

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF FAIRBANKS
ALASKA



JANUARY 1, 2019
TO
DECEMBER 31, 2019

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Jim Matherly
Mayor

Prepared by
City of Fairbanks Finance Department



CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2019

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	viii
GFOA Certificate of Achievement	xiii
Organizational Chart	xiv
List of Principal Officials	xv

FINANCIAL SECTION

Independent Auditor's Report.....	A-3
Management's Discussion and Analysis	M-1

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position.....	5
Statement of Activities	7
Fund Financial Statements	
Governmental Funds	
Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in	
Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances to the Statement of Activities.....	15
Proprietary Funds	
Statement of Net Position.....	17
Statement of Revenues, Expenses and Changes in	
Net Position.....	19
Statement of Cash Flows.....	21
Notes to Financial Statements.....	23

Required Supplementary Information (RSI)

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and	
Actual – General Fund.....	60
Schedule of Proportionate Share of Net Pension Liability	62
Schedule of Contributions - Public Employees Retirement System - Defined Benefit.....	63
Schedule of Proportionate Share of Net OPEB Liability	64
Schedule of Contributions - Public Employees Retirement System - OPEB Plan	65
Schedule of Contributions - Alaska Electrical Pension Plan	66
Schedule of Contributions - Alaska Laborers-Employers Retirement Fund	67
Schedule of Contributions - Local 302 and 612 of the International Union of Operating Engineers	68
Schedule of Contributions - Northern Alaska Carpenters Retirement Plan	69
Schedule of Contributions - Alaska Plumbing and Pipefitting Industry Pension Fund	70
Schedule of Contributions - Alaska Teamster-Employer Pension Plan	71
Notes to Required Supplementary Information.....	73

CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2019

TABLE OF CONTENTS (continued)

SUPPLEMENTARY INFORMATION SECTION

General Fund

Balance Sheet..... S-3
Statement of Revenues, Expenditures and Changes in Fund Balance..... S-5

Nonmajor Governmental Funds

Combining Balance Sheet..... S-8
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... S-9
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget
(Non-GAAP Basis) and Actual - Capital Fund.....S-10

Cash and Investments Supplementary Information

Combined Schedule of Cash and Investments Classified by Depository – All Funds..... S-11
Calculation of the Change in the Fair Value of Investments – Permanent Fund..... S-12

STATISTICAL SECTION

Net Position by Component – Last Ten Fiscal Years..... ST-2
Changes in Net Position – Last Ten Fiscal Years..... ST-4
Fund Balances, Governmental Funds – Last Ten Fiscal Years..... ST-8
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years..... ST-10
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years.....ST-12
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years.....ST-14
Principal Taxable Properties – Current Year and Nine Years Ago..... ST-15
Property Tax Levies and Collections – Last Ten Fiscal Years..... ST-16
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....ST-17
Ratios of General Net Bonded Debt Outstanding – Last Ten Fiscal Years..... ST-18
Computation of Direct and Overlapping Debt..... ST-19
Legal Debt Margin Information – Last Ten Fiscal Years..... ST-20
Demographic and Economic Statistics – Last Ten Fiscal Years ST-21
Employment by Industry – Current Year and Nine Years Ago..... ST-22
Full-time Equivalent City Government Employees by Function – Last Ten Fiscal Years..... ST-23
Operating Indicators by Function/Program – Last Ten Fiscal Years..... ST-24
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years..... ST-26

CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2019

TABLE OF CONTENTS (continued)

SINGLE AUDIT SECTION

Reports on Federal Single Audit Requirements

Federal Single Audit

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	SA-5
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	SA-7
Schedule of Expenditures of Federal Awards.....	SA-10
Notes to Schedule of Expenditures of Federal Awards.....	SA-12
Schedule of Findings and Questioned Costs.....	SA-13



INTRODUCTORY SECTION

Letter of Transmittal
GFOA Certificate of Achievement
Organizational Chart
List of Principal Officials





800 Cushman Street
Fairbanks, AK 99701

Telephone (907)459-6788
Fax (907)459-6722

May 15, 2020

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, 2019. 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, 2019, 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, 2019. 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 was not 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.

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 360 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 30,955. 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 95,898, 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 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.

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.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

According to the Fairbanks North Star Borough's (FNSB) *Community Research Quarterly, Winter 2019 edition*, the City has a population of 30,955 which represents a slight decrease of less than 1% over the prior year. Foreclosures decreased by 6% from 142 in 2018 to 134 in 2019. The average annual unemployment rate in 2019 decreased from 6.0% in 2018 to 5.5% in 2019. This rate is higher than the national average of 3.7%, but lower than the State of Alaska rate of 6.3%. Fairbanks MSA (Metropolitan Statistical Area) nonfarm employment consists of 61% service-producing, 26% government, and 13% goods-producing.

The nonfarm annual average monthly employment decreased by .3% from 37,500 in 2018 to 37,400 in 2019. The top four major sectors for the City had the following changes in annual average monthly employment: Trade, Transportation, and Utilities decreased by 2.6%; Educational & Health Services had no changes; Leisure and Hospitality increased by 2.2%; and Government increased by 1.0%. Federal Government increased by 3.3% while State and Local Government had no changes.

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 8,336 students in Fall 2018. The University employs 2,465 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 about 255,500 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. Petro Star Inc. operates refineries nearby in the borough.

The fiscal health of the State is important to the City because we rely on the State to provide revenue sharing proceeds, funding for capital projects, administration, and on-behalf funding of the Public Employees Retirement System (PERS). The recent decline in oil prices has a dramatic impact on the State's revenue since the State relies heavily on taxes assessed to oil companies operating in the state. Despite the State of Alaska's funding challenges and the recent pandemic, the City financial outlook will improve with the adoption of new sources of revenues.

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 U.S. Army) and the arrival of Grey Eagle drones in 2018. Eielson Air Force Base was selected as the new home for the first F-35As in the Pacific. Population is expected to dramatically increase by 2020, with approximately 3,000 active duty personnel, their families, and civilian employees moving into the area. Local economists believe this will spur housing construction which is an impetus for growth in the professional services sector.

Long Term Financial Planning

City ordinances require the general fund unassigned fund balance to be the greater of 20% of budgeted operational expenditures in the amount of \$7,288,636 or \$4,000,000. On December 31, 2019, the unassigned fund balance in the City's general fund was \$10,618,540. 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. The fund was originally established by the sale of the Municipal Utilities 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-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, 2019 the fund balance was \$134,568,000. City code allows 4% of the five-year average of the market value to be transferred to the general fund to support city operations. One half of a percent of the five-year average may be used for capital needs. In 2020, it is estimated that \$4,965,345 and \$620,668 will be transferred to the general fund and capital fund respectively.

Relevant Financial Policies

Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the City. The policies are designed to operate independently of changing circumstances and conditions to safeguard assets, promote effective and efficient operations, and support the achievement of City's goals. In 2019, the Council did not make any major financial policy changes.

Major Initiatives

In addition to providing essential services, 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. The City housed the Homeless Coordinator. The Homeless Coordinator is a liaison between the City, Fairbanks Housing and Homeless Coalition, the business community, and nonprofits to reduce homelessness in Fairbanks.

The City continues to focus on infrastructure improvements by reconstructing various streets and preparing the designs to reconstruct additional 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 to the intersection at the Johansen Expressway.
- Third Street Widening: Project will reconstruct Third Street between Old Steese Highway and Hamilton intersections.
- Minnie Street Corridor Study: Conduct a planning and environmental linkages study to define the scope and design elements for the Minnie Street Upgrade project.
- Fifth Avenue Reconstruction: Project will reconstruct 5th Avenue between Barnette Street and Noble Street to include ADA improvements, intersection improvements, drainage improvements, roadside hardware, and utilities.

Construction Phase:

- Gillam Way Upgrade: Project will reconstruct Gillam Way from Airport Way to 22nd Avenue including improved pedestrian and drainage improvements, utilities, and traffic calming.
- Wembley Avenue Improvements: Project will reconstruct Wembley Avenue from Aurora Drive to Danby Street and construct a pedestrian facility.
- D Street Reconstruction: Project will relocate the existing temporary road approximately 50 feet parallel to the existing road.

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, 2018. The City received this prestigious award for the past seventeen consecutive years (2002 - 2018). 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 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,

Margarita Bell

Margarita Bell, CPA
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Fairbanks
Alaska

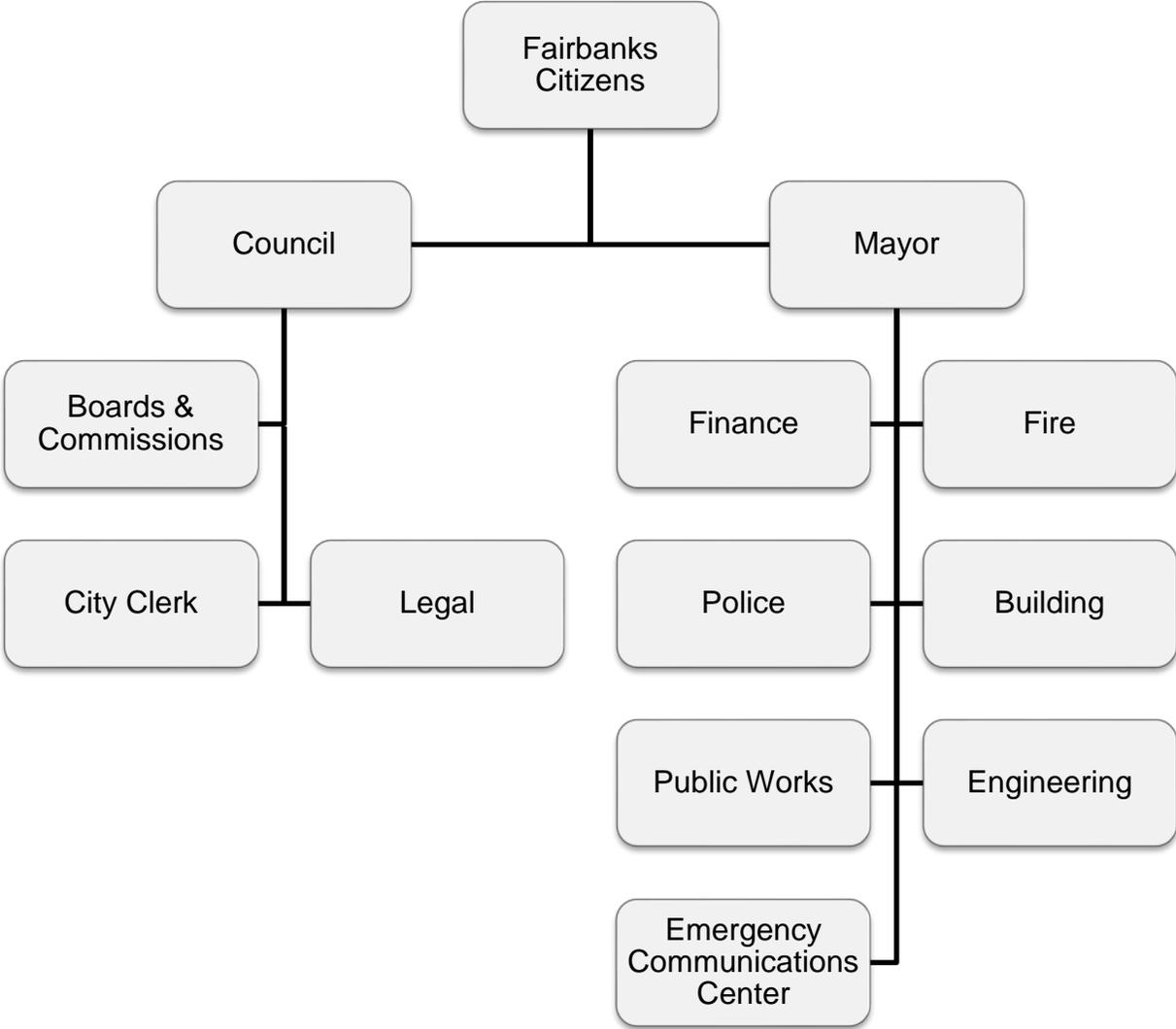
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF FAIRBANKS, ALASKA ORGANIZATIONAL CHART



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2019

MAYOR

Jim Matherly

CITY COUNCIL MEMBERS

Shoshana Kun, Seat A
June Rogers, Seat B
Valerie Therrien, Seat C
Aaron Gibson, Seat D
Jerry Cleworth, Seat E
David Pruhs, Seat F

APPOINTED OFFICIALS

Diana Snider, City Clerk
Paul Ewers, City Attorney

ADMINISTRATION

Jim Matherly, Mayor
Michael Meeks, Chief of Staff
Margarita Bell, Interim Chief Financial Officer
James Styers, Fire Chief
Nancy Reeder, Police Chief
Clem Clooten, Building Official
Jeff Jacobson, Public Works Director
Robert Pristash, City Engineer
Kristi Merideth, Fairbanks Emergency Communications Center Manager

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements and Required Supplementary Information (RSI)





KOHLER, SCHMITT & HUTCHISON

A Professional Corporation

Certified Public Accountants

714 4th Avenue, Suite 303 • (907) 456-6676 • Fax 456-6431
P.O. Box 70607 Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

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, 2019, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of December 31, 2019, 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 2018 financial statements and, in our report dated May 23, 2019, 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.

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-10, budgetary comparison information on pages 60 through 61, and pension and other postemployment liabilities and contribution information on pages 62 through 71 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 is 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 is also not a required part of the basic financial statements.

The combining and individual fund financial statements, supplementary information section, and the schedule of expenditures of federal awards 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, and the schedule of expenditures of federal awards 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.



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2019

As management of the City of Fairbanks (City), we offer readers this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019. 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, 2019 by \$278,296,179 (net position). Of this amount, \$14,622,780 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$15,985,428 during the fiscal year compared to an increase of \$956,897 in the prior year due to increases in investment earnings and decreases in other postemployment benefits liability.
- At December 31, 2019, the combined ending fund balance for **governmental funds** in the amount of \$161,353,226 is an increase of \$18,542,237 in comparison with the prior year due to net realized gains.
- At December 31, 2019, unassigned fund balance for the **general fund** was \$10,618,540 or 30.8% of total general fund expenditures.
- During 2019, 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 \$611,760 and \$523,463, respectively. The City had an increase of \$31,299 in comparison with the prior year from the State of Alaska.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 to furnish additional detail to support the basic financial statements.

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 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 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 six 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 & contracts fund, which are considered major funds. Data from the other three nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in a combined fund statement presented later 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 supplementary section.

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 fund statements can be found in the supplementary section of this report.



FINANCIAL ANALYSIS OF GOVERNMENT-WIDE STATEMENTS

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 \$278,296,179 at December 31, 2019.

Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 167,240,433	\$ 149,178,823	\$ 182,211	\$ 240,879	\$ 167,422,644	\$ 149,419,702
Capital assets, net	120,312,441	125,084,528	8,741,988	9,007,707	129,054,429	134,092,235
Other noncurrent assets	2,479,139	2,593,487	3,218,682	3,605,768	5,697,821	6,199,255
Total assets	290,032,013	276,856,838	12,142,881	12,854,354	302,174,894	289,711,192
Deferred outflows of resources	1,966,228	2,116,020	-	-	1,966,228	2,116,020
Liabilities						
Long-term liabilities						
outstanding	15,988,768	18,420,337	3,218,682	3,605,768	19,207,450	22,026,105
Other liabilities	4,987,242	5,467,419	391,665	408,381	5,378,907	5,875,800
Total liabilities	20,976,010	23,887,756	3,610,347	4,014,149	24,586,357	27,901,905
Deferred inflows of resources	1,258,586	1,614,556	-	-	1,258,586	1,614,556
Net position						
Net investment in capital assets	120,312,441	125,084,528	8,741,988	9,007,707	129,054,429	134,092,235
Restricted	134,618,970	118,984,654	-	-	134,618,970	118,984,654
Unrestricted	14,832,234	9,401,364	(209,454)	(167,502)	14,622,780	9,233,862
Total net position	\$ 269,763,645	\$ 253,470,546	\$ 8,532,534	\$ 8,840,205	\$ 278,296,179	\$ 262,310,751

Net investment in capital assets net position represents investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and 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. In 2019, net investment in capital assets is 46.4% of total net position.

Restricted net position represents resources restricted for investments in the amount of \$128,981,987, subsequent year transfers in the amount of \$5,586,013, and law enforcement in the amount of \$50,970. In 2019, restricted net position is 48.4% of total net position.

Unrestricted net position represents the remaining portion of \$14,622,780 that may be used to meet the government's ongoing obligations to citizens and creditors. In 2019, unrestricted net position is 5.2% of total net position.

At the end of the current and previous fiscal year the City reported positive balances in total net position, both for the government and for its separate governmental activities and business-type activities.

Analysis of Changes in Net Position

Overall, the total change in net position increased by \$15,028,531. In 2018, the net position decreased by \$2,620,251. The reasons are discussed below for governmental activities and business-type activities.

Changes in Net Position	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 8,294,309	8,430,960	583,285	573,694	8,877,594	9,004,654
Operating grants and contributions	1,558,873	1,786,536	-	-	1,558,873	1,786,536
Capital grants and contributions	1,443,445	1,704,275	-	-	1,443,445	1,704,275
General revenues:						
Property taxes	16,170,339	18,976,356	-	-	16,170,339	18,976,356
Other taxes	7,825,543	7,454,389	-	-	7,825,543	7,454,389
Investment gain (loss)	20,752,182	(6,373,803)	-	-	20,752,182	(6,373,803)
Other	2,124,602	10,529,112	23	9	2,124,625	10,529,121
Total revenues	<u>58,169,293</u>	<u>42,507,825</u>	<u>583,308</u>	<u>573,703</u>	<u>58,752,601</u>	<u>43,081,528</u>
Expenses:						
General government	17,372,909	16,861,147	-	-	17,372,909	16,861,147
Public safety	14,302,575	14,417,423	-	-	14,302,575	14,417,423
Public works	10,019,292	9,726,464	-	-	10,019,292	9,726,464
Building Inspections	578,318	630,643	-	-	578,318	630,643
Fairbanks Transportation Center	-	-	417,195	412,070	417,195	412,070
Municipal Utilities System	-	-	76,884	76,884	76,884	76,884
Total expenses	<u>42,273,094</u>	<u>41,635,677</u>	<u>494,079</u>	<u>488,954</u>	<u>42,767,173</u>	<u>42,124,631</u>
Increase (decrease) in net position before transfers	15,896,199	872,148	89,229	84,749	15,985,428	956,897
Transfers	396,900	396,900	(396,900)	(396,900)	-	-
Increase (decrease) in net position	<u>16,293,099</u>	<u>1,269,048</u>	<u>(307,671)</u>	<u>(312,151)</u>	<u>15,985,428</u>	<u>956,897</u>
Net position - beginning	<u>253,470,546</u>	<u>252,201,498</u>	<u>8,840,205</u>	<u>9,152,356</u>	<u>262,310,751</u>	<u>261,353,854</u>
Net position - ending	<u>\$ 269,763,645</u>	<u>253,470,546</u>	<u>8,532,534</u>	<u>8,840,205</u>	<u>278,296,179</u>	<u>262,310,751</u>

Governmental activities increased the City's net position by \$16,293,099. Key elements of the changes in net position are as follows:

- Increase in investment earnings of \$27,125,985 including net unrealized gains, were offset by reductions in revenues and increases in expenses.
- Property taxes decreased due to reductions in the mill levy for decreases in pollution remediation obligation expenses.
- OPEB expense decreased in the amount of \$3,416,562 to reflect obligations in accordance with GASB 75.
- Pension expense increased in the amount of \$549,620 to reflect net pension liability in accordance with GASB 68.

