	12,385,454	96.39%	304,572	12,690,026	98.76%
2010	14,035,430	13,696,885	97.59%	265,865	13,962,750	99.48%
2011	14,098,558	13,668,914	96.95%	365,834	14,034,748	99.55%
2012	14,063,990	13,585,718	96.60%	285,664	13,871,382	98.63%
2013	14,311,224	13,866,487	96.89%	206,513	14,073,000	98.34%
2014	14,284,970	13,914,834	97.41%	163,881	14,078,715	98.56%
2015	14,878,279	14,514,761	97.56%	N/A	14,514,761	97.56%

Source: City of Fairbanks Finance Department and the Fairbanks North Star Borough Treasury and Budget Division.

Notes: Current taxes are due and payable July 1 of each year, but may be paid in two equal installments without incurring penalties or interest. The first installment is due September 1 becoming delinquent September 2. The second installment is due November 1, becoming delinquent November 2. Delinquencies carry a graduated penalty up to 10 percent and 8 percent interest. The Fairbanks North Star Borough bills and collects taxes for the City of Fairbanks.

CITY OF FAIRBANKS, ALASKA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Alaska Clean Water Loan	Capital Leases			
2006	9,965,000	10,345		2,250,000	12,225,345	1.17%	405
2007	8,790,000	-		2,180,000	10,970,000	1.00%	347
2008	7,560,000	-		2,105,000	9,665,000	0.88%	306
2009	6,280,000	-	577,873	2,030,000	8,887,873	0.78%	273
2010	4,955,000	-	673,265	1,950,000	7,578,265	0.63%	248
2011	1,685,000	-	637,830	1,870,000	4,192,830	0.34%	137
2012	855,000	-	602,395	-	1,457,395	0.11%	45
2013	-	-	2,667,110	-	2,667,110	0.18%	83
2014	-	-	5,055,215	-	5,055,215	0.35%	159
2015	-	-	4,801,991	-	4,801,991	0.29%	150

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. See page ST-21 for personal income and population data.

CITY OF FAIRBANKS, ALASKA
Ratios of General Net Bonded Debt Outstanding
Last Ten Fiscal Years

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Cash With Fiscal Agents</u>	<u>Net General Bonded Debt</u>	<u>Assessed Value^(a)</u>	<u>Population^(b)</u>	<u>Net Bonded Debt to Assesed Value</u>	<u>Net Debt Per Capita</u>
2006	9,965,000	1,620	9,963,380	1,938,844,008	30,179	0.51%	330
2007	8,790,000	-	8,790,000	2,101,483,593	31,627	0.42%	278
2008	7,560,000	-	7,560,000	2,264,097,378	31,450	0.33%	239
2009	6,280,000	-	6,280,000	2,370,054,282	32,506	0.26%	193
2010	4,955,000	-	4,955,000	2,624,979,490	31,535	0.19%	157
2011	1,685,000	-	1,685,000	2,623,562,254	30,547	0.06%	55
2012	855,000	-	855,000	2,667,118,984	32,070	0.03%	27
2013	-	-	-	2,708,951,475	32,204	-	-
2014	-	-	-	2,791,663,333	31,721	-	-
2015	-	-	-	2,825,757,261	32,116	-	-

Notes: Details regarding the City's debt can be found in the notes to the financial statements.

^(a) Source : Fairbanks North Star Borough Assessing Department.

^(b) Source : Alaska Department of Labor and Workforce Development (ADOL), Alaska Population Overview 2015. Statistics for calendar year 2010 have been estimated using the most recent data available.

CITY OF FAIRBANKS, ALASKA
 Computation of Direct and Overlapping Debt
 December 31, 2015

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Fairbanks ^(a)	Amount Applicable to the City of Fairbanks
City of Fairbanks	\$ -	100.00%	\$ -
Fairbanks North Star Borough	124,240,000	30.66%	<u>38,090,447</u>
			<u>\$ 38,090,447</u>

Source: Fairbanks North Star Borough Treasury and Budget Division and Assessing Department.

^(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the government's boundaries and dividing it by the Borough's total taxable assessed value.

