

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF FAIRBANKS
ALASKA



JANUARY 1, 2020
TO
DECEMBER 31, 2020

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

Jim Matherly
Mayor

Prepared by
City of Fairbanks Finance Department

Margarita Bell, CPA, Chief Financial Officer
Katelyn McConnachie, CPA, Controller



CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2020

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List of Principal Officials





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April 16, 2021

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

It is my pleasure to submit the Comprehensive Annual Financial Report of the City of Fairbanks (City) for the fiscal year ended December 31, 2020. 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 Alliance CPAS,LLC.-Certified Public Accountants, LLC. 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, 2020, 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, 2020. Their opinion asserts that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Management's Discussion and Analysis

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A provides an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, and conditions. This letter of transmittal is designed to complement the 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 31,410. 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 97,159, which includes City residents. There are two major military installations in the area. Fort Wainwright is an Army base located within City limits and Eielson Air Force base is located 23 miles southeast of the City. The main University of Alaska Fairbanks (UAF) campus is adjacent to City limits. 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 Services and Proprietary Fund Operations

The City provides a variety of local government services and operations as follows:

- **Public Safety:** Police, fire, emergency medical services, emergency dispatch, and emergency management.
- **Public Works:** Street maintenance, refuse collection, storm drain management, and public improvements.
- **Building Inspections:** Building and fire code enforcement.
- **General Government:** Economic development funding and general administrative services.
- **Proprietary Operations:** Municipal Utilities System Fund (MUS) and 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.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

The City is the major transportation hub for the interior of the State. It is the northern terminus for the Alaska Railroad. Of the four major highways in the State, three pass through Fairbanks, connecting it to south and central Alaska. The Dalton Highway, which extends north to Prudhoe Bay, parallel to the oil pipeline, furthers Fairbanks' role as a transportation center. 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 200,260 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 area supports the oil and defense industries through services, distribution, and transportation.

According to the Fairbanks North Star Borough Assessing Department and the Alaska Department of Labor and Workforce Development Research and Analysis Section, the City had the following economic factors:

Economic Indicators			
	2019	2020	Change (%)
Population	30,955	31,410	1.5%
Unemployment rates	5.5%	6.8%	1.3%
Annual average employment	37,400	35,600	-4.8%
Building permits	945	933	-1.3%
Assessed value	\$ 2,984,469,347	\$ 3,026,571,892	1.4%

Population is expected to continue to increase, with Air Force personnel connected with the F-35s arriving in Fairbanks by the end of 2021, bringing 3,500 new airmen, contractors, and family members. It is expected that this will give the local economy a needed boost in 2021.

The City had the following changes in our top employment sectors:

Nonfarm Employment			
	2019	2020	Change (%)
Health care	5,300	4,900	-7.5%
Retail trade	4,500	4,800	6.7%
State government	4,600	4,400	-4.3%
Leisure & hospitality	4,600	3,400	-26.1%
Federal government	3,100	3,300	6.5%
Local government	2,900	2,700	-6.9%

COVID-19 pandemic caused abrupt declines in employment and economic growth. Like other communities, the City experienced decreases in employment for the tourism industry. As a regional hub, the City had many businesses that remained opened during the mandated shutdown in early 2020 to provide goods and services to many surrounding communities.

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 revenue and expansion of military installations.

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 \$7,046,115 or \$4,000,000. On December 31, 2020, the unassigned fund balance in the City's general fund was \$12,875,819. 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. A Permanent Fund Advisory 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. On December 31, 2020, the fund balance was \$144,120,958. 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.

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 2020, the Council implemented a new gasoline excise tax that levies five cents per gallon on the distribution of gasoline brought into the City.

Major Initiatives

The City continues to focus on the mission of providing quality essential services to all City residents to ensure Fairbanks is a vibrant place to live, work, thrive, and visit. To accomplish this mission, the Mayor in consultation with each operating department, coordinates the development of strategies and plans that align City resources with the priorities identified by City Council to achieve desired outcomes. City Council has identified the following goals:

 Goal 1: Provide quality customer service with operational efficiency	 Goal 2: Strive for a safe and clean community	 Goal 3: Engage community through effective communication	 Goal 4: Maintain and ensure strong financial management
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Despite the challenges due to the pandemic, the City accomplished the following major initiatives:

- Provided \$15,031,207 in Coronavirus Relief Funds to local medical facilities, businesses, and families (Goal 1).
- Replaced \$2.3 million in public works and public safety equipment (Goals 1 & 2).
- Provided funding for the Emergency Services Patrol (ESP), a program that provides chronic inebriates/incapacitated persons with safe medical assessment and transport without engaging police officers and firefighters (Goal 2).
- Provided support for the Homeless Coordinator, a liaison between the City, Fairbanks Housing and Homeless Coalition, the business community, and nonprofits to reduce homelessness in Fairbanks (Goal 2).
- Provided timely information to the citizens through social media during the pandemic by improving information technology (Goal 3).

The City also continues to focus on infrastructure improvements by assisting the Alaska Department of Transportation in preparing designs and providing construction administration for road reconstruction projects. These projects are funded by both grant and local revenues and are as follows:

Design Phase:

- 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.
- Minnie Street Improvements: Project will reconstruct Minnie Street from Illinois Street to Old Steese Highway to include drainage, utility, and ADA improvements.
- 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:

- Cowles Street Reconstruction: Project will reconstruct Cowles Street from First Avenue to East Cowles Street, to include sidewalk, drainage, and illumination improvements.
- Third Street Widening: Project will reconstruct Third Street between Old Steese Highway and Hamilton intersections.

AWARDS

The City has earned the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 2002. GFOA recognizes governmental units that issue their comprehensive annual financial report (AFR) substantially in conformity with generally accepted accounting principles and all legal requirements. The City has received this award for eighteen straight years.