Business-type activities decreased the City's net position by \$307,671. Key element of the decrease is a transfer of \$396,900 from the MUS Fund to the Permanent Fund for investment.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUND STATEMENTS

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

Governmental Funds

City **governmental funds** provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a specific purpose by either an external party, City itself or City Council.

City governmental funds include general fund, permanent fund, grants & contracts fund, and other governmental funds (risk special revenue fund, asset forfeiture special revenue fund, and capital fund). At the end of the current fiscal year, the City's governmental funds had an increase of \$18,542,237 of **combined ending fund balances**. The unassigned fund balance in the amount of \$10,364,120 is available for spending at the government's discretion. The combined ending fund balances comprised of the following:

Fund Balance - Governmental Funds			
Purpose	Type	Amount	Percentage
Unassigned	Unassigned	\$ 10,364,120	6.42%
Prepaid assets	Nonspendable	557,732	0.35%
Investments	Restricted	134,568,000	83.40%
Law enforcement	Restricted	50,970	0.03%
Snow removal	Committed	250,000	0.15%
Capital projects	Committed	4,563,509	2.83%
Contractual obligations	Assigned	3,107,583	1.93%
Capital projects uncommitted	Assigned	7,891,312	4.89%
Total		<u>\$ 161,353,226</u>	<u>100.00%</u>

The **general fund** is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$10,618,540 while total fund balance was \$11,287,409. 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 30.8% of total general fund expenditures, while total fund balance represents 32.8% of total general fund expenditures.

General Fund - Fund Balance			
	2019	2018	Changes
Nonspendable	\$ 5,612	\$ 2,491	\$ 3,121
Committed	250,000	250,000	-
Assigned	413,257	586,285	(173,028)
Unassigned	10,618,540	11,603,748	(985,208)
Total	<u>\$ 11,287,409</u>	<u>\$ 12,442,524</u>	<u>\$ (1,155,115)</u>

The general fund's fund balance decreased by \$1,155,115 and unassigned fund balance decreased by \$985,208 during the current fiscal year primarily due to a transfer from the general fund to the capital fund.

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

General Fund - Revenues			
	2019	2018	Changes
Taxes	\$ 22,033,268	\$ 21,448,697	\$ 584,571
Charges for services	5,641,337	5,592,220	49,117
Intergovernmental	1,887,932	1,903,819	(15,887)
Licenses and permits	1,586,537	1,874,904	(288,367)
Fines and forfeitures	511,203	611,956	(100,753)
Special assessments	1,074	1,074	-
Other revenues	865,950	829,694	36,256
Total	\$ 32,527,301	\$ 32,262,364	\$ 264,937

- Receipts for taxes continue to rise, resulting in an increase of \$584,571 with property taxes and marijuana taxes increasing over \$150,000 from the prior year.
- Engineering services for major infrastructure projects resulted in increases in charges for services.
- PERS on-behalf payment increased by \$196,388 but other intergovernmental revenues from the State of Alaska decreased by \$212,275.
- Licenses and permits decreased primarily due to lack of major project construction permits; a trend the City anticipates will continue due to the pandemic.
- Fines and forfeitures decreased due to position vacancies in law enforcement.

General Fund - Expenditures			
	2019	2018	Changes
General government	\$ 9,484,385	\$ 9,020,737	\$ 463,648
Public safety	15,885,981	15,026,268	859,713
Public works	8,488,408	8,308,553	179,855
Building inspections	570,465	628,680	(58,215)
Total	\$ 34,429,239	\$ 32,984,238	\$ 1,445,001

- General government expenditures increased because of increases in PERS on-behalf costs.
- Salaries and benefits increased by \$582,146 of which public safety had \$581,364 primarily due to new collective bargaining agreement; public works had \$128,862 due to more temporary staffing and non-reimbursable engineering projects; while building inspections had a vacancy that lasted throughout the year. Although expenditures were higher than the prior year, they were not as high as estimated due to position vacancies in various departments.

The **permanent fund** has a total fund balance of \$134,568,000 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 increased by \$15,599,777 during 2019. Fund balance increased due to investment earnings of \$20,752,154 while providing transfers to the general fund (\$4,856,659) and capital fund (\$607,082). Detailed information about the permanent fund is located in Note 3.O. in the basic financial statements.

Proprietary Funds

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

The net position of the MUS and the FTC at the end of the fiscal year was \$2,288,622 and \$6,243,912 respectively, most of which is invested in capital assets. The total decrease in net position was \$76,884 for the MUS fund due to a \$396,900 transfer to permanent fund. The \$230,787 decrease for the FTC fund was due to expenses exceeding revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

Council's intent is that the budget accurately reflects revenues and expenditures. Budget variances are reviewed by 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.

Difference between the **original budget** for total revenues and the final amended budget is an increase of \$665,071; this amount excludes inter-fund transfers. Significant differences are summarized as follows:

- \$ 185,000 increase in charges for services
- \$ 580,000 increase in other revenues

Difference between the **original budget** for total expenditures and the final amended budget is an increase of \$1,703,283. Significant differences are briefly summarized as follows:

- \$ 995,086 increase in general government and administrative activities
- \$ 459,169 increase for public works
- \$ 231,398 increase for public safety

During the year, revenues were greater than **budgetary estimates** by \$663,775. Expenditures and encumbrances were less than budgetary estimates by \$2,186,971. The most significant differences were as follows:

- Intergovernmental revenue was \$185,000 more than anticipated primarily due to the State of Alaska PERS on-behalf payment. This also impacted general government and administrative activities.
- Public works, public safety, and general government expenditures were less than anticipated due to salary and wages decreases from position vacancies and other operating expenses in the amount of \$1,037,345, \$509,521, and \$487,865, respectively.

City Code states that in no case shall unassigned general fund balance be less than, the greater of 20% of budgeted operational expenditures or \$4,000,000. Twenty percent of the budgeted operational expenditures are \$7,288,636, which is \$3,329,904 less than the 2019 unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Information regarding the capitalization policy and other information is contained in Note 1.D.5 in the basic financial statements.

The City's investment in capital assets for its governmental and business type activities is \$129,054,429 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was \$5,037,806, approximately 3.8%.

Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land improvements	\$ 9,478,647	9,478,647	454,356	454,356	9,933,003	9,933,003
Construction in progress	16,322,217	15,178,061	-	-	16,322,217	15,178,061
Buildings	17,804,541	18,587,254	6,184,366	6,373,201	23,988,907	24,960,455
Equipment	7,061,119	7,420,541	1,229,666	1,275,350	8,290,785	8,695,891
Infrastructure	69,645,917	74,420,025	873,600	904,800	70,519,517	75,324,825
Total	<u>\$ 120,312,441</u>	<u>125,084,528</u>	<u>8,741,988</u>	<u>9,007,707</u>	<u>129,054,429</u>	<u>134,092,235</u>

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

- Infrastructure upgrades preliminary work to improve streets, sidewalks, and storm water drains totaled \$1,202,803 as reflected as an increase in construction in progress.
- Equipment purchases totaled \$1,601,628; however, depreciation costs and disposals resulted in a decrease from the prior year in the amount of \$405,106.

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$19,205,450. The total decrease in long-term liabilities in the amount of \$2,820,655 is primarily due to the decrease of net OPEB liability. Additional information on the City's long-term liabilities can be found in Note 3.J. of the basic financial statements.

Long Term Liabilities						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Alaska clean water loans	\$ -	-	3,218,682	3,605,768	3,218,682	3,605,768
Self-Insurance losses	468,914	347,657	-	-	468,914	347,657
Net OPEB liability	489,783	3,125,946	-	-	489,783	3,125,946
Net pension liability	15,028,071	14,946,734	-	-	15,028,071	14,946,734
Total	<u>\$ 15,986,768</u>	<u>18,420,337</u>	<u>3,218,682</u>	<u>3,605,768</u>	<u>19,205,450</u>	<u>22,026,105</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

On December 9, 2019, City Council passed *Ordinance No. 6118 As Amended* adopting the 2020 budget for the general fund. The original budget projects revenues and other financing sources to be \$35,560,797 and expenditures in the amount of \$35,360,180 increasing fund balance by \$200,617.

On February 24, 2020, *Resolution No. 4904* was passed. This resolution amends the schedule of fees and charges for services by adjusting the garbage collection rate.

On March 9, 2020, *Ordinance No. 6124 As Amended* was passed. This ordinance amended the 2020 operating budget for the general fund by increasing revenues in the amount of \$57,692 and increasing expenditures in the amount of \$493,258.

On March 30, 2020, *Resolution No. 4907* was passed. This resolution declared an emergency within the City of Fairbanks for the COVID-19 Pandemic and requesting State and Federal Assistance. The impacts of COVID-19 will impact revenues, but the City does not anticipate the impacts to exceed the maximum fund balance allowed by Code.

On April 21, 2020, the Governor announced his plan to allocate \$15,929,080 in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Funds to the City of Fairbanks. The Funds are to be used to cover necessary expenditures incurred due to the public health emergency with respect to COVID-19.

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, tobacco, and marijuana, must be approved by the voters in a general election.

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)

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 – Public Employees Retirement System - Defined Benefit Plan
Schedule of Proportionate Share of Net OPEB Liability
Schedule of Contributions- Public Employees Retirement System - OPEB Plan
Schedule of Contributions – Other Pension Plans
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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Equity in central treasury	\$ 27,529,014	74,382	27,603,396
Restricted cash and cash equivalents	7,809,007	-	7,809,007
Investments, restricted	126,576,274	-	126,576,274
Accounts receivable (net)	2,897,817	399,742	3,297,559
Internal balances	291,913	(291,913)	-
Inventory	1,578,676	-	1,578,676
Prepaid expenses	557,732	-	557,732
Noncurrent receivables	2,314,092	3,218,682	5,532,774
Capital assets			
Non-depreciable	9,478,647	454,356	9,933,003
Construction in progress	16,322,217	-	16,322,217
Depreciable, net of accumulated depreciation	94,511,577	8,287,632	102,799,209
Net OPEB asset	165,047	-	165,047
Total assets	<u>290,032,013</u>	<u>12,142,881</u>	<u>302,174,894</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>1,966,228</u>	<u>-</u>	<u>1,966,228</u>
Total assets and deferred outflows of resources	<u>\$ 291,998,241</u>	<u>12,142,881</u>	<u>304,141,122</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 2,102,985	3,361	2,106,346
Unearned revenue	479,690	1,218	480,908
Pollution remediation obligation	655,106	-	655,106
Other liabilities			
Due within one year	1,751,461	387,086	2,138,547
Due in more than one year	15,986,768	3,218,682	19,205,450
Total liabilities	<u>20,976,010</u>	<u>3,610,347</u>	<u>24,586,357</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>1,258,586</u>	<u>-</u>	<u>1,258,586</u>
NET POSITION			
Net Investment in capital assets	120,312,441	8,741,988	129,054,429
Restricted for:			
Law enforcement	50,970	-	50,970
Subsequent year transfers	5,586,013	-	5,586,013
Permanent fund investment	128,981,987	-	128,981,987
Unrestricted	14,832,234	(209,454)	14,622,780
Total net position	<u>269,763,645</u>	<u>8,532,534</u>	<u>278,296,179</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 291,998,241</u>	<u>12,142,881</u>	<u>304,141,122</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Statement of Activities

For the Year Ended December 31, 2019

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	\$ 17,372,909	2,272,233	428,463	726,048	(13,946,165)	-	(13,946,165)
Public safety	14,302,575	3,379,741	823,474	45,456	(10,053,904)	-	(10,053,904)
Public works	10,019,292	2,156,127	306,936	671,941	(6,884,288)	-	(6,884,288)
Building inspections	578,318	486,208	-	-	(92,110)	-	(92,110)
Total governmental activities	<u>42,273,094</u>	<u>8,294,309</u>	<u>1,558,873</u>	<u>1,443,445</u>	<u>(30,976,467)</u>	<u>-</u>	<u>(30,976,467)</u>
Business-type activities:							
Municipal Utilities System	76,884	396,900	-	-	-	320,016	320,016
Fairbanks Transportation Center	417,195	186,385	-	-	-	(230,810)	(230,810)
Total business-type activities	<u>494,079</u>	<u>583,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,206</u>	<u>89,206</u>
Total	<u><u>\$42,767,173</u></u>	<u><u>8,877,594</u></u>	<u><u>1,558,873</u></u>	<u><u>1,443,445</u></u>	<u><u>(30,976,467)</u></u>	<u><u>89,206</u></u>	<u><u>(30,887,261)</u></u>
General Revenues:							
Property tax					16,170,339	-	16,170,339
Hotel motel tax					3,445,847	-	3,445,847
Alcohol beverage tax					2,333,130	-	2,333,130
Tobacco tax					878,288	-	878,288
Marijuana tax					1,168,278	-	1,168,278
Unrestricted shared revenue					1,256,663	-	1,256,663
Investment income					20,752,182	-	20,752,182
Interest income					496,522	23	496,545
Miscellaneous					371,417	-	371,417
Transfers - internal activity					396,900	(396,900)	-
Total general revenues and transfers					<u>47,269,566</u>	<u>(396,877)</u>	<u>46,872,689</u>
Change in net position					16,293,099	(307,671)	15,985,428
Net position - beginning					<u>253,470,546</u>	<u>8,840,205</u>	<u>262,310,751</u>
Net position- ending					<u><u>\$ 269,763,645</u></u>	<u><u>8,532,534</u></u>	<u><u>278,296,179</u></u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2019

	<u>General</u>	<u>Permanent</u>	<u>Grants & Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in central treasury	\$ 10,707,045	-	-	15,151,986	25,859,031
Restricted cash and cash equivalents	100	7,757,937	-	50,970	7,809,007
Restricted investments	-	126,576,274	-	-	126,576,274
Receivables (net of allowance for uncollectibles)	4,038,752	369,236	801,759	-	5,209,747
Prepaid assets	5,612	-	-	552,120	557,732
Due from other funds	1,540,164	-	-	-	1,540,164
Total assets	<u>\$ 16,291,673</u>	<u>134,703,447</u>	<u>801,759</u>	<u>15,755,076</u>	<u>167,551,955</u>
LIABILITIES					
Accounts payable	\$ 2,075,763	-	283	6,366	2,082,412
Deposits	20,573	-	-	-	20,573
Unearned revenue	450,094	-	29,596	-	479,690
Due to other funds	-	-	771,880	250,893	1,022,773
Total liabilities	<u>2,546,430</u>	<u>-</u>	<u>801,759</u>	<u>257,259</u>	<u>3,605,448</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,457,834</u>	<u>135,447</u>	<u>-</u>	<u>-</u>	<u>2,593,281</u>
FUND BALANCES					
Nonspendable	5,612	-	-	552,120	557,732
Restricted	-	134,568,000	-	50,970	134,618,970
Committed	250,000	-	-	4,563,509	4,813,509
Assigned	413,257	-	-	10,585,638	10,998,895
Unassigned	10,618,540	-	-	(254,420)	10,364,120
Total fund balances	<u>11,287,409</u>	<u>134,568,000</u>	<u>-</u>	<u>15,497,817</u>	<u>161,353,226</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,291,673</u>	<u>134,703,447</u>	<u>801,759</u>	<u>15,755,076</u>	<u>167,551,955</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, 2019

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>\$ 161,353,226</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	501,815,686
Land and land improvements	9,478,647
Construction in progress	16,322,217
Buildings	33,634,565
Equipment	29,521,300
Accumulated depreciation	<u>(470,459,974)</u>
	<u>120,312,441</u>
OPEB assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
	<u>165,047</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,578,676</u>
Deferred outflows represent costs incurred at the fund level, but future costs in the Statement of Net Position.	
Related to OPEB costs	936,962
Related to pension costs	1,029,266
	<u>1,966,228</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Pollution remediation obligation	(655,106)
Self-insurance losses	(773,708)
Net OPEB liability	(489,783)
Net pension liability	<u>(15,028,071)</u>
	<u>(16,946,668)</u>
Certain deferred inflows represent resources or benefits received at the fund level but future resources in the Statement of Net Position.	
Related to OPEB costs	(618,905)
Related to pension costs	(639,681)
	<u>(1,258,586)</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	20,523
Deferred sales tax, penalties and interest	36,311
Deferred business license	1,000
Deferred Tract I and Tract II note receivable	135,447
Deferred Techite note receivable	<u>2,400,000</u>
	<u>2,593,281</u>
Net position of governmental activities (page 5)	<u><u>\$ 269,763,645</u></u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

	<u>General</u>	<u>Permanent</u>	<u>Grants & Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 22,033,268	-	-	1,962,614	23,995,882
Charges for services	5,641,337	-	-	-	5,641,337
Intergovernmental	1,887,932	-	1,965,267	38,685	3,891,884
Licenses and permits	1,586,537	-	-	-	1,586,537
Fines and forfeitures	511,203	-	-	-	511,203
Special assessments	1,074	-	-	-	1,074
Investment earnings	-	20,752,154	-	28	20,752,182
Other revenues	865,950	-	262,587	1,301,000	2,429,537
Total revenues	<u>32,527,301</u>	<u>20,752,154</u>	<u>2,227,854</u>	<u>3,302,327</u>	<u>58,809,636</u>
Expenditures					
Current					
General government	9,471,395	104,530	428,463	2,098,962	12,103,350
Public safety	15,885,981	-	722,025	16,080	16,624,086
Public works	8,405,439	-	306,936	36,838	8,749,213
Building inspections	570,465	-	-	-	570,465
Capital outlay					
General government	12,990	-	724,974	680,936	1,418,900
Public safety	-	-	45,456	374,499	419,955
Public works	82,969	-	-	835,521	918,490
Total expenditures	<u>34,429,239</u>	<u>104,530</u>	<u>2,227,854</u>	<u>4,042,836</u>	<u>40,804,459</u>
Excess (deficiency) of revenues over expenditures	<u>(1,901,938)</u>	<u>20,647,624</u>	<u>-</u>	<u>(740,509)</u>	<u>18,005,177</u>
Other financing sources (uses)					
Transfers in	4,856,659	396,900	-	4,838,084	10,091,643
Transfers out	(4,231,002)	(5,463,741)	-	-	(9,694,743)
Sale of capital assets	121,166	18,994	-	-	140,160
Total other financing sources (uses)	<u>746,823</u>	<u>(5,047,847)</u>	<u>-</u>	<u>4,838,084</u>	<u>537,060</u>
Net change in fund balances	<u>(1,155,115)</u>	<u>15,599,777</u>	<u>-</u>	<u>4,097,575</u>	<u>18,542,237</u>
Fund balances - beginning	<u>12,442,524</u>	<u>118,968,223</u>	<u>-</u>	<u>11,400,242</u>	<u>142,810,989</u>
Fund balances - ending	<u>\$ 11,287,409</u>	<u>134,568,000</u>	<u>-</u>	<u>15,497,817</u>	<u>161,353,226</u>