CITY OF FAIRBANKS, ALASKA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	\$ 263,456,598	\$ 289,338,351	\$ 315,221,249	\$ 336,781,763	\$ 362,956,558
Total debt applicable to limit	<u>9,965,000</u>	<u>8,790,000</u>	<u>7,560,000</u>	<u>6,280,000</u>	<u>4,955,000</u>
Legal debt margin	<u>\$ 253,491,598</u>	<u>\$ 280,548,351</u>	<u>\$ 307,661,249</u>	<u>\$ 330,501,763</u>	<u>\$ 358,001,558</u>
Total debt applicable to limit as a percentage of debt limit	3.78%	3.04%	2.40%	1.86%	1.37%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	\$ 380,929,801	\$ 364,302,182	\$ 368,137,138	\$ 376,214,627	\$ 383,827,565
Total debt applicable to limit	<u>1,685,000</u>	<u>855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 379,244,801</u>	<u>\$ 363,447,182</u>	<u>\$ 368,137,138</u>	<u>\$ 376,214,627</u>	<u>\$ 383,827,565</u>
Total debt applicable to limit as a percentage of debt limit	0.44%	0.23%	0.00%	0.00%	0.00%

Computation of current year debt limit

Assessed valuation 2013	2,496,940,119
Assessed valuation 2014	2,574,554,098
Assessed valuation 2015	<u>2,605,057,076</u>
Total three year assessed valuation	<u>\$ 7,676,551,293</u>
Divided by three; average assessed value	<u>\$ 2,558,850,431</u>
15% of average assessed value; Debt limit	\$ 383,827,565
General obligation bonds outstanding	<u>-</u>
Legal debt margin	<u>\$ 383,827,565</u>

Notes:

The total amount of General Obligation Bonds issued and outstanding at any one time shall not exceed 15 percent of the average assessed value of the property subject to taxation by the City as of the first day of January.

In any one year, such average assessed value shall be determined by adding assessed valuations for the last three preceding years and dividing by three.

Bonds in excess of said limit may be issued if 65 percent of the qualified voters at the referendum thereon vote in favor of said issue.

CITY OF FAIRBANKS, ALASKA
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population ^(a)	Per Capita Personal Income ^(b)	Personal Income ^(c)	Unemployment Rate ^(a)
2006	30,179	34,960	1,055,057,840	5.6%
2007	31,627	34,960	1,105,679,920	5.2%
2008	31,450	34,960	1,099,492,000	6.0%
2009	32,506	34,960	1,136,409,760	7.3%
2010	31,535	38,200	1,204,637,000	7.2%
2011	30,547	40,504	1,237,275,688	6.6%
2012	32,070	42,626	1,367,015,820	6.3%
2013	32,204	45,432	1,463,092,128	5.5%
2014	31,721	45,313	1,437,373,673	5.7%
2015	32,116	51,792	1,663,351,872	5.4%

Sources:

- (a) Alaska Department of Labor and Workforce Development (ADOL), Alaska Population Overview 2015.
- (b) U.S. Department of Commerce Bureau of Economic Analysis. Data for calendar year 2015 is not readily available. Statistics for calendar year 2015 have been estimated using the most recent data available.
- (c) Calculated based on ADOL and U.S. Department of Commerce Bureau of Economic Analysis.

CITY OF FAIRBANKS, ALASKA
Principal Employers

Employer	Employees ^(a)	Rank
Fairbanks North Star Borough School District	1000-3500	1
University of Alaska	1000-3500	2
State Government	1000-3500	3
Banner Health System	1000-3500	4
Fred Meyer Stores	500-749	5
Wal-Mart Associates Inc.	500-749	6
Tanana Chiefs Conference	250-499	7
Safeway	250-499	8
Fairbanks North Star Borough	250-499	9
Fairbanks Gold Mining, Inc.	100-249	10

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Notes: The above information has not been published for 2015. The data displayed is from 2010. Employer information for 9 years prior is not readily available.

^(a) With the adoption of Senate Bill 120 by the Alaska Legislature on May 30, 2008, the Alaska Department of Labor is not able to provide the number of employees employed by a specific employer.