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, 2019

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)	<u>\$ 18,542,237</u>
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	2,757,345
Depreciation expense	<u>(7,414,283)</u>
	<u>(4,656,938)</u>
Gains or 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 or losses on disposal are reported and proceeds from sales are not reported as revenue.	
Loss on Disposal	<u>(103,588)</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.	
Equipment donated during the year	<u>47,086</u>
Governmental funds do not include prior year work-in-progress amounts not subsequently capitalized. In the statement of activities, the costs not capitalized are expensed.	
Decrease in work-in-progress costs	<u>(58,647)</u>
Inventories are reported under the purchase method in the governmental funds, and under the consumption method in the statement of activities.	
	<u>(92,243)</u>
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:	
Tract I and Tract II receivable	(18,994)
Techite note receivable	<u>(200,000)</u>
	<u>(218,994)</u>
Collections increase for business license	<u>1,000</u>
Collections increase for special assessments penalties and interest	<u>2,165</u>
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:	
Change in reserve for self-insurance losses	(128,713)
Change in pollution remediation obligation	92,792
Net decrease in net OPEB liability and related deferred accounts	3,416,562
Net increase in net pension liability and related deferred accounts	<u>(549,620)</u>
	<u>2,831,021</u>
Change in net position of governmental activities (page 7)	<u><u>\$ 16,293,099</u></u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds
Statement of Net Position
December 31, 2019

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
ASSETS				
Current assets				
Cash	\$ -	74,382	74,382	1,669,983
Accounts receivable	-	12,656	12,656	2,162
GHU Clean Water loan receivable	387,086	-	387,086	-
Total current assets	387,086	87,038	474,124	1,672,145
Noncurrent assets				
GHU Clean Water loan receivable	3,218,682	-	3,218,682	-
Capital assets				
Land	185,356	269,000	454,356	-
Plant in service	23,859,031	-	23,859,031	-
Buildings	-	9,550,693	9,550,693	-
Infrastructure	1,560,000	-	1,560,000	-
Less accumulated depreciation	(23,315,765)	(3,366,327)	(26,682,092)	-
Total noncurrent assets	5,507,304	6,453,366	11,960,670	-
Total assets	\$ 5,894,390	6,540,404	12,434,794	1,672,145
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	\$ 387,086	-	387,086	-
Accounts payable	-	3,361	3,361	-
Due to general fund	-	291,913	291,913	225,478
Compensated absences	-	-	-	1,446,667
Unearned revenue	-	1,218	1,218	-
Total current liabilities	387,086	296,492	683,578	1,672,145
Noncurrent liabilities				
Alaska Clean Water loan payable	3,218,682	-	3,218,682	-
Total noncurrent liabilities	3,218,682	-	3,218,682	-
Total liabilities	3,605,768	296,492	3,902,260	1,672,145
NET POSITION				
Net investment in capital assets	2,288,622	6,453,366	8,741,988	-
Unrestricted	-	(209,454)	(209,454)	-
Total net position	2,288,622	6,243,912	8,532,534	-
Total liabilities and net position	\$ 5,894,390	6,540,404	12,434,794	1,672,145

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, 2019

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Operating revenues				
Rental income	\$ 396,900	186,385	583,285	-
Other revenue	-	-	-	1,651,264
Total operating revenues	<u>396,900</u>	<u>186,385</u>	<u>583,285</u>	<u>1,651,264</u>
Operating expenses				
Employee benefits	-	-	-	1,651,264
Management fees	-	228,360	228,360	-
Depreciation	-	188,835	188,835	-
Total operating expenses	<u>-</u>	<u>417,195</u>	<u>417,195</u>	<u>1,651,264</u>
Operating income (loss)	<u>396,900</u>	<u>(230,810)</u>	<u>166,090</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	23	23	-
Rental depreciation	(76,884)	-	(76,884)	-
Total nonoperating revenue (expenses)	<u>(76,884)</u>	<u>23</u>	<u>(76,861)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>320,016</u>	<u>(230,787)</u>	<u>89,229</u>	<u>-</u>
Transfers out	(396,900)	-	(396,900)	-
Total contributions and transfers	<u>(396,900)</u>	<u>-</u>	<u>(396,900)</u>	<u>-</u>
Change in net position	(76,884)	(230,787)	(307,671)	-
Total net position - beginning	<u>2,365,506</u>	<u>6,474,699</u>	<u>8,840,205</u>	<u>-</u>
Total net position - ending	<u>\$ 2,288,622</u>	<u>6,243,912</u>	<u>8,532,534</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, 2019

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	
Cash flows from operating activities				
Receipts from customers	\$ 396,900	162,741	559,641	-
Receipts for interfund services provided	-	-	-	1,560,570
Payments for interfund services provided	-	-	-	(1,651,264)
Payments to management	-	(122,322)	(122,322)	-
Payments for operating expenses	-	-	-	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>40,419</u>	<u>437,319</u>	<u>(90,694)</u>
Cash flows from noncapital financing activities				
Transfer to permanent fund	<u>(396,900)</u>	-	<u>(396,900)</u>	-
Net cash provided (used) by noncapital financing activities	<u>(396,900)</u>	-	<u>(396,900)</u>	-
Cash flows from capital and other related financing activities				
Payment to Alaska DEC for plant upgrade loans	(446,979)	-	(446,979)	-
Receipt from Golden Heart Utilities plant upgrade loans	446,979	-	446,979	-
Net cash provided (used) by capital and other related financing activities	-	-	-	-
Cash flows from investing activities				
Interest received	-	23	23	-
Net cash provided by investing activities	-	23	23	-
Net increase (decrease) in cash	-	40,442	40,442	(90,694)
Cash at beginning of the year	-	33,940	33,940	1,760,677
Cash at end of the year	<u>\$ -</u>	<u>74,382</u>	<u>74,382</u>	<u>1,669,983</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 396,900	(230,810)	166,090	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	188,835	188,835	-
(Increase) decrease in assets				
Accounts receivable	-	56,302	56,302	1,171
(Decrease) increase in liabilities				
Accounts payable	-	3,361	3,361	-
Prepaid rent	-	(20,076)	(20,076)	-
Compensated absences	-	-	-	(191,009)
Due to other funds	-	42,807	42,807	99,144
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>40,419</u>	<u>437,319</u>	<u>(90,694)</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity
- B. Basis of Presentation – Basic Financial Statements
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
 - 1. Equity in central treasury, cash and investments
 - 2. Restricted assets
 - 3. Receivables and payables
 - 4. Inventory and prepaid items
 - 5. Capital assets
 - 6. Deferred outflows of resources
 - 7. Unearned revenue
 - 8. Long-term obligations
 - 9. Deferred inflows of resources
 - 10. Fund equity
 - 11. Interfund transfers
 - 12. Encumbrances
 - 13. Use of estimates
 - 14. Comparative data/reclassifications
 - 15. Rounding
- E. Revenues and Expenditures/Expenses
 - 1. Program revenues
 - 2. Property taxes
 - 3. Compensated absences
 - 4. Proprietary funds operating and nonoperating revenues and expenses

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Minimum Fund Balance Requirement
- B. Audit Requirement
- C. Deficit Fund Equity

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

- A. Cash Deposits
- B. Investments
- C. Interfund Receivables, Payables, and Transfers
- D. Capital Assets
- E. Pension Obligations
- F. Other Postemployment Benefits (OPEB) Obligations
- G. Deferred Compensation Plan
- H. Deferred Outflows/Inflows of Resources
- I. Fund Balance Detail – Governmental Fund
- J. Other Liabilities
- K. Leases
- L. Risk Management
- M. Pollution Remediation Obligation
- N. Contingent Liabilities
- O. Permanent Fund

NOTE 4 – SUBSEQUENT EVENT

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 police and fire protection, emergency medical, emergency dispatch, street maintenance, refuse collection, public improvements, building and fire code enforcement, storm drain management, funding of economic development, and general administrative services.

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes departments that provide public safety, public works, building, and general government services. The operation of these departments are directly controlled by the Council through the budgetary process. Component units are legally separate organizations for which the City is financially accountable; the City does not have any component units.

B. Basis of Presentation – Basic Financial Statements

The **government-wide financial statements** (statement of net position and statement of activities) report information on all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements except for 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. 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 net position reports the financial condition of the governmental and business-type activities at year-end. The City's net position is reported in three parts as net investment in capital assets, restricted net position, and unrestricted net position. The statement of activities reports 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 as general revenues.

The **fund financial statements** report information about the City's funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds (type of proprietary fund) are reported as separate columns in the statements. All remaining governmental funds are aggregated and reported as nonmajor funds presented in a single column.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

The City also 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 Fund** accounts 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.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, tobacco, marijuana 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.

Property, hotel/motel, liquor, tobacco, marijuana 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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. 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. Investment earnings are reported at fair value. See Investments Note 3.B.

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

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

2. 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.

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. 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 acquisition value, the price that would be paid to acquire an asset with equivalent service potential.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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>Description</u>	<u>Governmental Activities Useful Life (Years)</u>	<u>Business Activities Useful Life (Years)</u>
Buildings	50	50
Infrastructure	30	50
Equipment	3-20	N/A
Plant in service (includes equipment)	N/A	15-40

6. Deferred outflows of resources

In addition to assets, the statement of net position reports 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 and other postemployment benefit plans. See Pension and OPEB Notes 3.E and 3.F.

7. Unearned revenue

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.

8. 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. For the purposes of measuring the net pension and net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS), and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS.

In **fund financial statements**, governmental fund types recognize payables and accrued liabilities that will be paid from current financial resources.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

9. Deferred inflows of resources

In addition to liabilities, the statement of net position 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 and other postemployment benefit plans. In governmental funds balance sheet, deferred inflows of resources are recorded when assets are recognized before the 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.

10. Fund equity

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.

Restricted for law enforcement - includes federal asset forfeiture funds restricted by the United States Department of Justice for law enforcement purpose.

Restricted for subsequent year transfers - includes the Permanent Fund five-year average market value available for General Fund and Capital Fund appropriations. See Permanent Fund Note 3.O.

Restricted for permanent fund investment - includes net position restricted for permanent fund investment.

Unrestricted - includes all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

In the governmental fund statements, fund equity is classified as "fund balance". The five classifications of fund balance based on constraints imposed on the use of these resources are as follows:

Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form, long-term 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 – includes amounts that are restricted when constraints are imposed on their use either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

Committed – includes amounts that 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, during the budgeting process. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Assigned – includes amounts 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 – includes the residual amount 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.

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.

11. Interfund transfers

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds and transfers between enterprise funds are eliminated on the government-wide statements.

12. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the City’s governmental funds. Encumbrances are purchase orders, contracts and other commitments for the expenditure of monies that are recorded in order to reserve that portion of the applicable appropriation. Encumbrances, 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, 2019:

General Fund	\$	413,257
Grants & Contracts Fund*		883,619
Risk		93,095
Asset Forfeiture		675
Capital Fund		<u>2,694,326</u>
Total	\$	<u><u>4,084,972</u></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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

14. Comparative data/reclassifications

Comparative total data for the prior year have been presented for the general 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.

E. Revenues and Expenditures/Expenses

1. Program revenues

Program revenue reported on the government-wide financial statements include 1) charges to customers or applicants for goods, services, or privileges provided (including assessments), 2) operating grants and contributions, and 3) capital grants and contributions. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. 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. 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). The limitation does not apply to appropriations for payments on bonds. Any excess of tax levied over 2% of the maximum allowable tax is to be applied to the following year's formula as a reduction in the maximum allowable tax. 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. Property is assessed in February 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. Taxes are considered late on September 2 for the first installment and November 2 for the second installment. The Fairbanks North Star Borough bills and collects its own property taxes as well as the taxes for the City.

3. 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. The liability for compensated absences includes salary-related benefits.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Minimum Fund Balance Requirement

City ordinances require that the unassigned general fund balance be set at 20% of budgeted annual expenditures but not less than \$4,000,000. At December 31, 2019, 20% of annual budgeted expenditures were \$7,288,636. The unassigned fund balance in the general fund financial statement was \$10,618,540.

B. Audit Requirement

City Charter requires an independent audit to be performed annually and submitted to City Council within 180 days. Council may extend due to regulatory changes beyond the City's control. The audit was issued prior to the deadline of June 30, 2020.

C. Deficit Fund Equity

The Risk Special Revenue Fund reported an overall negative unassigned balance in the amount of \$254,420 at December 31, 2019. Property taxes will be levied in July 2020 to offset this deficit.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits

At December 31, 2019, the carrying amount of the City's cash and deposits was \$3,068,950 and the bank balances totaled \$3,508,372. 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 Supplementary Information Section for a schedule of the City's total deposits and investments.

B. Investments

Fairbanks General Code Sections 2-676 to Section 2-688 describe the objectives, policies, and procedures for investing City funds, except for assets accounted for in the permanent fund. The primary goal is to have long-term investment of funds while considering the probable safety of capital and income. Investments include demand deposits; U.S. treasury bills; treasury notes or bonds maturing within one year; insured or fully collateralized certificates of deposit of banks and savings and loan associations maturing within one year; repurchase agreements collateralized by U.S. treasury securities and market-to-market; money market mutual funds whose portfolios consist entirely of U.S. government securities; obligations of any agency or instrumentality of the federal government; and Alaska Municipal League Investment Pool.

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 trust assets for present and future generations. The principal goal is to preserve principal and maintain purchasing power. Investments include:

- a) Obligations of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;
- 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, or a substantially similar index, including both mutual funds and exchange traded funds (ETFs);
- 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 ETFs;

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

- h) Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts or a substantially similar index, including both mutual funds and ETFs;
- i) Domestic equities, which taken as a whole, attempt to replicate the S & P 400 Midcap Index, or a substantially similar index, including both mutual funds and ETFs;
- j) Commodities, which taken as a whole, attempt to replicate a broad-based commodity index, such as the Bloomberg Commodity Index or a substantially similar index, including mutual funds, ETFs, 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 EMERGING) or a substantially similar index, including both mutual funds and ETFs;
- l) International Bond index funds, which taken as a whole attempt to replicate Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index, or a substantially similar index, including both mutual funds and ETFs;
- m) U.S Treasury Inflation Protected Securities (TIPS), and/or mutual funds or ETFs which attempt to replicate the Bloomberg Barclays Capital U.S Treasury Inflation Protected Securities Index, or a substantially similar index;
- n) Domestic equities, which taken as a whole, attempt to replicate the Standard & Poor's Small Cap 600 Index, or a substantially similar index, including both mutual funds and ETFs;
- o) Global infrastructure equities, which taken as a whole, attempt to replicate the STOXX Global Broad Infrastructure Index, or a substantially similar index, including both mutual funds and ETFs; and
- p) Diversifying alternative beta funds, which taken as a whole, attempt to provide systematic exposure to trading strategies that emphasize return sources not found in traditional stock and bond portfolios.

External Investment Pool

The Alaska Municipal League Investment Pool (AMLIP) 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 not SEC-registered, but is a 2a7-like pool, operating in a manner consistent with that rule. Standard & Poor's Rating Services affirmed its AAAm principal stability fund rating to AMLIP.

Regulatory oversight of the pool is established by Alaska Statute 37.23. The law sets forth numerous requirements regarding authorized investments and reporting. 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.

As of December 31, 2019, the fair value of the investments in the pool were reported in the amount of \$32,343,453. Fair value was determined by reference to quoted market prices. The fair value of the City's investment in AMLIP is the same as the value of its pool units.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

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 2 investments are valued using matrix pricing technique that values securities on a summary basis and not on an individual basis; however, the external investment pool is valued using amortized cost which approximates the current fair value. As of December 31, 2019, 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	\$ 73,419,619	-	73,419,619	-
External investment pool	32,343,453	32,343,453	-	-
U.S. treasuries and agencies	26,335,598	-	26,335,598	-
Corporate bonds	5,522,576	-	5,522,576	-
Fixed income mutual funds	6,512,733	-	6,512,733	-
Foreign bonds	6,729,026	-	6,729,026	-
Real Estate Investment Trust	8,056,722	8,056,722	-	-
	<u>\$ 158,919,727</u>	<u>40,400,175</u>	<u>118,519,552</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 of December 31, 2019, the City had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Investments and Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More Than 10
External investment pool	\$ 32,343,453	32,343,453	-	-	-
U.S. treasuries and agencies	26,335,598	3,036	9,083,047	6,520,961	10,728,554
Corporate bonds	5,522,576	876,785	2,391,151	-	2,254,640
Foreign bonds	6,729,026	6,384,770	-	344,256	-
	<u>\$ 70,930,653</u>	<u>39,608,044</u>	<u>11,474,198</u>	<u>6,865,217</u>	<u>12,983,194</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 other investment policy that would further limit the ratings of its investment choices.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

Custodial credit risk 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 requires all investment securities held in third-party to be issued a safekeeping receipt listing the specific instrument, rate, maturity and other pertinent information. Deposit-type securities (i.e., certificates of deposit, repurchase agreements) are collateralized at 102% of the invested amount for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Corporation (FSLIC) coverage. Other investments are collateralized by the actual security held in safekeeping.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy limits exposure to concentration risk in the permanent fund but has no other investment policy that would further limit its concentration of credit risk. GAAP requires disclosure of any investment in a single issuer of 5% or more except for investments issued or explicitly guaranteed by U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

At December 31, 2019, the City's exposure to credit and concentration risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating^(A)</u>	<u>Percentage of total Investments</u>
Equity mutual funds	\$ 73,419,619	N/A	46.2%
External investment pool	32,343,453	N/A	20.4%
U.S. treasuries and agencies	26,335,598	N/A	16.6%
Corporate bonds	549,981	A+/A1	
Corporate bonds	636,435	A/A2	
Corporate bonds	1,342,500	A/A3	
Corporate bonds	396,445	A-/A2	
Corporate bonds	331,702	A-/Baa2	
Corporate bonds	125,270	AA/Aa2	
Corporate bonds	345,501	BBB+/A3	
Corporate bonds	833,901	BBB+/Baa1	
Corporate bonds	960,841	BBB/Baa2	
Total Corporate Bonds ^(B)	<u>5,522,576</u>		3.5%
Fixed income mutual funds	6,512,733	N/A	4.1%
Foreign bonds	6,729,026	N/A	4.2%
Real Estate Investment Trust	8,056,722	N/A	5.1%
	<u>\$ 158,919,727</u>		<u>100.0%</u>

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

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

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

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, 2019 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	\$ 771,880
	Risk fund	250,893
	Fairbanks Transportation Center	291,913
	Internal Service fund	<u>225,478</u>
	Total	<u>\$ 1,540,164</u>

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, 2019 was as follows:

<u>Transfers In:</u>	<u>Transfers Out:</u>			
	<u>General Fund</u>	<u>Permanent Fund</u>	<u>MUS Enterprise</u>	<u>Total</u>
General fund	\$ -	4,856,659	-	4,856,659
Permanent fund	-	-	396,900	396,900
Nonmajor governmental funds	<u>4,231,002</u>	<u>607,082</u>	-	<u>4,838,084</u>
Total	<u>\$ 4,231,002</u>	<u>5,463,741</u>	<u>396,900</u>	<u>10,091,643</u>

The General Fund transferred \$4,231,002 to the capital fund as authorized in accordance with City code and council approval. The amount transferred for ambulance replacement was \$79,609, for garbage equipment replacement was \$251,393, and for other capital projects was \$3,900,000.

The Permanent Fund transfer of \$5,463,741 is authorized annually in accordance with City Charter. The amount transferred to the general fund for operations was \$4,856,659 and to the capital fund for capital acquisitions was \$607,082.

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

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 9,478,647	-	-	9,478,647
Construction in progress	15,178,061	1,202,803	(58,647)	16,322,217
Total capital assets, not being depreciated	<u>24,656,708</u>	<u>1,202,803</u>	<u>(58,647)</u>	<u>25,800,864</u>
Capital assets, being depreciated				
Infrastructure	501,815,686	-	-	501,815,686
Buildings	33,634,565	-	-	33,634,565
Equipment	28,998,796	1,601,628	(1,079,124)	29,521,300
Total capital assets, being depreciated	<u>564,449,047</u>	<u>1,601,628</u>	<u>(1,079,124)</u>	<u>564,971,551</u>
Less accumulated depreciation				
Infrastructure	(427,395,661)	(4,774,108)	-	(432,169,769)
Buildings	(15,047,311)	(782,713)	-	(15,830,024)
Equipment	(21,578,255)	(1,857,462)	975,536	(22,460,181)
Total accumulated depreciation	<u>(464,021,227)</u>	<u>(7,414,283)</u>	<u>975,536</u>	<u>(470,459,974)</u>
Total capital assets being depreciated, net	<u>100,427,820</u>	<u>(5,812,655)</u>	<u>(103,588)</u>	<u>94,511,577</u>
Governmental activities capital assets, net	<u>\$ 125,084,528</u>	<u>(4,609,852)</u>	<u>(162,235)</u>	<u>120,312,441</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	14,308,223	-	-	14,308,223
Total capital assets being depreciated	<u>34,969,724</u>	<u>-</u>	<u>-</u>	<u>34,969,724</u>
Less accumulated depreciation				
Infrastructure	(655,200)	(31,200)	-	(686,400)
Buildings	(12,728,300)	(188,835)	-	(12,917,135)
Equipment	(13,032,873)	(45,684)	-	(13,078,557)
Total accumulated depreciation	<u>(26,416,373)</u>	<u>(265,719)</u>	<u>-</u>	<u>(26,682,092)</u>
Total capital assets being depreciated, net	<u>8,553,351</u>	<u>(265,719)</u>	<u>-</u>	<u>8,287,632</u>
Business-type activities capital assets, net	<u>\$ 9,007,707</u>	<u>(265,719)</u>	<u>-</u>	<u>8,741,988</u>
Depreciation expense was charged to activities/programs of the primary government as follows:				
Governmental activities				
General government				\$ 5,071,403
Public safety				1,157,191
Public works				1,177,836
Building Inspections				7,853
Total depreciation expense - governmental activities				<u>\$ 7,414,283</u>
Depreciation expense for business-type activities is allocated over the following programs:				
Fairbanks Transportation Center				\$ 188,835
Municipal Utility System				76,884
Total depreciation expense - business type activities				<u>\$ 265,719</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations

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.

A negotiated agreement is in effect with IBEW that expires on December 31, 2020; FPDEA agreement and IFFA agreement expire on December 31, 2021. The AFL-CIO agreement expired on December 31, 2019 and is currently being negotiated.

City employees participate in a collective bargaining agreement retirement plan, special agreement retirement plan or the State of Alaska Public Employees' Retirement System (PERS).

Defined Benefit (DB) Pension Plan – Alaska Electrical Pension Plan

Plan Description

The City has employees that participate in the Alaska Electrical Pension Plan (AEPP) of the Alaska Electrical Pension Fund through a collective bargaining or special agreement. AEPP is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. AEPP provides defined benefit pensions predominately to non-government employees. Summary financial information for the plan can be obtained at www.aetf.com on the internet.

Benefit Terms

On December 31, 2019, the City had 36 employees participate in AEPP. The City also had 4 temporary employees participating in the plan. AEPP provides several levels of retirement benefits, including early, normal, late, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the AEPP Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$5.75 per compensable hour for employees earning \$50,000 or less and \$6.75 per compensable hour for employees earning more than \$50,000 under the collective bargaining agreement. For the special agreement, the City contributed \$5.50 per compensable hour for employees earning \$50,000 to \$54,999 and \$1,039.98 monthly for employees earning over \$60,000. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement will expire on December 31, 2020. The total contribution to AEPP for 2019 was \$521,418 of which \$25,569 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – Alaska Laborers-Employers Retirement Fund

Plan Description

The City has employees that participate in the Alaska Laborers-Employers Retirement Fund (AL-ERF) through the AFL-CIO collective bargaining agreement. AL-ERF is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. AL-ERF provides defined benefit pensions predominately to non-government employees. Summary financial information for the plan can be obtained at www.aklaborerstrust.com on the internet.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Benefit Terms

On December 31, 2019, the City had 11 employees participate in AL-ERF. The City also had 20 temporary employees participating in the plan. AL-ERF provides several levels of retirement benefits, including early, normal, late, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the AL-ERF Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$10.09 per compensable hour for employees and \$2.52 per compensable hour for employees in a non-accruing pension Funding Improvement Plan. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expired on December 31, 2019. The total contribution to AL-ERF for 2019 was \$357,021 of which \$25,214 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan

Plan Description

The City has employees that participate in the Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan (IUOERP) through the AFL-CIO collective bargaining agreement. IUOERP is administered by a joint labor management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. IUOERP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.EngineersTrust.com on the internet.

Benefit Terms

On December 31, 2019, the City had 19 employees participate in IUOERP. The City also had 42 temporary employees participating in the plan. IUOERP provides several levels of retirement benefits, including early, normal, late, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the IUOERP Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$8.00 per compensable hour for employees. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2019. The total contribution to IUOERP for 2019 was \$383,386 of which \$19,368 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – Northern Alaska Carpenters Retirement Plan

Plan Description

The City has employees that participate in the Northern Alaska Carpenters Retirement Plan (NACRP) through the AFL-CIO collective bargaining agreement. NACRP is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. NACRP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.alaskacarpenterstrusts.com on the internet.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Benefit Terms

On December 31, 2019, the City had two employees participate in NACRP. The City also had three temporary employees participating in the plan. NACRP provides several levels of retirement benefits, including early, normal, late, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the NACRP Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$6.85 per compensable hour for employees and employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2019. The total contribution to NACRP for 2019 was \$43,436 of which \$2,688 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – Alaska Plumbing and Pipefitting Industry Pension Fund

Plan Description

The City has employees that participate in the Alaska Plumbing and Pipefitting Industry Pension Fund (APPIPF) through the AFL-CIO collective bargaining agreement. APPIPF is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. APPIPF provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.akpipetrades.com on the internet.

Benefit Terms

On December 31, 2019, the City had one employee participate in APPIPF. The City also had one temporary employee participating in the plan. APPIPF provides several levels of retirement benefits, including early, normal, late, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the APPIPF Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$9.29 per compensable hour for the employee and the employee does not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2019. The total contribution to APPIPF for 2019 was \$21,441 of which \$859 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – Alaska Teamster-Employer Pension Plan

Plan Description

The City has employees that participate in the Alaska Teamster-Employer Pension Plan (ATEPP) through the AFL-CIO collective bargaining agreement. ATEPP is administered by a joint board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. ATEPP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.959trusts.com on the internet.

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

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Benefit Terms

On December 31, 2019, the City had three employees participate in ATEPP. The City also had two temporary employees participate in the plan. ATEPP provides several levels of retirement benefits, including early, normal, and deferred retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the ATEPP Board of Trustees.

Contribution Requirements

In 2019, the City contributed \$6.93 per compensable hour for employees and \$3.60 per compensable hour for supplemental pension. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2019. The total contribution to ATEPP for 2019 was \$72,941 of which \$3,012 was payable as of December 31, 2019.

Defined Benefit (DB) Pension Plan – PERS

Plan Description

On December 31, 2019, the City had 100 employees participate in the State of Alaska Public Employees' Retirement System (PERS). 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.

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. On 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.

Employee Contribution Rates

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

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 employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

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 resulted in lower ARM Board Adopted Rates for current and future years.

State (On-behalf) Contribution Rate – This is the rate paid 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. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenue and expenditure. In the government-wide financial statements, the on-behalf amounts are not included in revenue and expenses.

Contribution rates for the year ended December 31, 2019 as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
January 1 through June 30, 2019			
Pension	16.17%	21.75%	5.58%
Postemployment healthcare	5.83%	5.83%	0.00%
Total Contribution Rates	22.00%	27.58%	5.58%
July 1 through December 31, 2019			
Pension	15.72%	21.41%	5.69%
Postemployment healthcare	6.28%	7.21%	0.93%
Total Contribution Rates	22.00%	28.62%	6.62%

In 2019, the City was credited with the following contributions into the pension plan. Employee contributions were \$357,982.

	December 31, 2019
Employer contributions (including DBUL)	\$ 1,031,920
Nonemployer contributions (on-behalf)	611,760
Total Contributions	\$ 1,643,680

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

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

At December 31, 2019, the City reported a liability of \$15,028,071 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2019, the City's proportion was .27452%, which was a decrease of .02628% from its proportion measures as of June 30, 2018.

For the year ended December 31, 2019, the City recognized an increase in pension expense of \$549,620 in the government-wide financial statements.

	Beginning Balance	Ending Balance	Pension Expense
Net pension liability	\$ (14,946,734)	(15,028,071)	(81,337)
Deferred outflows	825,910	675,564	(150,346)
Deferred inflows	(375,134)	(639,681)	(264,547)
Contribution after measurement date	407,092	353,702	(53,390)
Total Obligations Related to Pensions	\$ (14,088,866)	(14,638,486)	(549,620)

At December 31, 2019, 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	\$ -	222,474
Changes in assumptions	460,093	-
Net difference between projected and actual earnings on pension plan investments	215,471	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	417,207
City contributions subsequent to the measurement date	353,702	-
Total Deferred Outflows and Inflows Related to Pensions	\$ 1,029,266	639,681

The \$353,702 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 ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	\$ 59,489
2021	(159,086)
2022	61,135
2023	74,344

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation rate	2.50 %
Salary increases	Graded by service, from 7.75% to 2.75% for peace officers/firefighters Graded by service, from 6.75% to 2.75% for all other
Investment rate of return	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Mortality	Pre-termination and post-termination mortality rates were based on the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officer/firefighters, 40% of the time for all others.

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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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 of 2.50%):

Asset class	Long-term expected real rate of return
Domestic equity	8.16 %
Global equity (non-U.S.)	7.51
Intermediate treasuries	1.58
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer 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, 2019, calculated using the discount rate of 7.38%, 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 (6.38%) or one percentage point higher (8.38%) than the current rate:

	Proportional Share	1% Decrease 6.38%	Current Discount Rate 7.38%	1% Increase 8.38%
City's proportionate share of the net pension liability	.27452%	\$19,834,417	\$15,028,071	\$11,002,914

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.

Defined Contribution (DC) Pension Plan - PERS

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.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Employer Contribution Rates

For the year ended December 31, 2019, 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.

In 2018, the State started allowing the usage of forfeitures for employer contributions to non-vested, terminated employee DC plans. Forfeited contributions are only available to cover future payrolls related to employer contributions to the DC plan.

For the year ended December 31, 2019, the City and employee contributions to PERS were \$237,070 and \$379,311, respectively. The City had forfeitures in the amount of \$9,996. The City contribution, net of forfeitures, was recognized as pension expense.

F. Other Postemployment Benefits (OPEB) Obligations

Defined Benefit Other Post-Employment Benefit (OPEB) Plan - PERS

Plan Description

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the City participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

Employee Contribution Rates

Employees do not contribute to the OPEB Plan.

Employer Contribution Rates

Contribution rates for the year ended December 31, 2019 were as follows:

January 1 through June 30, 2019	Peace Officers/ Firefighters	All Others	State Contribution Rate
ARHCT	5.83%	5.83%	0.00%
RMP	0.94%	0.94%	0.00%
ODD	0.76%	0.26%	0.00%
Total Contribution Rates	7.53%	7.03%	0.00%
July 1 through December 31, 2019	Peace Officers/ Firefighters	All Others	State Contribution Rate
ARHCT	6.28%	6.28%	0.93%
RMP	1.32%	1.32%	0.00%
ODD	0.72%	0.26%	0.00%
Total Contribution Rates	8.32%	7.86%	0.93%

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

For the year ended December 31, 2019, the City contributed \$601,885 into the OPEB Plan of which \$380,934 was for ARHCT.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At December 31, 2019, the City reported a liability of \$489,783 and an asset of \$165,047 for its proportionate share of the net OPEB liability. The total net OPEB liability for the City's proportionate share and State's proportionate support were as follows:

	December 31, 2019
City's proportionate share of net OPEB liability - ARHCT	\$ 407,263
State's proportionate share of net OPEB liability - ARHCT	162,063
Total net OPEB liability - ARHCT	569,326
City's proportionate share of net OPEB liability - RMP	82,520
City's proportionate share of net OPEB asset - ODD	(165,047)

The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2019, the City's proportions and changes in proportion of the net OPEB liabilities were as follows:

	June 30, 2018 Measurement	June 30, 2019 Measurement	Change
ARHCT	0.30081%	0.27447%	-0.02634%
RMP	0.30434%	0.34493%	0.04059%
ODD	0.30434%	0.68075%	0.37641%

For the year ended December 31, 2019, the City recognized a decrease in OPEB expense of \$3,416,562 in the government-wide financial statements.

	Beginning Balance	Ending Balance	OPEB Expense
Net OPEB liability - ARHCT	\$ (3,087,219)	(407,263)	2,679,956
Net OPEB liability - RMP	(38,727)	(82,520)	(43,793)
Net OPEB asset - ODD	59,109	165,047	105,938
Deferred outflows	703,133	660,020	(43,113)
Deferred inflows	(1,239,422)	(618,905)	620,517
Contribution after measurement date	179,885	276,942	97,057
Total Obligations Related to OPEB	\$ (3,423,241)	(6,679)	3,416,562

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
ARHCT	\$ -	273,673
RMP	-	6,113
ODD	-	51,459
Changes in assumptions		
ARHCT	540,431	-
RMP	39,942	-
ODD	-	3,156
Net difference between projected and actual earnings on OPEB plan investments		
ARHCT	-	178,337
RMP	-	911
ODD	-	1,091
Changes in proportion and differences between City contributions and proportionate share of contributions		
ARHCT	69,757	59,992
RMP	5,740	-
ODD	4,150	44,173
City contributions subsequent to the measurement date	276,942	-
Total Deferred Outflows and Inflows Related to OPEB	\$ 936,962	618,905

The \$276,942 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	ARHCT	RMP	ODD
2020	\$ 137,904	4,224	(14,209)
2021	(138,618)	4,224	(14,209)
2022	42,906	6,410	(12,701)
2023	55,994	6,371	(12,669)
2024	-	5,535	(13,174)
Thereafter	-	11,894	(28,766)

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience. In addition to the changes resulting from the experience study, the following assumptions were made since the prior valuation: (1) based on recent experience, the healthcare cost trend assumptions were updated, (2) per capita claim costs were updated to reflect recent experience, and (3) healthcare cost trends were updated to reflect a Cadillac Tax load.

Inflation rate	2.50 %
Salary increases	Graded by service, from 7.75% to 2.75% for peace officers/firefighters Graded by service, from 6.75% to 2.75% for all other
Investment rate of return	7.38%, net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Trend rates	Pre-65 medical; 7.5% grading down to 4.5% Post-65 medical; 5.5% grading down to 4.5% Prescription drug; 8.5% grading down to 4.5% Employer Group Waiver Plan: 8.5% grading down to 4.5%
Mortality	Pre-termination and post-termination mortality rates were based on the 2013-2017 actual mortality experience. Post-termination mortality rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 health annuitant table projected with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.

The long-term expected rate of return on OPEB 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 postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 2.50% inflation component):

Asset class	Long-term expected real rate of return
Domestic equity	8.16 %
Global ex-U.S. equity	7.51
Intermediate treasuries	1.58
Opportunistic	3.96
Real assets	4.76
Private equity	11.39
Cash equivalents	0.83

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

Discount Rate

The discount rate used to measure the total OPEB liability for all plans was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and non-employer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net OPEB liabilities calculated using the discount rate of 7.38%, as well as the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.38%) or one percentage point higher (8.38%) than the current rate:

City's proportionate share of the net OPEB liabilities (assets):	Proportional Share	1% Decrease 6.38%	Current	1% Increase 8.38%
			Discount Rate 7.38%	
ARHCT	0.27447%	\$ 3,275,924	407,263	(1,952,523)
RMP	0.34493%	207,263	82,520	(11,393)
ODD	0.68075%	(156,558)	(165,047)	(171,909)

Healthcare Cost Trend Rates Sensitivity

The following presents the City's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rate, as well as the City's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

City's proportionate share of the net OPEB liabilities (assets):	Proportional Share	1% Decrease	Current	1% Increase
			Discount Rate	
ARHCT	0.27447%	\$ (2,228,517)	407,263	3,623,909
RMP	0.34493%	(25,380)	82,520	230,225

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB 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 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

Defined Contribution Other Post-Employment Benefit (OPEB) Plan - PERS

Plan Description

Defined Contribution Pension Plan participants PERS DC Plan (Tier IV) participate in the Retiree Medical Plan and Occupational Death and Disability Plan described in the DB OPEB Plan section. In addition, PERS defined contribution members participate in the Health Reimbursement Agreement. 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 \$87.62 as of June 30, 2019 and \$88.40 as of December 31, 2019.