CITY OF FAIRBANKS, ALASKA
 Full-time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of December 31			
	2006	2007	2008	2009
General Government				
Mayor	6.00	5.00	6.00	5.00
City attorney	2.50	2.50	2.50	2.50
City clerk	2.00	3.00	3.00	3.00
Finance	7.00	7.50	8.00	8.00
Information systems	5.00	5.00	5.00	6.00
Risk	0.00	0.00	0.00	0.00
Public Safety				
Police				
Administration	5.50	5.50	5.50	5.50
Investigations	5.00	3.00	6.00	6.00
Patrol	36.00	39.00	40.00	40.00
Dispatch	15.00	16.00	18.00	18.00
Fire				
Administration	4.00	4.00	4.00	5.00
Suppression	36.00	37.00	36.00	39.00
Public Works				
Works	32.50	33.50	33.20	33.50
Engineering	9.00	11.00	12.30	10.30
FMATS	0.00	0.00	0.00	2.00
Building Inspections	<u>6.75</u>	<u>6.50</u>	<u>6.50</u>	<u>6.00</u>
Total	<u><u>172.25</u></u>	<u><u>178.50</u></u>	<u><u>186.00</u></u>	<u><u>189.80</u></u>

Source: City Finance Department.

Full-time Equivalent Employees as of December 31

2010	2011	2012	2013	2014	2015
5.00	5.00	5.00	4.00	4.00	4.00
2.50	2.50	2.50	2.50	3.00	2.50
3.00	3.00	3.00	3.00	3.00	3.00
8.00	8.00	8.00	8.00	8.00	7.00
6.00	6.00	6.00	6.00	6.00	6.00
0.00	0.00	0.00	0.00	0.00	1.00
6.00	5.50	6.50	6.50	9.50	8.00
6.00	6.00	7.00	5.00	7.00	5.00
43.00	41.38	38.00	40.00	34.00	34.00
18.00	18.00	18.00	17.50	19.00	16.00
5.00	5.00	4.00	4.00	5.00	4.50
39.00	39.00	39.00	39.00	39.00	38.00
32.20	33.70	38.00	37.50	38.00	36.00
10.30	12.05	12.00	12.50	11.00	10.00
2.00	2.00	2.00	2.50	2.50	2.50
6.00	6.00	7.00	6.00	6.00	6.00
<u>192.00</u>	<u>193.21</u>	<u>196.00</u>	<u>194.00</u>	<u>195.00</u>	<u>183.50</u>

CITY OF FAIRBANKS, ALASKA
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General Government				
Annual final operating budget	\$ 27,991,203	\$ 29,821,840	\$ 32,011,673	\$ 32,428,579
Public Safety				
Dispatch				
Number of E-911 calls ^{(c) (d)}	36,070	115,900	117,078	121,194
Number of Dispatch Service calls ^(e)	-	-	-	-
Police				
Number of law enforcement calls	29,058	29,581	27,974	30,569
Number of major crimes ^(a)	2,796	2,411	2,138	2,346
Number of physical arrests	2,217	1,791	2,060	2,217
Number of traffic citations	5,762	4,315	4,130	4,295
Fire				
Number of fire calls	803	838	834	907
Number of emergency medical service calls	2,938	3,251	3,352	3,323
Public Works				
Works				
Refuse collected (tons)	5,990	6,243	6,087	5,893
Patching (tons)	2,462	2,677	4,132	3,299
Snow removal (cubic yards) ^(b)	169,067	224,525	410,480	375,305
Sand (tons spread) ^(b)	3,232	2,704	2,756	2,839
Building Inspections				
Number of permits issued	1,272	1,032	891	917

Sources: Various City departments.

^(a) The 2011 Major Crimes number was calculated using a 6 month average (following software conversion).

^(b) Amounts are available by season only.

^(c) Dispatch center became a regional dispatch center for the Fairbanks area in 2007.

^(d) Statistics for calendar year 2010 have been estimated using the most recent data available.

^(e) During 2011 the E-911 calls were segregated from other Dispatch Service calls for tracking purposes

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 31,134,677	\$ 34,747,137	\$ 33,037,424	\$ 34,878,988	\$ 34,663,777	\$ 36,111,546
121,194	43,626	46,165	70,830	30,822	42,777
-	53,508	65,068	43,384	40,608	45,414
31,541	41,734	30,907	32,098	40,491	27,037
2,622	2,124	2,093	2,024	1,957	1,738
3,307	2,549	1,619	1,621	1,959	1,068
3,919	4,303	4,060	2,536	2,208	1,873
846	730	807	1,034	928	964
3,535	3,222	3,223	3,300	3,239	3,252
5,776	5,100	5,510	5,348	5,352	5,279
2,260	3,110	1,520	1,272	252	759
172,393	275,310	528,640	674,030	327,953	365,173
2,005	3,049	2,481	3,000	2,888	3,544
868	990	1,023	974	961	863

CITY OF FAIRBANKS, ALASKA
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2006	2007	2008	2009
General Government				
Administration square footage	64,000	64,000	64,000	64,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	57	58	62	68
Fire				
Stations				
Manned	2	2	2	2
Unmanned	1	-	-	-
Emergency response vehicles	20	16	17	17
Public Works				
Works				
Refuse trucks	7	8	8	8

Sources: Various City departments.