Employee Contribution Rates

Employees do not contribute to the DC OPEB Plan.

Employer Contribution Rates

Employer contribution rates are described in the DB OPEB Plan section.

For the year ended December 31, 2019, the City contributed \$208,026 in DC OPEB costs. This amount was recognized as expense.

G. Deferred Compensation Plan

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 choice of the investment options is made by participants. As part of its fiduciary role, the City has an obligation of due care in selecting the third-party administrators. MetLife was selected as the only deferred compensation plan. 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 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

H. Deferred Outflows/Inflows of Resources

At December 31, 2019, the City reported deferred outflows/inflows of resources in the **government-wide** financial statements related to pensions. See Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Note 3. E. and See OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans Note 3. F.

At December 31, 2019, the City reported deferred inflows of resources in the **governmental funds** as follows:

	General	Permanent	Total Governmental Funds
Special assessments	\$ 56,834	-	56,834
Notes Receivable	1,000	135,447	136,447
Techite Receivable	2,400,000	-	2,400,000
Total deferred inflows of resources	<u>\$ 2,457,834</u>	<u>135,447</u>	<u>2,593,281</u>

I. Fund Balance Detail – Governmental Funds

	General	Permanent	Grants & Contracts	Other Governmental	Total
Nonspendable					
Prepayments	\$ 5,612	-	-	552,120	557,732
Restricted					
Investment	-	134,568,000	-	-	134,568,000
Federal Asset Forfeiture	-	-	-	50,970	50,970
Total Restricted	-	<u>134,568,000</u>	-	<u>50,970</u>	<u>134,618,970</u>
Committed					
Snow Removal	250,000	-	-	-	250,000
Capital Projects	-	-	-	4,563,509	4,563,509
Total Committed	<u>250,000</u>	-	-	<u>4,563,509</u>	<u>4,813,509</u>
Assigned					
Contractual Obligations	413,257	-	-	2,694,326	3,107,583
Capital Projects	-	-	-	7,891,312	7,891,312
Total Assigned	<u>413,257</u>	-	-	<u>10,585,638</u>	<u>10,998,895</u>
Unassigned	<u>10,618,540</u>	-	-	<u>(254,420)</u>	<u>10,364,120</u>
Total Fund Balance	<u>\$11,287,409</u>	<u>134,568,000</u>	<u>-</u>	<u>15,497,817</u>	<u>161,353,226</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

J. Other Liabilities

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

The loans are collateralized by the \$396,000 rental income recorded in the MUS enterprise fund and guaranteed by GHU's parent company Fairbanks Sewer and Water, Inc. All structures constructed with ACWF loans will remain the property of the City until 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 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.

As of December 31, 2019, the City owes the State of Alaska Department of Environmental Conservation and GHU owes the City the following:

ACWF Loans	Year Issued	Final Payment	Interest Rate	Total Loan	Loan Balance
Sodium Hypochloride Project	2010	2029	1.5%	\$ 708,700	\$ 354,350
Sludge Dewatering Project	2014	2028	1.5%	4,625,600	2,775,360
Clarifier Project	2016	2030	1.5%	649,170	476,058
Total					<u><u>\$ 3,605,768</u></u>

The following changes occurred during fiscal year 2019 for other liabilities:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year	Due in more than one year
Governmental activities:						
Compensated absences	\$ 1,637,676	1,651,265	1,842,274	1,446,667	1,446,667	-
Self-Insurance losses	644,995	317,201	188,488	773,708	304,794	468,914
Net OPEB liability	3,125,946	43,793	2,679,956	489,783	-	489,783
Net pension liability	14,946,734	81,337	-	15,028,071	-	15,028,071
Governmental activity						
Other liabilities	<u>\$ 20,355,351</u>	<u>2,093,596</u>	<u>4,710,718</u>	<u>17,738,229</u>	<u>1,751,461</u>	<u>15,986,768</u>
Business-type activities:						
Alaska clean water loans						
Dewatering Loan	\$ 3,083,733	-	308,373	2,775,360	308,373	2,466,987
Hypochlorite Loan	389,785	-	35,435	354,350	35,435	318,915
Clarifier Loan	519,336	-	43,278	476,058	43,278	432,780
Business-type activities						
Other liabilities	<u>\$ 3,992,854</u>	<u>-</u>	<u>387,086</u>	<u>3,605,768</u>	<u>387,086</u>	<u>3,218,682</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 and the amount due within one year is based on a three-year average of prior year expenditures. Compensated absences are liquidated by the ISF. Claims and judgments (self-insurance losses) are liquidated by the risk fund.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

K. 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. In November 2017, the lease was amended to extend the original term for an additional 25 years and to modify the option to purchase the plant. GHU may purchase the plant for \$5,200,000 until October 2027; if not exercised, the purchase price will be reduced by 5% each subsequent year but never less than \$400,000. GHU will also receive a credit of \$4,000,000 until October 2030; if not, the net purchase price shall be \$400,000. Rental income of \$396,900 was recognized in 2019.

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

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:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Asset:		
Land	\$ 5,012,998	185,356
Buildings	751,877	-
Plant in service (includes equipment)	-	25,419,031
Less: Accumulated depreciation	<u>(400,773)</u>	<u>(23,315,765)</u>
Total	<u>\$ 5,364,102</u>	<u>2,288,622</u>

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

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
2020	\$ 130,661	396,900	527,561
2021	120,731	396,900	517,631
2022	119,731	396,900	516,631
2023	112,330	396,900	509,230
2024	<u>112,330</u>	<u>396,900</u>	<u>509,230</u>
Total minimum rental receipts	<u>\$ 595,783</u>	<u>1,984,500</u>	<u>2,580,283</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

L. 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. 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 retains risk for the deductible portions of the policy and workers compensation claims incurred prior to July 1, 2004. 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. Settlements have not exceeded coverages in each of the last three years.

The City records liabilities for all known unpaid claims in the **government-wide financial statements** when they are reported to the risk manager. The balance of these claims was \$773,708 for self-insurance losses and \$655,106 for pollution remediation. Changes in the claims liabilities for fiscal years 2019 and 2018 are as follows:

	<u>Claims Liability</u> <u>December 31, 2019</u>	<u>Claims Liability</u> <u>December 31, 2018</u>
January 1	\$ 1,392,893	2,107,686
Current year claims	182,973	144,295
Changes in estimates for claims of the prior period	134,227	(78,033)
Claims payments	<u>(281,279)</u>	<u>(781,055)</u>
December 31	<u>\$ 1,428,814</u>	<u>1,392,893</u>

The City recorded expenditures for claims in the **governmental fund financial statements** in the amount of \$188,487 for self-insurance losses and \$92,792 for pollution remediation for a total of \$281,279.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

M. Pollution Remediation Obligation

In 2016, the City was alerted to concentrations of Perfluorinated Compounds (PFCs) in the groundwater at the Regional Fire Training Center (RFTC). Firefighters from the City and other agencies used Aqueous Film Forming, a firefighting agent that contained PFCs, during training to extinguish petroleum fires in a burn pit at the RFTC from 1984 to 2004. Test results indicate that PFCs were present at concentrations above the health advisory level in drinking wells northwest of the RFTC. The City connected affected homes and businesses to the municipal water system. The City continues to work on a plan with Alaska Department of Environmental Conservation and local consultants to remediate the contaminated soils at the burn pit. In 2019, the City paid \$92,792 in remediation costs. The current estimated pollution remediation obligation is \$655,106. Actual cost may vary due to inflation or deflation, changes in services, or changes in regulations.

N. 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 and pollution remediation. 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.

O. 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:

	2019	2018
Interest income	\$ 1,486,718	1,491,924
Dividends	1,883,017	1,781,373
Net realized (losses) gains	16,466,429	4,342,476
Net unrealized (losses) gains	915,990	(13,989,589)
	\$ 20,752,154	(6,373,816)

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

O. Permanent Fund, Continued

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% 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% of the 5-year average fund market value of previous years can be made available for appropriation for capital expenditures.

The restricted amount for subsequent year transfers for general operations and capital expenditures in 2019 (based on an average of 2015-2019) and 2018 (based on an average of 2014-2018) is calculated as follows:

	2019	2018
Total average investments held in trust	\$ 123,962,444	121,226,046
Total average other assets	172,986	192,541
Total average liabilities	(1,805)	(2,106)
Total average fund value	\$ 124,133,625	121,416,481
Available for general operations	4,965,345	4,856,659
Available for capital expenditures	620,668	607,082
Subsequent year transfers	\$ 5,586,013	5,463,741

NOTE 4 – SUBSEQUENT EVENT

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen, and the potential financial impact is unknown at this time. Management is carefully monitoring the situation and evaluating its options. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to December 31, 2019, the investment and credit markets have experienced significant volatility.

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 – Public Employees Retirement System - Defined Benefit Plan
Schedule of Proportionate Share of Net OPEB Liability
Schedule of Contributions- Public Employees Retirement System - OPEB Plan
Schedule of Contributions – Other Pension Plans
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, 2019

	Budget Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 21,706,047	21,634,047	22,033,268	399,221
Charges for services	5,386,902	5,571,902	5,641,337	69,435
Intergovernmental	1,319,288	1,281,359	1,276,172	(5,187)
Licenses and permits	1,659,883	1,669,883	1,586,537	(83,346)
Fines and forfeitures	550,000	550,000	511,203	(38,797)
Rental	139,835	139,835	146,665	6,830
Interest and penalties	215,500	215,500	496,521	281,021
Other	221,000	801,000	223,838	(577,162)
Total revenues	<u>31,198,455</u>	<u>31,863,526</u>	<u>31,915,541</u>	<u>52,015</u>
Expenditures				
General government				
Mayor	643,684	658,414	654,211	4,203
Legal	208,081	213,471	146,272	67,199
City clerk	409,154	414,404	405,296	9,108
Finance	901,445	925,795	839,738	86,057
Information technologies	1,986,202	2,157,545	1,934,642	222,903
General account	4,607,050	5,381,073	4,670,918	710,155
Total general government	<u>8,755,616</u>	<u>9,750,702</u>	<u>8,651,077</u>	<u>1,099,625</u>
Public safety				
Police	7,057,012	7,008,036	6,774,535	233,501
FECC	2,502,875	2,555,054	2,442,332	112,722
Fire	6,673,987	6,902,182	6,738,884	163,298
Total public safety	<u>16,233,874</u>	<u>16,465,272</u>	<u>15,955,751</u>	<u>509,521</u>
Public works				
Works	8,264,092	8,699,001	7,678,541	1,020,460
Engineering	781,242	805,502	788,617	16,885
Total public works	<u>9,045,334</u>	<u>9,504,503</u>	<u>8,467,158</u>	<u>1,037,345</u>
Building inspections	<u>705,075</u>	<u>722,705</u>	<u>570,465</u>	<u>152,240</u>
Total expenditures	<u>34,739,899</u>	<u>36,443,182</u>	<u>33,644,451</u>	<u>2,798,731</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(3,541,444)</u>	<u>(4,579,656)</u>	<u>(1,728,910)</u>	<u>2,850,746</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, 2019

	Budget Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 4,879,598	4,856,659	4,856,659	-
Transfers out	(740,079)	(4,240,079)	(4,231,002)	9,077
Sale of capital assets	25,000	135,000	121,166	(13,834)
Total other financing sources (uses)	4,164,519	751,580	746,823	(4,757)
Net change in fund balances	<u>\$ 623,075</u>	<u>(3,828,076)</u>	(982,087)	<u>2,845,989</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.

(173,028)

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

\$ (1,155,115)

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Public Employees Retirement System - Defined Benefit Plan
 Last Five Fiscal Years

Year Ended June 30	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.27452%	\$ 15,028,071	\$ 5,964,888	\$ 20,992,959	\$ 4,978,158	301.88%	63.42%
2018	0.30080%	\$ 14,946,734	\$ 4,327,541	\$ 19,274,275	\$ 5,548,677	269.37%	65.19%
2017	0.28093%	\$ 14,522,304	\$ 5,411,807	\$ 19,934,111	\$ 6,229,268	233.13%	63.37%
2016	0.36825%	\$ 20,583,532	\$ 2,594,007	\$ 23,177,539	\$ 6,536,228	314.91%	59.55%
2015	0.31620%	\$ 15,335,799	\$ 4,109,038	\$ 19,444,837	\$ 7,161,893	214.13%	63.96%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Public Employees Retirement System - Defined Benefit Plan
 Last Five Fiscal Years

Year Ended June 30	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 1,095,195	\$ 1,095,397	\$ (202)	\$ 4,978,158	22.0%
2018	\$ 1,220,709	\$ 1,220,447	\$ 262	\$ 5,548,677	22.0%
2017	\$ 1,370,439	\$ 1,370,439	\$ -	\$ 6,229,268	22.0%
2016	\$ 1,437,970	\$ 1,435,984	\$ 1,986	\$ 6,536,228	22.0%
2015	\$ 1,575,616	\$ 1,575,616	\$ -	\$ 7,161,893	22.0%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Proportionate Share of Net OPEB Liability
 Public Employees Retirement System - OPEB Plan
 Last Three Fiscal Years

Year Ended June 30	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<i>Alaska Retiree Healthcare Trust</i>							
2019	0.27447%	\$ 407,263	\$ 162,063	\$ 569,326	\$ 4,307,363	9.46%	98.13%
2018	0.30081%	\$ 3,087,219	\$ 894,642	\$ 3,981,861	\$ 3,453,182	89.40%	88.12%
2017	0.28100%	\$ 2,373,731	\$ 884,320	\$ 3,258,051	\$ 2,811,595	84.43%	89.68%
<i>Retiree Medical Plan</i>							
2019	0.34493%	\$ 82,520	\$ -	\$ 82,520	\$ 4,307,363	1.92%	83.17%
2018	0.30434%	\$ 38,727	\$ -	\$ 38,727	\$ 3,453,182	1.12%	88.71%
2017	0.26483%	\$ 14,042	\$ -	\$ 14,042	\$ 2,811,595	0.50%	93.98%
<i>Occupational Death and Disability Plan</i>							
2019	0.68075%	\$ (165,047)	\$ -	\$ (165,047)	\$ 4,307,363	-3.83%	297.43%
2018	0.30434%	\$ (59,109)	\$ -	\$ (59,109)	\$ 3,453,182	-1.71%	270.62%
2017	0.26925%	\$ (38,204)	\$ -	\$ (38,204)	\$ 2,811,595	-1.36%	212.97%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Public Employees Retirement System - OPEB Plan
 Last Three Fiscal Years

Year Ended June 30	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>Alaska Retiree Healthcare Trust</i>					
2019	\$ 110,929	\$ 110,929	\$ -	\$ 4,307,363	2.6%
2018	\$ 90,227	\$ 90,238	\$ (11)	\$ 3,453,182	2.6%
2017	\$ 78,815	\$ 78,815	\$ -	\$ 2,811,595	2.8%
<i>Retiree Medical Plan</i>					
2019	\$ 40,489	\$ 40,481	\$ 8	\$ 4,307,363	0.9%
2018	\$ 35,559	\$ 35,665	\$ (106)	\$ 3,453,182	1.0%
2017	\$ 33,177	\$ 33,064	\$ 113	\$ 2,811,595	1.2%
<i>Occupational Death and Disability Plan</i>					
2019	\$ 27,818	\$ 27,783	\$ 35	\$ 4,307,363	0.6%
2018	\$ 12,566	\$ 12,537	\$ 29	\$ 3,453,182	0.4%
2017	\$ 11,307	\$ 11,260	\$ 47	\$ 2,811,595	0.4%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA

Required Supplementary Information

Schedule of Contributions

Alaska Electrical Pension Plan

Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 521,418	\$ 521,418	\$ -	\$ 3,016,900	17.3%
2018	\$ 588,686	\$ 588,686	\$ -	\$ 3,333,762	17.7%
2017	\$ 632,716	\$ 632,716	\$ -	\$ 3,587,724	17.6%
2016	\$ 648,068	\$ 648,068	\$ -	\$ 3,469,521	18.7%
2015	\$ 695,301	\$ 695,301	\$ -	\$ 3,982,228	17.5%
2014	\$ 690,026	\$ 690,026	\$ -	\$ 3,809,823	18.1%
2013	\$ 676,779	\$ 676,779	\$ -	\$ 3,641,988	18.6%
2012	\$ 670,714	\$ 670,714	\$ -	\$ 3,517,303	19.1%
2011	\$ 671,207	\$ 671,207	\$ -	\$ 3,393,556	19.8%
2010	\$ 639,684	\$ 639,684	\$ -	\$ 3,114,949	20.5%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Laborers-Employers Retirement Fund
 Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 357,021	\$ 357,021	\$ -	\$ 760,966	46.9%
2018	\$ 356,776	\$ 356,776	\$ -	\$ 733,244	48.7%
2017	\$ 358,557	\$ 358,557	\$ -	\$ 775,069	46.3%
2016	\$ 365,143	\$ 365,143	\$ -	\$ 796,261	45.9%
2015	\$ 347,032	\$ 347,032	\$ -	\$ 790,272	43.9%
2014	\$ 318,973	\$ 318,973	\$ -	\$ 791,609	40.3%
2013	\$ 332,229	\$ 332,229	\$ -	\$ 796,118	41.7%
2012	\$ 307,815	\$ 307,815	\$ -	\$ 759,856	40.5%
2011	\$ 289,816	\$ 289,816	\$ -	\$ 740,777	39.1%
2010	\$ 265,468	\$ 265,468	\$ -	\$ 685,423	38.7%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Locals 302 and 612 of the International Union of Operating Engineers -
 Employers Construction Industry Retirement Plan
 Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 383,386	\$ 383,386	\$ -	\$ 1,476,608	26.0%
2018	\$ 376,887	\$ 376,887	\$ -	\$ 1,584,585	23.8%
2017	\$ 443,116	\$ 443,116	\$ -	\$ 1,940,098	22.8%
2016	\$ 360,898	\$ 360,898	\$ -	\$ 1,535,525	23.5%
2015	\$ 412,078	\$ 412,078	\$ -	\$ 1,779,776	23.2%
2014	\$ 370,424	\$ 370,424	\$ -	\$ 1,629,693	22.7%
2013	\$ 383,948	\$ 383,948	\$ -	\$ 1,658,519	23.2%
2012	\$ 366,928	\$ 366,928	\$ -	\$ 1,546,638	23.7%
2011	\$ 341,234	\$ 341,234	\$ -	\$ 1,471,070	23.2%
2010	\$ 298,540	\$ 298,540	\$ -	\$ 1,226,383	24.3%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Northern Alaska Carpenters Retirement Plan
 Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 43,436	\$ 43,436	\$ -	\$ 205,320	21.2%
2018	\$ 34,455	\$ 34,455	\$ -	\$ 161,945	21.3%
2017	\$ 27,826	\$ 27,826	\$ -	\$ 122,249	22.8%
2016	\$ 22,405	\$ 22,405	\$ -	\$ 105,088	21.3%
2015	\$ 14,358	\$ 14,358	\$ -	\$ 63,271	22.7%
2014	\$ 14,311	\$ 14,311	\$ -	\$ 59,992	23.9%
2013	\$ 14,426	\$ 14,426	\$ -	\$ 58,459	24.7%
2012	\$ 14,344	\$ 14,344	\$ -	\$ 56,053	25.6%
2011	\$ 15,527	\$ 15,527	\$ -	\$ 62,097	25.0%
2010	\$ 11,176	\$ 11,176	\$ -	\$ 54,019	20.7%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Plumbing and Pipefitting Industry Pension Fund
 Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 21,441	\$ 21,441	\$ -	\$ 68,842	31.1%
2018	\$ 20,975	\$ 20,975	\$ -	\$ 65,666	31.9%
2017	\$ 21,440	\$ 21,440	\$ -	\$ 70,732	30.3%
2016	\$ 22,507	\$ 22,507	\$ -	\$ 85,712	26.3%
2015	\$ 21,737	\$ 21,737	\$ -	\$ 100,271	21.7%
2014	\$ 17,833	\$ 17,833	\$ -	\$ 83,794	21.3%
2013	\$ 17,515	\$ 17,515	\$ -	\$ 82,707	21.2%
2012	\$ 18,528	\$ 18,528	\$ -	\$ 84,051	22.0%
2011	\$ 16,062	\$ 16,062	\$ -	\$ 75,481	21.3%
2010	\$ 15,848	\$ 15,848	\$ -	\$ 72,640	21.8%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Teamster-Employer Pension Plan
 Last Ten Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 72,941	\$ 72,941	\$ -	\$ 200,409	36.4%
2018	\$ 70,249	\$ 70,249	\$ -	\$ 189,281	37.1%
2017	\$ 65,997	\$ 65,997	\$ -	\$ 172,217	38.3%
2016	\$ 83,336	\$ 83,336	\$ -	\$ 479,517	17.4%
2015	\$ 66,768	\$ 66,768	\$ -	\$ 369,905	18.1%
2014	\$ 58,860	\$ 58,860	\$ -	\$ 351,846	16.7%
2013	\$ 55,126	\$ 55,126	\$ -	\$ 356,915	15.4%
2012	\$ 52,645	\$ 52,645	\$ -	\$ 360,569	14.6%
2011	\$ 55,508	\$ 55,508	\$ -	\$ 284,489	19.5%
2010	\$ 54,434	\$ 54,434	\$ -	\$ 199,754	27.3%

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. Public hearings are conducted to obtain comments on the proposed annual budget.
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.

Budgets for the general and the capital fund were originally adopted by City Council on December 10, 2018 and amended by ordinances during 2019. Budgets for the general and capital fund are annual appropriations that lapse at year-end to the extent that expenditures have not been encumbered. Budgets for the grants and contracts fund are adopted by project which may extend over multiple years. Formal budgetary integration is employed as a management control device during the year.

The City is required to present budgetary comparison schedules for the general fund and for each major special revenue fund. The City does not have an annual adopted budget for a major special revenue fund; therefore, budgetary information is only presented for the general fund. Budgetary comparisons presented in this report are on a budgetary basis whereas budgets are adopted on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase.

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, 2019, the Plan measurement date is June 30, 2019. The City did not have changes in benefit terms, assumptions, or allocation methodology from the prior measurement period. This schedule will present 10 years of information as it becomes available.

Note 3 – Schedule of Proportionate Share of Net OPEB Liability

The information presented in this schedule is based on the Plan measurement date for December 31, 2019, the Plan measurement date is June 30, 2019. The City did not have changes in benefit terms, assumptions, or allocation methodology from the prior measurement period. This schedule will present 10 years of information as it becomes available.

CITY OF FAIRBANKS, ALASKA
Notes to Required Supplementary Information
(Continued)

Note 4 – Schedules of Contributions

Public Employees' Retirement System (PERS) – Defined Benefit Plan

The information presented in this schedule is based on the City's contribution during the last five years. A portion of these contributions are reported as deferred outflow on the December 31, 2019 basic financial statements. This schedule will present 10 years of information as it becomes available.

Public Employees' Retirement System (PERS) – OPEB Plan

The information presented in this schedule is based on the City's contribution during the last three years. A portion of these contributions are reported as deferred outflow on the December 31, 2019 basic financial statements. This schedule will present 10 years of information as it becomes available.

Alaska Electrical Pension Plan

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. The decrease in City's covered employee payroll in 2016 is due to a loss in positions for outsourcing Information Technology.

Alaska Laborers-Employers Retirement Fund

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. The City contributed additional funds in a Funding Improvement Plan per collective bargaining agreement since 2016. City's contribution will vary depending on the number of temporary workers.

Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. City's contribution will vary depending on the number of temporary workers and increases in health care costs.

Northern Alaska Carpenters Retirement Plan

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. The City had an overlap in staffing as a staff member was promoted in 2016; the staff promoted was retained in this Union in 2017.

Alaska Plumbing and Pipefitting Industry Pension Fund

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. In 2015, the City had an overlap in staffing as a staff member prepared for retirement.

Alaska Teamster-Employer Pension Plan

The information presented in this schedule is based on the City's contribution during the last 10 years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. In 2017, the City had one employee change from full-time status to part-time status.

SUPPLEMENTARY INFORMATION SECTION

General Fund

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

Nonmajor Governmental Funds

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

Cash and Investment Additional Information

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



General Fund

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.

Nonmajor Governmental Funds

Risk Special Revenue Fund

The Risk Special Revenue Fund accounts for dedicated property tax collections and payments associated with claims, judgments, and mitigation insurance.

Asset Forfeiture Special Revenue Fund

The Asset Forfeiture Special Revenue Fund accounts for proceeds received from Federal and State agencies for federal controlled substance cases. Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Capital Fund

The Capital Fund accounts for the receipt and expenditures of resources designated for capital projects, equipment, and property replacement or maintenance. 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 the proprietary fund.

Cash and Investment Additional Information

Combined Schedule of Cash and Investments Classified by Depository – All Funds

This schedule provides additional fiscal data considered valuable in meeting other informational needs and in providing a better understanding of the finances of the City.

Calculation of the Change in the Fair Value of Investments – Permanent Fund

This schedule provides 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

General Fund

Balance Sheet

December 31, 2019

(With comparative totals for 2018)

	Totals	
	2019	2018
ASSETS		
Equity in central treasury	\$ 10,707,045	\$ 11,961,671
Restricted cash and cash equivalents	100	100
	<u>10,707,145</u>	<u>11,961,771</u>
Receivables		
Taxes	1,255,469	1,238,757
Accounts	1,171,464	1,056,817
Special assessments	20,523	20,523
Interest and penalties	68,629	75,495
Notes	4,900	-
Techite	2,400,000	2,600,000
Less allowance for uncollectible receivables	<u>(882,233)</u>	<u>(961,877)</u>
	<u>4,038,752</u>	<u>4,029,715</u>
Prepaid assets	5,612	2,491
Due from other funds	<u>1,540,164</u>	<u>1,578,654</u>
Total assets	<u><u>\$ 16,291,673</u></u>	<u><u>\$ 17,572,631</u></u>
LIABILITIES		
Accounts payable	\$ 2,075,763	\$ 2,062,972
Deposits	20,573	26,073
Unearned revenue	<u>450,094</u>	<u>386,393</u>
Total liabilities	<u>2,546,430</u>	<u>2,475,438</u>
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	<u>2,457,834</u>	<u>2,654,669</u>
FUND BALANCE		
Nonspendable	5,612	2,491
Committed	250,000	250,000
Assigned	413,257	586,285
Unassigned	<u>10,618,540</u>	<u>11,603,748</u>
Total fund balance	<u>11,287,409</u>	<u>12,442,524</u>
Total liabilities, deferred inflows, and fund balance	<u><u>\$ 16,291,673</u></u>	<u><u>\$ 17,572,631</u></u>

CITY OF FAIRBANKS, ALASKA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2019

(With comparative totals for 2018)

	Totals	
	2019	2018
Revenues		
Taxes		
Real property	\$ 14,207,725	\$ 13,994,308
Hotel / motel	3,445,847	3,379,900
Alcoholic beverages	2,333,130	2,273,948
Tobacco distribution	878,288	810,972
Marijuana	1,168,278	989,569
Charges for services	5,641,337	5,592,220
Intergovernmental		
PERS relief payments	611,760	415,372
Other	1,276,172	1,488,447
Licenses and permits	1,586,537	1,874,904
Fines and forfeitures	511,203	611,956
Special assessments	1,074	1,074
Other revenues		
Interest and penalties	496,521	328,163
Rental	146,665	139,615
Techite settlement	200,000	200,000
Other	22,764	161,916
Total revenues	32,527,301	32,262,364
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	537,718	580,714
Employee benefits	174,308	173,219
Other services	18,469	18,920
Inter-departmental	(71,844)	(115,673)
Total mayor and city council	658,651	657,180
City attorney		
Salaries and wages	218,484	249,781
Employee benefits	67,253	76,972
Other services	34,254	36,818
Inter-departmental	(173,719)	(168,739)
Total city attorney	146,272	194,832
City clerk		
Salaries and wages	263,304	227,028
Employee benefits	94,829	76,893
Other services	47,163	45,978
Total city clerk	405,296	349,899
Finance		
Salaries and wages	554,500	600,673
Employee benefits	192,641	182,492
Other services	92,597	98,650
Total finance	839,738	881,815

CITY OF FAIRBANKS, ALASKA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2019

(With comparative totals for 2018)

	Totals	
	2019	2018
Expenditures - continued		
General government, continued		
Information technology		
Other services	2,005,875	1,909,927
Total information technology	2,005,875	1,909,927
Non-departmental		
Community services	2,169,704	1,933,042
PERS relief payments	611,760	415,372
Hotel / motel distributions	2,634,099	2,619,223
Total non-departmental	5,415,563	4,967,637
Total general government	9,471,395	8,961,290
Public safety		
Police		
Salaries and wages	4,386,589	4,235,337
Employee benefits	1,717,155	1,502,713
Other services	616,708	579,966
Total police	6,720,452	6,318,016
Dispatch		
Salaries and wages	1,432,130	1,381,118
Employee benefits	590,818	524,365
Other services	415,684	260,686
Total dispatch	2,438,632	2,166,169
Fire		
Salaries and wages	4,183,877	4,145,910
Employee benefits	1,762,277	1,702,039
Other services	780,743	679,192
Total fire	6,726,897	6,527,141
Total public safety	15,885,981	15,011,326
Public works		
Works		
Salaries and wages	2,875,467	2,828,695
Employee benefits	1,706,824	1,691,853
Other services	3,048,463	3,053,083
Total works	7,630,754	7,573,631
Engineering		
Salaries and wages	537,035	498,039
Employee benefits	161,924	133,801
Other services	75,726	39,128
Total engineering	774,685	670,968
Total public works	8,405,439	8,244,599

CITY OF FAIRBANKS, ALASKA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2019
 (With comparative totals for 2018)

	Totals	
	2019	2018
Expenditures - continued		
Building inspections		
Salaries and wages	412,308	465,913
Employee benefits	135,508	145,248
Other services	22,649	17,519
Total building inspections	<u>570,465</u>	<u>628,680</u>
Capital outlay		
General government		
Nondepartmental	12,990	59,447
Total general government	<u>12,990</u>	<u>59,447</u>
Public safety		
Police	-	14,942
Total public safety	<u>-</u>	<u>14,942</u>
Public works		
Works	82,969	63,954
Total public works	<u>82,969</u>	<u>63,954</u>
Total capital outlay	<u>95,959</u>	<u>138,343</u>
Total expenditures	<u>34,429,239</u>	<u>32,984,238</u>
Excess (deficiency) of revenues over expenditures	<u>(1,901,938)</u>	<u>(721,874)</u>
Other financing sources (uses)		
Transfers in	4,856,659	4,815,487
Transfers out	(4,231,002)	(3,770,623)
Sale of capital assets	121,166	27,956
Total other financing sources (uses)	<u>746,823</u>	<u>1,072,820</u>
Net change in fund balances	(1,155,115)	350,946
Fund balance - beginning	<u>12,442,524</u>	<u>12,091,578</u>
Fund balance - ending	<u>\$ 11,287,409</u>	<u>\$ 12,442,524</u>

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2019

	<u>Special Revenue Fund</u>			<u>Total Other Governmental Funds</u>
	<u>Risk</u>	<u>Asset Forfeiture</u>	<u>Capital Fund</u>	
ASSETS				
Equity in central treasury	\$ -	-	15,151,986	15,151,986
Restricted cash and cash equivalents	-	50,970	-	50,970
Receivables	-	-	-	-
Prepaid assets	552,120	-	-	552,120
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 552,120</u>	<u>50,970</u>	<u>15,151,986</u>	<u>15,755,076</u>
LIABILITIES				
Accounts payable	\$ 3,527	-	2,839	6,366
Unearned revenue	-	-	-	-
Due to general fund	250,893	-	-	250,893
Total liabilities	<u>254,420</u>	<u>-</u>	<u>2,839</u>	<u>257,259</u>
FUND BALANCES				
Nonspendable	552,120	-	-	552,120
Restricted	-	50,970	-	50,970
Committed	-	-	4,563,509	4,563,509
Assigned	-	-	10,585,638	10,585,638
Unassigned	(254,420)	-	-	(254,420)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>297,700</u>	<u>50,970</u>	<u>15,149,147</u>	<u>15,497,817</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 552,120</u>	<u>50,970</u>	<u>15,151,986</u>	<u>15,755,076</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2019

	<u>Special Revenue Fund</u>			Total Other Governmental Funds
	<u>Risk</u>	<u>Asset Forfeiture</u>	<u>Capital Fund</u>	
Revenues				
Taxes	\$ 1,962,614	-	-	1,962,614
Intergovernmental	-	38,685	-	38,685
Investment earnings	-	28	-	28
Other revenues	-	-	1,301,000	1,301,000
	<u>1,962,614</u>	<u>38,713</u>	<u>1,301,000</u>	<u>3,302,327</u>
Expenditures				
Current				
General government	1,550,526	-	548,436	2,098,962
Public safety	-	4,174	11,906	16,080
Public works	-	-	36,838	36,838
Capital outlay				
General government	-	-	680,936	680,936
Public safety	-	-	374,499	374,499
Public works	-	-	835,521	835,521
	<u>1,550,526</u>	<u>4,174</u>	<u>2,488,136</u>	<u>4,042,836</u>
Excess (deficiency) of revenues over expenditures	<u>412,088</u>	<u>34,539</u>	<u>(1,187,136)</u>	<u>(740,509)</u>
Other financing sources				
Transfers in	-	-	4,838,084	4,838,084
	<u>-</u>	<u>-</u>	<u>4,838,084</u>	<u>4,838,084</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,838,084</u>	<u>4,838,084</u>
Net change in fund balances	412,088	34,539	3,650,948	4,097,575
Fund balances - beginning	<u>(114,388)</u>	<u>16,431</u>	<u>11,498,199</u>	<u>11,400,242</u>
Fund balances - ending	<u>\$ 297,700</u>	<u>50,970</u>	<u>15,149,147</u>	<u>15,497,817</u>

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Asset replacement and repair charges	\$ 1,641,079	1,641,079	1,301,000	(340,079)
Expenditures				
Capital outlay				
General government	1,595,839	2,042,373	880,942	1,161,431
Public safety	950,341	1,183,746	1,089,198	94,548
Public works	1,855,000	2,310,437	2,140,064	170,373
Total expenditures	<u>4,401,180</u>	<u>5,536,556</u>	<u>4,110,204</u>	<u>1,426,352</u>
Excess deficiency of revenues over expenditures	<u>(2,760,101)</u>	<u>(3,895,477)</u>	<u>(2,809,204)</u>	<u>1,086,273</u>
Other financing sources (uses)				
Transfers in	<u>1,009,950</u>	<u>4,507,082</u>	<u>4,838,084</u>	<u>331,002</u>
Total other financing sources (uses)	<u>1,009,950</u>	<u>4,507,082</u>	<u>4,838,084</u>	<u>331,002</u>
Net change in fund balances	<u>\$ (1,750,151)</u>	<u>611,605</u>	<u>2,028,880</u>	<u>1,417,275</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

1,622,068

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

\$ 3,650,948

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Cash and Investments
 Classified by Depository - All Funds
 December 31, 2019

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	11,090	\$ 11,090
Mt. McKinley Bank	-	1,387,877	1,387,877
Key Trust	-	1,669,983	1,669,983
Key Trust			
Equity mutual funds	73,419,619	-	73,419,619
U. S. treasuries and agencies	26,335,598	-	26,335,598
Corporate bonds	5,522,576	-	5,522,576
Fixed income mutual funds	6,512,733	-	6,512,733
Foreign bonds	6,729,026	-	6,729,026
Real Estate Investment Trust (REIT)	8,056,722	-	8,056,722
Alaska Municipal League Investment Pool	<u>32,343,453</u>	-	<u>32,343,453</u>
Total cash and investments	<u>\$ 158,919,727</u>	<u>3,068,950</u>	<u>\$ 161,988,677</u>
Reconciliation of cash and investments to governmental and proprietary funds			
Governmental funds			
Equity in central treasury			\$ 25,859,031
Restricted cash and cash equivalents			7,809,007
Restricted investments			<u>126,576,274</u>
Total governmental funds			<u>160,244,312</u>
Proprietary funds			
Enterprise funds			
Equity in central treasury			74,382
Internal service fund			
Cash			<u>1,669,983</u>
Total proprietary funds			<u>1,744,365</u>
Total cash and investments			<u>\$ 161,988,677</u>

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2019

Equity

Fair value at December 31, 2019	\$ 73,419,619
Cost of investments sold in 2019	52,342,376
Cost of investments purchased in 2019	(50,482,998)
Fair value at December 31, 2018	<u>(60,988,113)</u>
Change in fair value of equity investments	<u>14,290,884</u>

Fixed-Income

Fair value at December 31, 2019	45,099,933
Cost of investments sold in 2019	13,176,916
Cost of investments purchased in 2019	(14,377,429)
Fair value at December 31, 2018	<u>(41,684,164)</u>
Change in fair value of fixed-income investments	<u>2,215,256</u>

Real Assets

Fair value at December 31, 2019	8,056,722
Cost of investments sold in 2019	391,996
Cost of investments purchased in 2019	(5,507,723)
Fair value at December 31, 2018	<u>(2,207,549)</u>
Change in fair value of real assets investments	<u>733,446</u>

Alternative Assets

Fair value at December 31, 2019	-
Cost of investments sold in 2019	6,242,553
Cost of investments purchased in 2019	-
Fair value at December 31, 2018	<u>(6,099,720)</u>
Change in fair value of alternative investments	<u>142,833</u>

Total change in fair value of investments	<u>\$ 17,382,419</u>
---	----------------------

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-23
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.