Fiscal Year					
2010	2011	2012	2013	2014	2015
64,000	64,000	65,000	65,000	65,000	65,000
1 68	1 66	1 59	1 68	1 66	1 63
2 -	2 -	2 -	2 -	2 -	2 -
17	19	22	20	19	21
8	10	9	9	9	11



SINGLE AUDIT SECTION

Reports on Federal and State Single Audit Requirements



FEDERAL SINGLE AUDIT





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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
City of Fairbanks, 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 Fairbanks, Alaska as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

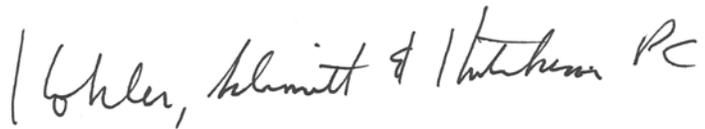
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Handwritten signature in cursive script: Gohler, Schmidt & Hutchison PC

October 31, 2016
Fairbanks, Alaska



KOHLER, SCHMITT & HUTCHISON

A Professional Corporation

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and
Members of the City Council
City of Fairbanks, Alaska

Report on Compliance for Each Major Federal Program

We have audited the City of Fairbanks, 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 the City of Fairbanks, Alaska's major federal programs for the year ended December 31, 2015. The City of Fairbanks, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Fairbanks, 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 of Fairbanks, 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 federal program. However, our audit does not provide a legal determination of City of Fairbanks, Alaska's compliance.



CITY OF FAIRBANKS, ALASKA
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Bureau of Justice Assistance			
FY2014 Edward Byrne Memorial Justice Assistance Grant	16.738		\$ 12,128
FY2015 Edward Byrne Memorial Justice Assistance Grant	16.738		28,190
Passed through Program from:			
Alaska Department of Public Safety			
SFY2015 Edward Byrne Memorial Justice Assistance Grant	16.738	15-203	25,000
SFY2016 Edward Byrne Memorial Justice Assistance Grant	16.738	16-203	13,770
			<u>79,088</u>
Direct Programs			
Office of Justice Programs			
Bulletproof Vest Program	16.607		7,483
Department of Justice			
Equitable Sharing Program	16.922		19,361
Total U.S. Department of Justice			<u><u>105,932</u></u>
U. S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Programs from:			
Alaska Department of Transportation and Public Facilities			
CMAQ Articulated Tractor	20.205	AKSAS #62018	54,432
Noble Street Project	20.205	STP-000S(413)	3,082
Pedestrian Facility Upgrades	20.205	CMG-0655(12)	66,018
South Cushman Project	20.205	STP-F-M-0663(013)	1,417
Third Street Widening Project	20.205	MGL-M-0670(1)	108,776
14/15 FMATS Program	20.205	83984	191,930
15/16 FMATS Program	20.205	Z605570000	80,467
Total Highway Planning and Construction Cluster			<u>506,122</u>
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office			
14/15 High Visibility Enforcement CIOT	20.600	402PT-15-06-00(E)-4	947
15/16 DUI Traffic Unit	20.616	405d-M5X-16-01-00(B)	50,626
Total Highway Safety Cluster			<u>51,573</u>
Passed through Programs from:			
Alaska Highway Safety Office			
14/15 DUI Traffic Unit	20.608	164AL-15-01-00(B)	145,722
14/15 High Visibility Enforcement DUI	20.608	164AL-15-01-00(A)-4	1,197
			<u>146,919</u>
Total U.S. Department of Transportation			<u><u>704,614</u></u>