CITY OF FAIRBANKS, ALASKA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 118,868,255	\$ 114,439,424	\$ 108,299,354	\$ 125,595,200
Restricted	100,016,447	98,863,876	106,020,888	113,515,303
Unrestricted	<u>23,174,926</u>	<u>21,652,792</u>	<u>23,083,794</u>	<u>23,885,855</u>
Total governmental activities net position	<u>\$ 242,059,628</u>	<u>\$ 234,956,092</u>	<u>\$ 237,404,036</u>	<u>\$ 262,996,358</u>
Business-type activities				
Net investment in capital assets	\$ 8,087,929	\$ 7,670,987	\$ 9,080,636	\$ 8,867,682
Unrestricted	<u>39,971</u>	<u>1,953,252</u>	<u>-</u>	<u>(51,535)</u>
Total business-type activities net position	<u>\$ 8,127,900</u>	<u>\$ 9,624,239</u>	<u>\$ 9,080,636</u>	<u>\$ 8,816,147</u>
Primary government				
Net investment in capital assets	\$ 126,956,184	\$ 122,110,411	\$ 117,379,990	\$ 134,462,882
Restricted	100,016,447	98,863,876	106,020,888	113,515,303
Unrestricted	<u>23,214,897</u>	<u>23,606,044</u>	<u>23,083,794</u>	<u>23,834,320</u>
Total primary government net position	<u>\$ 250,187,528</u>	<u>\$ 244,580,331</u>	<u>\$ 246,484,672</u>	<u>\$ 271,812,505</u>

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 123,621,505	\$ 126,445,168	\$ 127,230,310	\$ 122,541,390	\$ 125,084,528	\$ 120,312,441
120,914,019	116,661,227	119,308,031	130,456,426	118,984,654	134,618,970
<u>22,170,564</u>	<u>10,672,817</u>	<u>3,834,193</u>	<u>2,780,830</u>	<u>9,401,364</u>	<u>14,832,234</u>
<u>\$ 266,706,088</u>	<u>\$ 253,779,212</u>	<u>\$ 250,372,534</u>	<u>\$ 255,778,646</u>	<u>\$ 253,470,546</u>	<u>\$ 269,763,645</u>
\$ 8,624,217	\$ 8,392,465	\$ 9,539,147	\$ 9,273,427	\$ 9,007,707	\$ 8,741,988
<u>(64,055)</u>	<u>43,179</u>	<u>(87,569)</u>	<u>(121,071)</u>	<u>(167,502)</u>	<u>(209,454)</u>
<u>\$ 8,560,162</u>	<u>\$ 8,435,644</u>	<u>\$ 9,451,578</u>	<u>\$ 9,152,356</u>	<u>\$ 8,840,205</u>	<u>\$ 8,532,534</u>
\$ 132,245,722	\$ 134,837,633	\$ 136,769,457	\$ 131,814,817	\$ 134,092,235	\$ 129,054,429
120,914,019	116,661,227	119,308,031	130,456,426	118,984,654	134,618,970
<u>22,106,509</u>	<u>10,715,996</u>	<u>3,746,624</u>	<u>2,659,759</u>	<u>9,233,862</u>	<u>14,622,780</u>
<u>\$ 275,266,250</u>	<u>\$ 262,214,856</u>	<u>\$ 259,824,112</u>	<u>\$ 264,931,002</u>	<u>\$ 262,310,751</u>	<u>\$ 278,296,179</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2010	2011	2012	2013
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 17,744,737	\$ 18,119,261	\$ 19,777,837	\$ 17,283,253
Public safety	17,079,301	17,230,789	17,473,736	17,151,562
Public works	12,001,873	11,484,960	11,179,444	13,741,033
Building inspections	618,059	641,468	653,783	676,773
Interest on long-term debt	246,320	195,570	55,190	28,215
Total governmental activities expenses	<u>47,690,290</u>	<u>47,672,048</u>	<u>49,139,990</u>	<u>48,880,836</u>
<i>Business-type activities</i>				
Municipal Utilities	295,803	295,803	260,098	31,200
Fairbanks Transportation Center	593,308	523,742	484,643	424,602
Total business-type activities expenses	<u>889,111</u>	<u>819,545</u>	<u>744,741</u>	<u>455,802</u>
Total primary government expenses	<u>\$ 48,579,401</u>	<u>\$ 48,491,593</u>	<u>\$ 49,884,731</u>	<u>\$ 49,336,638</u>
 PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 1,949,147	\$ 1,920,916	\$ 1,222,012	\$ 918,736
Public safety	2,928,498	2,947,032	3,085,975	3,010,712
Public works	1,490,336	1,599,410	1,804,586	1,810,491
Building inspections	596,717	871,644	916,972	717,556
Operating grants and contributions	1,939,065	7,297,799	5,638,466	7,711,240
Capital grants and contributions	8,471,559	2,169,152	5,514,809	26,379,749
Total governmental activities				
program revenues	<u>17,375,322</u>	<u>16,805,953</u>	<u>18,182,820</u>	<u>40,548,484</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	218,717	197,345	201,061	191,245
Total business-type activities				
program revenues	<u>615,617</u>	<u>594,245</u>	<u>597,961</u>	<u>588,145</u>
Total primary government				
program revenues	<u>\$ 17,990,939</u>	<u>\$ 17,400,198</u>	<u>\$ 18,780,781</u>	<u>\$ 41,136,629</u>

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 18,534,706	\$ 17,684,053	\$ 20,663,070	\$ 19,703,633	\$ 16,861,147	\$ 17,372,909
18,277,156	16,554,512	20,535,541	15,402,443	14,417,423	14,302,575
15,617,945	13,000,898	9,788,380	11,632,705	9,726,464	10,019,292
646,838	675,169	703,223	660,598	630,643	578,318
-	-	-	-	-	-
<u>53,076,645</u>	<u>47,914,632</u>	<u>51,690,214</u>	<u>47,399,379</u>	<u>41,635,677</u>	<u>42,273,094</u>
31,200	31,200	35,007	76,884	76,884	76,884
384,291	424,153	497,436	412,944	412,070	417,195
<u>415,491</u>	<u>455,353</u>	<u>532,443</u>	<u>489,828</u>	<u>488,954</u>	<u>494,079</u>
<u>\$ 53,492,136</u>	<u>\$ 48,369,985</u>	<u>\$ 52,222,657</u>	<u>\$ 47,889,207</u>	<u>\$ 42,124,631</u>	<u>\$ 42,767,173</u>
\$ 1,947,754	\$ 2,180,127	\$ 1,919,721	\$ 2,126,759	\$ 2,320,738	\$ 2,272,233
2,956,695	3,323,851	3,016,870	3,017,808	3,291,893	3,379,741
1,966,209	2,037,256	1,961,288	2,058,351	2,061,424	2,156,127
505,065	1,086,506	775,911	474,492	756,905	486,208
10,676,943	4,826,073	4,859,777	2,434,298	1,786,536	1,558,873
6,729,479	9,245,556	6,215,414	1,603,851	1,704,275	1,443,445
<u>24,782,145</u>	<u>22,699,369</u>	<u>18,748,981</u>	<u>11,715,559</u>	<u>11,921,771</u>	<u>11,296,627</u>
396,900	396,900	396,900	396,900	396,900	396,900
159,481	188,434	177,831	190,593	176,794	186,385
<u>556,381</u>	<u>585,334</u>	<u>574,731</u>	<u>587,493</u>	<u>573,694</u>	<u>583,285</u>
<u>\$ 25,338,526</u>	<u>\$ 23,284,703</u>	<u>\$ 19,323,712</u>	<u>\$ 12,303,052</u>	<u>\$ 12,495,465</u>	<u>\$ 11,879,912</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2010	2011	2012	2013
NET (EXPENSE) REVENUE				
<i>Governmental activities</i>	\$ (30,314,968)	\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)
<i>Business-type activities</i>	(273,494)	(225,300)	(146,780)	132,343
Total primary government net expense	<u>\$ (30,588,462)</u>	<u>\$ (31,091,395)</u>	<u>\$ (31,103,950)</u>	<u>\$ (8,200,009)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 14,107,284	\$ 14,047,318	\$ 14,109,307	\$ 14,333,209
Hotel motel tax	2,518,545	2,476,320	2,504,130	2,632,839
Alcohol beverage tax	1,919,076	2,117,465	2,126,694	2,147,775
Tobacco tax	917,461	937,129	934,351	930,378
Marijuana tax	-	-	-	-
Shared revenue	1,938,054	2,908,426	2,935,794	2,300,539
Investment income	10,756,324	2,431,203	10,179,570	10,787,731
Interest income	181,612	147,689	195,278	170,011
Miscellaneous	1,947,661	418,540	23,090	225,292
Transfers - internal activity	196,900	(1,721,531)	396,900	396,900
Total governmental activities	<u>34,482,917</u>	<u>23,762,559</u>	<u>33,405,114</u>	<u>33,924,674</u>
<i>Business-type activities</i>				
Interest income	-	108	77	68
Miscellaneous	72,076	-	-	-
Transfers - internal activity	(196,900)	1,721,531	(396,900)	(396,900)
Total business-type activities	<u>(124,824)</u>	<u>1,721,639</u>	<u>(396,823)</u>	<u>(396,832)</u>
Total primary government	<u>\$ 34,358,093</u>	<u>\$ 25,484,198</u>	<u>\$ 33,008,291</u>	<u>\$ 33,527,842</u>
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ 4,167,949	\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322
<i>Business-type activities</i>	(398,318)	1,496,339	(543,603)	(264,489)
Total primary government	<u>\$ 3,769,631</u>	<u>\$ (5,607,197)</u>	<u>\$ 1,904,341</u>	<u>\$ 25,327,833</u>

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ (28,294,500)	\$ (25,215,261)	\$ (32,941,233)	\$ (35,683,820)	\$ (29,713,906)	\$ (30,976,467)
<u>140,890</u>	<u>129,981</u>	<u>42,288</u>	<u>97,665</u>	<u>84,740</u>	<u>89,206</u>
<u>\$ (28,153,610)</u>	<u>\$ (25,085,280)</u>	<u>\$ (32,898,945)</u>	<u>\$ (35,586,155)</u>	<u>\$ (29,629,166)</u>	<u>\$ (30,887,261)</u>
\$ 14,270,470	\$ 14,875,855	\$ 14,966,473	\$ 15,924,815	\$ 18,976,356	\$ 16,170,339
2,720,456	2,869,170	3,210,422	3,146,023	3,379,900	3,445,847
2,247,924	2,309,214	2,293,100	2,275,898	2,273,948	2,333,130
911,185	938,026	930,924	973,944	810,972	878,288
-	-	32,338	442,821	989,569	1,168,278
2,339,182	2,257,980	1,761,295	1,598,425	1,439,637	1,256,663
8,358,472	269,253	6,949,838	15,762,858	(6,373,803)	20,752,182
122,993	156,746	152,119	219,901	328,163	496,522
636,648	424,142	211,671	348,347	8,761,312	371,417
<u>396,900</u>	<u>254,517</u>	<u>(973,625)</u>	<u>396,900</u>	<u>396,900</u>	<u>396,900</u>
<u>32,004,230</u>	<u>24,354,903</u>	<u>29,534,555</u>	<u>41,089,932</u>	<u>30,982,954</u>	<u>47,269,566</u>
25	18	21	13	9	23
-	-	-	-	-	-
<u>(396,900)</u>	<u>(254,517)</u>	<u>973,625</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(396,900)</u>
<u>(396,875)</u>	<u>(254,499)</u>	<u>973,646</u>	<u>(396,887)</u>	<u>(396,891)</u>	<u>(396,877)</u>
<u>\$ 31,607,355</u>	<u>\$ 24,100,404</u>	<u>\$ 30,508,201</u>	<u>\$ 40,693,045</u>	<u>\$ 30,586,063</u>	<u>\$ 46,872,689</u>
\$ 3,709,730	\$ (860,358)	\$ (3,406,678)	\$ 5,406,112	\$ 1,269,048	\$ 16,293,099
<u>(255,985)</u>	<u>(124,518)</u>	<u>1,015,934</u>	<u>(299,222)</u>	<u>(312,151)</u>	<u>(307,671)</u>
<u>\$ 3,453,745</u>	<u>\$ (984,876)</u>	<u>\$ (2,390,744)</u>	<u>\$ 5,106,890</u>	<u>\$ 956,897</u>	<u>\$ 15,985,428</u>

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

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Reserved	\$ 752,332	\$ -	\$ -	\$ -
Unreserved	12,032,831	-	-	-
Nonspendable	-	403,799	394,735	424,514
Restricted	-	-	-	-
Committed	-	250,000	250,000	250,000
Assigned	-	823,233	891,376	967,270
Unassigned	-	9,515,887	10,492,755	11,628,256
Total general fund	<u>\$ 12,785,163</u>	<u>\$ 10,992,919</u>	<u>\$ 12,028,866</u>	<u>\$ 13,270,040</u>
All other governmental funds				
Reserved	\$ 101,486,558	\$ -	\$ -	\$ -
Unreserved, reported in:				
Grants and Contracts fund	(612,049)	-	-	-
Special revenue funds	3,457,955	-	-	-
Nonspendable				
Special revenue funds	-	-	-	-
Restricted				
Permanent funds	-	98,759,020	105,954,571	113,495,958
Special revenue funds	-	104,856	66,317	19,345
Committed				
Capital projects funds	-	-	-	1,180,540
Assigned				
Capital projects funds	-	4,435,077	5,780,451	4,828,224
JP Jones	-	137,298	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 104,332,464</u>	<u>\$ 103,436,251</u>	<u>\$ 111,801,339</u>	<u>\$ 119,524,067</u>

Notes:

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					
2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
473,424	499,031	488,807	16,848	2,491	5,612
-	-	-	-	-	-
250,000	250,000	250,000	250,000	250,000	250,000
1,002,385	1,018,800	3,173,880	351,737	586,285	413,257
9,634,436	11,487,174	8,132,918	11,472,993	11,603,748	10,618,540
<u>\$ 11,360,245</u>	<u>\$ 13,255,005</u>	<u>\$ 12,045,605</u>	<u>\$ 12,091,578</u>	<u>\$ 12,442,524</u>	<u>\$ 11,287,409</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	455,899	475,964	552,120
120,885,537	116,576,569	119,264,416	130,447,586	118,968,223	134,568,000
28,482	84,658	43,615	8,840	16,431	50,970
807,552	877,552	1,027,552	2,185,404	3,883,055	4,563,509
5,827,289	6,079,754	5,624,487	5,161,637	7,615,144	10,585,638
-	-	-	-	-	-
-	-	-	(3,606,439)	(590,352)	(254,420)
<u>\$ 127,548,860</u>	<u>\$ 123,618,533</u>	<u>\$ 125,960,070</u>	<u>\$ 134,652,927</u>	<u>\$ 130,368,465</u>	<u>\$ 150,065,817</u>

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
Taxes	\$ 19,463,078	\$ 19,578,233	\$ 19,674,483	\$ 20,044,201
Charges for services	3,968,793	4,135,457	4,739,263	4,566,999
Intergovernmental	11,675,023	11,603,423	11,883,068	21,265,762
Licenses and permits	1,469,761	1,835,062	1,985,385	1,775,851
Fines and forfeitures	895,650	1,076,167	1,061,959	993,619
Special assessments	4,878	6,975	4,416	2,674
Investment earnings	10,756,343	2,431,202	10,179,569	10,787,731
Other revenues	1,806,320	1,598,932	2,044,516	2,054,612
Total revenues	50,039,846	42,265,451	51,572,659	61,491,449
Expenditures				
Current				
General government	9,998,624	10,580,853	10,508,964	10,816,850
Public safety	15,801,264	16,055,925	16,230,668	15,887,630
Public works	11,287,376	10,911,650	10,654,648	13,024,157
Building inspections	618,059	637,456	643,830	666,819
Capital outlay	2,532,930	1,879,300	4,196,815	12,133,923
Debt service - principal	1,325,000	1,380,000	830,000	855,000
Debt service - interest	246,320	195,570	55,190	28,215
Debt service - legal defeasance	-	2,083,137	-	-
Total expenditures	41,809,573	43,723,891	43,120,115	53,412,594
Other financing sources (uses)				
Transfers in	8,535,857	6,468,415	7,878,534	6,199,600
Transfers out	(8,338,957)	(8,189,946)	(7,481,634)	(5,802,700)
Sale of capital assets	1,653,250	491,514	551,591	488,147
Total other financing sources (uses)	1,850,150	(1,230,017)	948,491	885,047
Net change in fund balances	\$ 10,080,423	\$ (2,688,457)	\$ 9,401,035	\$ 8,963,902
Capitalized expenditures	\$ 2,532,930	\$ 1,879,300	\$ 4,196,815	\$ 12,133,923
Debt service as a percentage of noncapital expenditures	4.00%	8.74%	2.27%	2.14%

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 20,150,036	\$ 20,992,265	\$ 21,433,257	\$ 22,763,501	\$ 26,430,745	\$ 23,995,882	
4,632,461	5,147,122	4,370,505	5,177,232	5,592,220	5,641,337	
18,656,516	16,381,575	11,716,015	4,500,295	4,375,410	3,891,884	
1,612,546	2,263,001	1,984,184	1,585,314	1,874,904	1,586,537	
895,919	672,646	577,534	475,268	611,956	511,203	
16,277	8,360	12,603	1,996	1,074	1,074	
8,358,470	269,252	6,949,838	15,762,858	(6,373,803)	20,752,182	
1,851,311	3,399,020	2,879,705	2,547,972	2,049,379	2,429,537	
<u>56,173,536</u>	<u>49,133,241</u>	<u>49,923,641</u>	<u>52,814,436</u>	<u>34,561,885</u>	<u>58,809,636</u>	
12,282,236	11,999,943	14,455,243	15,140,956	12,212,640	12,103,350	
17,018,011	15,954,520	16,281,037	15,517,064	15,401,766	16,624,086	
14,600,343	11,979,771	8,820,045	10,522,680	8,857,016	8,749,213	
636,884	666,241	700,485	660,598	628,680	570,465	
6,337,499	10,917,537	8,979,480	2,770,881	1,839,794	2,757,345	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>50,874,973</u>	<u>51,518,012</u>	<u>49,236,290</u>	<u>44,612,179</u>	<u>38,939,896</u>	<u>40,804,459</u>	
10,041,759	6,973,847	8,650,261	7,920,824	9,584,946	10,091,643	
(9,644,859)	(6,719,330)	(8,253,361)	(7,523,924)	(9,188,046)	(9,694,743)	
419,535	94,687	47,886	139,673	47,595	140,160	
<u>816,435</u>	<u>349,204</u>	<u>444,786</u>	<u>536,573</u>	<u>444,495</u>	<u>537,060</u>	
<u>\$ 6,114,998</u>	<u>\$ (2,035,567)</u>	<u>\$ 1,132,137</u>	<u>\$ 8,738,830</u>	<u>\$ (3,933,516)</u>	<u>\$ 18,542,237</u>	
<u>\$ 6,337,499</u>	<u>\$ 10,917,537</u>	<u>\$ 8,979,480</u>	<u>\$ 2,770,881</u>	<u>\$ 1,839,794</u>	<u>\$ 2,757,345</u>	
0.00%	0.00%	0.00%	0.00%	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
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
2016	1,166,094,555	1,026,654,352	570,987,753	1,812,879	63,336,156
2017	1,187,381,837	1,051,647,262	576,434,429	1,809,487	71,172,928
2018	1,202,693,726	1,068,148,165	575,743,389	1,796,733	58,525,762
2019	1,197,478,749	1,089,733,430	587,558,257	2,062,650	56,982,094

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.

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

Pipeline	Other	Assessed Full Value	Less Tax Exempt Property	Assessed Taxable Value	Total Direct Tax Rate
\$ 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
50,254,990	4,353,675	2,883,494,360	227,161,794	2,656,332,566	5.651
54,943,220	4,359,973	2,947,749,136	235,849,102	2,711,900,034	5.874
59,497,950	4,322,381	2,970,728,106	262,861,194	2,707,866,912	6.979
46,339,740	4,314,427	2,984,469,347	271,681,592	2,712,787,755	5.871

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 *	
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
2016	0.262		0.489	4.900	5.651	11.418	17.069
2017	0.256		0.718	4.900	5.874	11.913	17.787
2018	0.255		1.824	4.900	6.979	12.850	19.829
2019	0.254		0.717	4.900	5.871	13.892	19.763

Notes:

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 assesses an area-wide levy applied to all properties within the borough.

Sources: City of Fairbanks, Finance Department and Fairbanks North Star Borough, Finance Department

CITY OF FAIRBANKS, ALASKA
Principal Taxable Properties
Current Year and Nine Years Ago

Taxpayer	2019 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2010 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Doyon Utilities	\$ 267,519,987	1	8.96%	\$ 197,633,608	1	7.53%
Fred Meyer Stores	62,832,549	2	2.11%	46,128,647	3	1.76%
Westmark Hotel	38,006,283	3	1.27%	33,251,338	5	1.27%
Wal-Mart Stores Inc.	36,123,958	4	1.21%	33,590,745	4	1.28%
Costco	30,802,115	5	1.03%			
GCI Cable Fairbanks Inc.	29,973,657	6	1.00%			
Bentley Mall	28,109,588	7	0.94%	19,652,858	8	0.75%
Jillian Square Apartments LLC	21,724,303	8	0.73%	21,356,516	7	0.81%
Tanana Valley Clinic	19,428,119	9	0.65%			
Safeway	19,054,607	10	0.64%			
North Haven Communities LLC				123,826,454	2	4.72%
Alyeska				22,072,811	6	0.84%
Sam's Club (Wal-Mart)				19,535,115	9	0.74%
Sophie Plaza				19,094,680	10	0.73%
	<u>\$ 553,575,166</u>		<u>18.55%</u>	<u>\$ 536,142,772</u>		<u>20.42%</u>

Notes:

This is a table of principal taxable properties rather than tax payers. Cumulative totals for individual taxpayers are not available. The total assessed valuation for 2019 was \$2,984,469,347 and the total assessed valuation for 2010 was \$2,624,979,490.

Source: Fairbanks North Star Borough, Assessing Department.

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
2010	\$ 14,035,430	\$ 13,696,885	97.59%	\$ 266,175	\$ 13,963,060	99.48%
2011	14,098,558	13,668,914	96.95%	367,372	14,036,286	99.56%
2012	14,063,990	13,585,718	96.60%	293,589	13,879,307	98.69%
2013	14,311,224	13,866,487	96.89%	242,407	14,108,894	98.59%
2014	14,284,970	13,914,834	97.41%	274,573	14,189,407	99.33%
2015	14,878,279	14,514,761	97.56%	235,010	14,749,771	99.14%
2016	15,010,129	14,631,208	97.48%	377,087	15,008,295	99.99%
2017	15,930,965	15,538,834	97.54%	368,761	15,907,595	99.85%
2018	19,057,396	18,591,632	97.56%	342,145	18,933,777	99.35%
2019	16,067,471	15,741,093	97.97%	N/A	15,741,093	97.97%

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.

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

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			
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
2016	-	-	4,810,305	-	4,810,305	0.28%	151
2017	-	-	4,379,941	-	4,379,941	0.26%	137
2018	-	-	3,992,854	-	3,992,854	0.23%	126
2019	-	-	3,605,768	-	3,605,768	0.21%	116

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

Fiscal Year	General Obligation Bonds	Cash With Fiscal Agents	Net General Bonded Debt	Assessed Value	Population	Net Bonded Debt to Assesed Value	Net Debt Per Capita
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		-
2016	-	-	-	2,883,494,360	31,957	-	-
2017	-	-	-	2,947,749,136	31,905	-	-
2018	-	-	-	2,970,728,106	31,668	-	-
2019	-	-	-	2,984,469,347	30,955	-	-

Notes:

Details regarding the City's debt can be found in the notes to the financial statements. Statistics for calendar year 2010 have been estimated using the most recent data available.

Sources: Fairbanks North Star Borough, Assessing Department and Alaska Department of Labor and Workforce Development (ADOL), Research and Analysis Section.

CITY OF FAIRBANKS, ALASKA
 Computation of Direct and Overlapping Debt
 December 31, 2019

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Fairbanks	Amount Applicable to the City of Fairbanks
City of Fairbanks	\$ -	100.00%	\$ -
Fairbanks North Star Borough	102,285,000	32.13%	<u>32,865,033</u>
			<u>\$ 32,865,033</u>

Notes:

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.

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

CITY OF FAIRBANKS, ALASKA

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	\$ 362,956,558	\$ 380,929,801	\$ 364,302,182	\$368,137,138	\$376,214,627
Total debt applicable to limit	<u>4,955,000</u>	<u>1,685,000</u>	<u>855,000</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 358,001,558</u>	<u>\$ 379,244,801</u>	<u>\$ 363,447,182</u>	<u>\$ 368,137,138</u>	<u>\$ 376,214,627</u>
Total debt applicable to limit as a percentage of debt limit	1.37%	0.44%	0.23%	0.00%	0.00%

	Fiscal Year				
	2015	2016	2017	2018	2019
Debt limit	\$ 383,827,565	\$391,797,187	\$398,664,484	\$403,804,976	\$406,627,735
Total debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 383,827,565</u>	<u>\$ 391,797,187</u>	<u>\$ 398,664,484</u>	<u>\$ 403,804,976</u>	<u>\$ 406,627,735</u>
Total debt applicable to limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

Computation of current year debt limit

Assessed valuation 2017	\$ 2,711,900,034
Assessed valuation 2018	2,707,866,912
Assessed valuation 2019	<u>2,712,787,755</u>
Total three year assessed valuation	<u>\$ 8,132,554,701</u>
Divided by three; average assessed value	<u>\$ 2,710,851,567</u>
15% of average assessed value; Debt limit	\$ 406,627,735
General obligation bonds outstanding	<u>-</u>
Legal debt margin	<u>\$ 406,627,735</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	Per Capita Personal Income	Personal Income	Unemployment Rate
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%
2016	31,957	54,185	1,731,590,045	5.7%
2017	31,905	53,647	1,711,607,535	6.3%
2018	31,668	54,497	1,725,810,996	6.0%
2019	30,955	56,606	1,752,238,730	5.5%

Notes:

Personal income data has been estimated using the most recent available information.

Sources: Alaska Department of Labor and Workforce Development (ADOL), Research and Analysis Section and U.S. Department of Commerce Bureau of Economic Analysis.

CITY OF FAIRBANKS, ALASKA
Employment by Industry
Current Year and Nine Years Ago

Type of Employer	2019			2010		
	Rank	Annual Average Monthly Employment	Percentage of Total Annual Average Monthly Employment	Rank	Annual Average Monthly Employment	Percentage of Total Annual Average Monthly Employment
Health Care	1	5,300	14.17%	4	3,700	9.54%
State Government	2	4,600	12.30%	1	5,500	14.18%
Leisure & Hospitality	3	4,600	12.30%	3	4,100	10.57%
Retail Trade	4	4,500	12.03%	2	4,600	11.86%
Federal Government	5	3,100	8.29%	5	3,500	9.02%
Local Government	6	2,900	7.75%	6	3,300	8.51%
Professional & Business Services	7	2,700	7.22%	8	2,400	6.19%
Construction	8	2,700	7.22%	7	3,200	8.25%
Transportation/Warehouse/Utilities	9	2,300	6.15%	9	2,400	6.19%
Financial Activities	10	1,100	2.94%	10	1,400	3.61%
		33,800	90.37%		34,100	87.89%

Notes:

Data is for the Fairbanks Metropolitan Statistical Area. The total annual average monthly employment for 2019 is 37,400 and the amount for 2010 is 38,800.

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

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Mayor	5.0	5.0	5.0	4.0	4.0	4.0	6.0	7.0	7.0	7.0
City attorney	2.5	2.5	2.5	2.5	3.0	2.5	2.5	2.5	2.5	2.5
City clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	8.0	8.0	8.0	8.0	8.0	7.0	8.0	7.0	7.0	6.0
Information systems	6.0	6.0	6.0	6.0	6.0	6.0	0.0	0.0	0.0	0.0
Risk	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Public Safety										
Police										
Administration	6.0	5.5	6.5	6.5	9.5	8.0	7.0	8.0	7.0	6.0
Investigations	6.0	6.0	7.0	5.0	7.0	5.0	6.0	5.0	6.0	4.0
Patrol	43.0	41.4	38.0	40.0	34.0	34.0	28.0	31.0	31.0	32.0
Dispatch	18.0	18.0	18.0	17.5	19.0	16.0	16.0	14.0	14.5	16.0
Fire										
Administration	5.0	5.0	4.0	4.0	5.0	4.5	4.0	5.0	5.0	5.0
Suppression	39.0	39.0	39.0	39.0	39.0	38.0	37.0	38.0	37.0	40.0
Public Works										
Works	32.2	33.7	38.0	37.5	38.0	36.0	36.0	37.0	37.0	37.0
Engineering	10.3	12.1	12.0	12.5	11.0	10.0	12.0	10.0	9.0	9.0
FMATS	2.0	2.0	2.0	2.5	2.5	2.5	2.5	2.5	0.0	0.0
Building Inspections	<u>6.0</u>	<u>6.0</u>	<u>7.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>5.0</u>	<u>4.0</u>
Total	<u>192.0</u>	<u>193.2</u>	<u>196.0</u>	<u>194.0</u>	<u>195.0</u>	<u>183.5</u>	<u>174.0</u>	<u>176.0</u>	<u>171.0</u>	<u>171.5</u>

Source: City of Fairbanks, Finance Department.

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

Function/Program	Fiscal Year			
	2010	2011	2012	2013
General Government				
Annual final operating budget	\$ 31,134,677	\$ 34,747,137	\$ 33,037,424	\$ 34,878,988
Public Safety				
Dispatch				
Number of E-911 calls ^{(c) (d)}	121,194	43,626	46,165	70,830
Number of Dispatch Service calls ^(e)	-	53,508	65,068	43,384
Police				
Number of law enforcement calls	31,541	41,734	30,907	32,098
Number of major crimes ^(a)	2,622	2,124	2,093	2,024
Number of physical arrests	3,307	2,549	1,619	1,621
Number of traffic citations	3,919	4,303	4,060	2,536
Fire				
Number of fire calls	846	730	807	1,034
Number of emergency medical service calls	3,535	3,222	3,223	3,300
Public Works				
Works				
Refuse collected (tons)	5,776	5,100	5,510	5,348
Patching (tons)	2,260	3,110	1,520	1,272
Snow removal (cubic yards) ^(b)	172,393	275,310	528,640	674,030
Sand (tons spread) ^(b)	2,005	3,049	2,481	3,000
Building Inspections				
Number of permits issued	868	990	1,023	974

Notes:

- ^(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, E-911 calls were segregated from other Dispatch Service calls for tracking purposes.

Sources: City of Fairbanks

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 34,663,777	\$ 36,111,546	\$ 36,482,001	\$ 36,727,187	\$ 35,098,948	\$ 36,443,182
30,822	42,777	37,217	37,363	35,425	36,681
40,608	45,414	53,351	57,083	48,562	45,853
40,491	27,037	24,274	22,553	24,798	23,036
1,957	1,738	1,942	2,055	1,885	2,022
1,959	1,068	1,269	1,326	1,504	1,502
2,208	1,873	1,440	1,122	1,643	845
928	964	1,072	5,229	2,338	2,745
3,239	3,252	3,884	3,396	3,455	3,548
5,352	5,279	5,299	5,225	5,211	5,309
252	759	747	1,222	8,203	221
327,953	365,173	270,113	646,940	377,685	435,348
2,888	3,544	3,071	3,766	527	1,963
961	863	850	899	929	945

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

Function/Program	Fiscal Year			
	2010	2011	2012	2013
General Government				
Administration square footage	64,000	64,000	65,000	65,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	68	66	59	68
Fire				
Stations manned	2	2	2	2
Emergency response vehicles	17	19	22	20
Public Works				
Works				
Refuse trucks	8	10	9	9

Sources: City of Fairbanks

Fiscal Year

2014	2015	2016	2017	2018	2019
65,000	65,000	65,000	65,000	65,000	65,000
1 66	1 63	1 67	1 69	1 66	1 61
2 19	2 21	2 24	2 24	2 24	2 25
9	11	11	9	9	9



SINGLE AUDIT SECTION

Reports on Federal Single Audit Requirements



FEDERAL SINGLE AUDIT





KOHLER, SCHMITT & HUTCHISON

A Professional Corporation

Certified Public Accountants

714 4th Avenue, Suite 303 • (907) 456-6676 • Fax 456-6431
P.O. Box 70607 Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

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, 2019, 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 May 15, 2020.

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.

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.

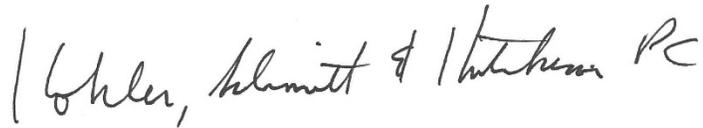
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 & Hutchinson PC

May 15, 2020
Fairbanks, Alaska



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, 2019. 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 the City of Fairbanks, Alaska's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended December 31, 2019.

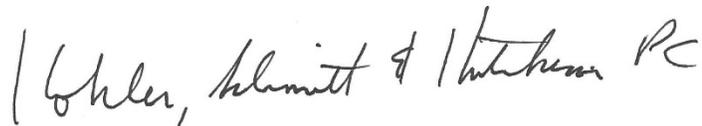
Report on Internal Control over Compliance

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of 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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



May 15, 2020
Fairbanks, Alaska



Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

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			
Office of Justice Programs			
Bulletproof Vest Program	16.607		\$ 7,140
Bureau of Justice Assistance			
FY2016 Edward Byrne Memorial Justice Assistance Grant	16.738		706
FY2017 Edward Byrne Memorial Justice Assistance Grant	16.738		22,495
FY2018 Edward Byrne Memorial Justice Assistance Grant	16.738		7,053
			<u>30,254</u>
Department of Justice			
Equitable Sharing Program	16.922		4,174
Passed through Program from:			
Anchorage Police Department			
FY2018-19 Internet Crimes Against Children	16.543	FY2018-19 ICAC	11,496
Total U.S. Department of Justice			\$ <u>53,064</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Programs from:			
Alaska Department of Transportation and Public Facilities			
FMATS Gillam Way	20.205	Z637840000	243,517
Minnie Street Corridor Study	20.205	NFHWY00274	276,508
Chena River Walk Stage III Segment 1	20.205	NFHWY00280	97,854
Third Street Widening Project	20.205	MGL-M-0670(1)	59,671
FMATS Improvement Program - Bonnifield & Ketchikan	20.205	NFHWY00346	82,224
Wembley Avenue Improvements	20.205	NFHWY00137	32,223
FMATS Sidewalk Improvements Plan	20.205	NFHWY00138	108,085
FMATS Area Surface Upgrades	20.205	NFHWY00284	22,099
FMATS Sign Replacement Stage III	20.205	NFHWY00246	150,017
Cowles Street Reconstruction	20.205	NFHWY00126	88,614
5th Avenue Reconstruction	20.205	NFHWY00445	9,063
18/19 FMATS Program	20.205	NFHWY00127	16,325
Total Highway Planning and Construction Cluster			<u>1,186,200</u>
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office			
18/19 Lifesavers National Conference 2019	20.600	402 OP-19-04-FA(F)-5	3,336
18/19 DUI Traffic Unit	20.616	405d-M5X-17-01-00(B)	73,101
19/20 DUI Traffic Unit	20.616	405d-M5X-20-0-FA(B)	16,471
Total Highway Safety Cluster			<u>92,908</u>
Total U.S. Department of Transportation			\$ <u>1,279,108</u>

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
Federal Emergency Management Agency			
2017 Staffing for Adequate Fire and Emergency Response	97.083		\$ 207,600
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2018 Emergency Management Performance Grant	97.042	20EMPG-GY18	5,255
2019 Emergency Management Performance Grant	97.042	20EMPG-GY19	3,180
			<u>8,435</u>
2018 State Homeland Security Program	97.067	20SHSP-GY18	876
2017 State Homeland Security Program	97.067	20SHSP-GY17	142,033
			<u>142,909</u>
Total U. S. Department of Homeland Security			\$ <u>358,944</u>

Grand Total - Federal Financial Assistance **\$ 1,691,116**

See accompanying notes to schedule of expenditures of federal awards.

CITY OF FAIRBANKS, ALASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the City of Fairbanks, Alaska, under programs of the federal government for the year ended December 31, 2019. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the City of Fairbanks, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Fairbanks.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City of Fairbanks has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2019

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? reported	_____ Yes	___X___ None
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? reported	_____ Yes	___X___ None
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a):	_____ Yes	___X___ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.067 97.083	State Homeland Security Program Staffing for Adequate Fire and Emergency Response

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, 2019

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None