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2013 State Homeland Security Program	97.067	13SHSP-GR34078	135,786
2014 State Homeland Security Program	97.067	14SHSP-GR34094	119,000
2015 State Homeland Security Program	97.067	20SHSP-GY15	2,455
			<u>257,241</u>
2014 Emergency Management Performance Grant	97.042	14EMPG-GR35586	6,870
2015 Emergency Management Performance Grant	97.042	20EMPG-GY15	9,506
			<u>16,376</u>
2014 Pre-Disaster Mitigation Competitive Grant	97.047	14PDM-GR34123	17,025
Direct Programs			
Federal Emergency Management Agency			
Assistance to Firefighter EMW-2013-FO-05011	97.044		12,528
Total U. S. Department of Homeland Security			<u><u>303,170</u></u>
Grand Total - Federal Financial Assistance			<u><u>\$ 1,113,716</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF FAIRBANKS, ALASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City of Fairbanks, Alaska, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Indirect Cost Rate

The City did not elect to use the 10% de-minimis indirect cost rate.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

Federal Awards

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

Internal control over major programs:

Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a):	___X___ Yes	_____ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.600, 20.616	Highway Safety Cluster
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated
16.607	Bulletproof Vest Partnership Program
16.922	Equitable Sharing Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2015

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2015-001 impacts all the federal major programs listed below.

Department of Transportation

Passed through Alaska Highway Safety Office

Highway Safety Cluster- CFDA 20.600, Agreement 402PT-15-06-00(E)-4

Highway Safety Cluster- CFDA 20.616, Agreement 405d-M5X-16-01-00(B)

Minimum Penalties for Repeat Offenders for Driving While Intoxicated- CFDA 20.608,
Agreement 164AL-15-01-00(B) and Agreement 164AL-15-01-00(A)-4

Department of Justice

Bulletproof Vest Program-CFDA 16.607, 2015

Equitable Sharing Program-CFDA 16.922, 2015

Finding: **2015-001 Reporting Deadline for Federal Single Audit**

Condition: City of Fairbanks, Alaska's audited financial statements and federal single audit reports were not received by the Federal Audit Clearinghouse by September 30, 2016.

Criteria: Uniform Guidance, 2 CFR section 200.512(a) requires audit reporting packages to be submitted within the earlier of thirty days after receipt of the auditor's reports or nine months after the end of the audit period.

Cause: City of Fairbanks, Alaska did not receive the information required for the implementation of GASB No. 68 *Accounting and Financial Reporting for Pensions* in time to meet the federal audit deadline as described above.

Effect: City of Fairbanks, Alaska was not in compliance with report submission requirements of Uniform Guidance, 2 CFR section 200.512(a).

Questioned costs: None noted.

Recommendation: Management of City of Fairbanks, Alaska was aware of the federal single audit reporting requirements. The State of Alaska did not provide the required pension information in time for the City of Fairbanks, Alaska to meet the federal reporting deadline.

Grantee response: See corrective action plan.

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2015

There were no prior year federal award findings and questioned costs.

CITY OF FAIRBANKS, ALASKA
CORRECTIVE ACTION PLAN
Year ended December 31, 2015

SECTION III – FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS

2015-001 – REPORTING DEADLINE FOR FEDERAL SINGLE AUDIT

Name of Contact Person: Margarita Bell, Controller

Corrective Action:

The City of Fairbanks did not issue the December 31, 2015 audit by the reporting deadline because the City did not receive the Alaska Public Employees' Retirement System (PERS) information from the State of Alaska to report the required provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* in accordance with generally accepted accounting principles. The State of Alaska apologized for the delay in providing the reports and commits to providing the next report in April 2017. If the State of Alaska provides the reports as stated, the City will issue the December 31, 2016 audit prior to the reporting deadline.

Proposed Completion Date: December 31, 2016

STATE SINGLE AUDIT





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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
City of Fairbanks, 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 Fairbanks, Alaska as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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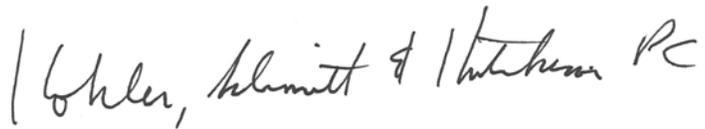
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Compliance and Other Matters

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

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Handwritten signature in cursive script: Gohler, Schmidt & Hutchison PC

October 31, 2016
Fairbanks, Alaska



KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

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**INDEPENDENT AUDITOR'S 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**

Honorable Mayor and
Members of the City Council
City of Fairbanks, Alaska

Report on Compliance for Each Major State Program

We have audited the City of Fairbanks, 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 City of Fairbanks, Alaska's major state programs for the year ended December 31, 2015. The City of Fairbanks, 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 the City of Fairbanks, 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 Fairbanks, 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 Fairbanks, Alaska's compliance.

Opinion on Each Major State Program

In our opinion, the City of Fairbanks, 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 December 31, 2015.

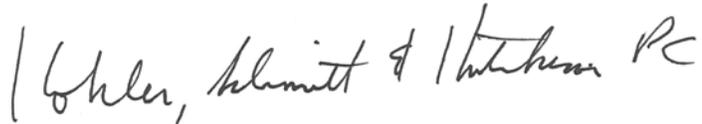
Report on Internal Control over Compliance

Management of the City of Fairbanks, 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 Fairbanks, Alaska'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 Fairbanks, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



October 31, 2016
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of State Financial Assistance
For the Year Ended December 31, 2015

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
<u>Alaska Department of Administration</u>		
Public employees retirement system on behalf payment*	N/A	\$ 2,334,013
Total Alaska Department of Administration		<u>2,334,013</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
Community Revenue Sharing Program*	N/A	1,525,467
Emergency Service Patrol	15-DC-050	75,000
Heavy Duty Rescue Apparatus*	14-DC-049	368,060
Local Road Improvements City of Fairbanks*	14-DC-050	476,457
Road Improvements City of Fairbanks*	13-DC-587	1,463,342
Total Alaska Department of Commerce, Community & Economic Development		<u>3,908,326</u>
<u>Alaska Department of Environmental Conservation</u>		
Division of Water Clarifier Project*	MG# 33767	135,877
Division of Water Clarifier Project*	ACWF# 339051	90,584
Total Alaska Department of Environmental Conservation		<u>226,461</u>
<u>Alaska Department of Military & Veterans Affairs</u>		
Local Emergency Planning Committee	15LEPC-GR35602	15,663
Local Emergency Planning Committee	20LEPC-GY16	2,948
Total Alaska Department of Military & Veterans Affairs		<u>18,611</u>
<u>Alaska Department of Public Safety</u>		
Alaska Public Safety Council Training Funds	N/A	11,611
SART Reimbursement	N/A	36,626
Total Alaska Department of Public Safety		<u>48,237</u>
<u>Alaska Department of Revenue</u>		
Liquor License (10)	N/A	78,200
Electric and Telephone (10)*	N/A	113,966
Total Alaska Department of Revenue		<u>192,166</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
Chena River Walk Stage III	64062	47,096
Construction Safety Zone	63917/62372/60921	5,205
Cushman/Gaffney Upgrade*	77194	7,696,130
FMATS 14/15 Program	83984	34,459
FMATS 15/16 Program	Z605570000	244
Helmericks Avenue Extension*	63624	199,746
Lathrop & Cowles Advanced Project	63033	4,999
Wickersham Street Upgrade (Donation)*	62049	158,538
Total Alaska Department of Transportation and Public Facilities		<u>8,146,417</u>
Total State Financial Assistance		<u>\$ 14,874,231</u>

*Major Program

CITY OF FAIRBANKS, ALASKA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance includes state grant activity of the City of Fairbanks, Alaska, and is presented on the modified accrual basis of accounting.

2. Construction Donation

The City of Fairbanks, Alaska had road reconstruction on Wickersham Street in the amount of \$5,335,842.15. This project was conducted over multiple years and included \$746,000 of federal funds. Of the total project cost, the City received nonmonetary state financial assistance from the State of Alaska Department of Transportation and Public Facilities in the amount of \$158,538.

3. Prior Year Services

The City of Fairbanks, Alaska reported \$5,205 for services performed in 2014.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2015

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

State Financial Assistance

Type of auditor's report issued on compliance for major programs:		Unmodified
Internal control over major programs:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None reported
Dollar threshold used to distinguish a state major program:		\$100,000

SECTION II - FINANCIAL STATEMENT FINDINGS

The City of Fairbanks, Alaska did not have any findings that relate to the financial statements.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

The City of Fairbanks, Alaska did not have any findings that are required to be reported in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2015

There were no prior year financial statement findings or state award findings and questioned costs.