The City also earned the Government Finance Officers Association (GFOA) Distinguished Budget Award since 2012. GFOA recognizes governmental units that publicize a budget that meets national criteria as a policy document, operations guide, financial plan, and communications medium. The City has received this award for nine straight years.

Both awards are valid for a period of one year only. We believe that our comprehensive annual financial report and budget meet the requirements and we are submitting them to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the finance department. I would like to express my 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**

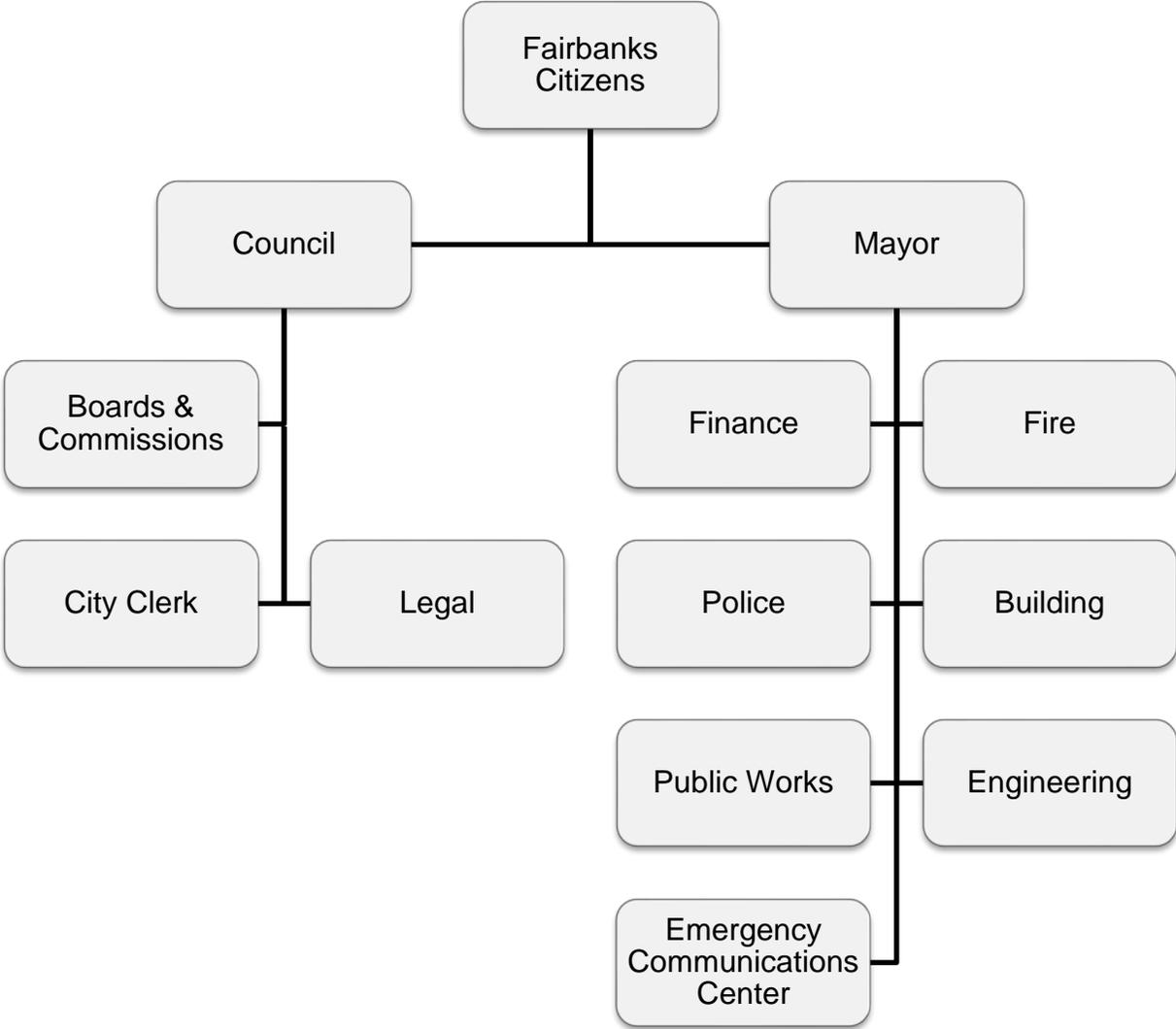
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

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, 2020

MAYOR

Jim Matherly

CITY COUNCIL MEMBERS

Shoshana Kun, Seat A
June Rogers, Seat B
Valerie Therrien, Seat C
Aaron Gibson, Seat D
Lonny Marney, Seat E
Jim Clark, Seat F

APPOINTED OFFICIALS

Diana Snider, City Clerk
Paul Ewers, City Attorney

ADMINISTRATION

Jim Matherly, Mayor
Michael Meeks, Chief of Staff
Margarita Bell, Chief Financial Officer
Tod Chambers, Fire Chief
Richard Sweet, Interim 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)





Alliance
CPAs | LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2020, 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, 2020, 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 2019 financial statements and, in our report dated May 15, 2020, 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 and the schedule of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021, on our consideration of the City of Fairbanks, Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fairbanks, Alaska's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairbanks, Alaska's internal control over financial reporting and compliance.

Alliance CPA LLC

April 16, 2021
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2020

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, 2020. 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, 2020 by \$302,359,772 (net position). Of this amount, \$15,574,722 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$24,063,593 during the fiscal year compared to an increase of \$15,985,428 in the prior year due to increases in grants and contributions and decreases in other postemployment benefits liability.
- At December 31, 2020, the combined ending fund balance for **governmental funds** in the amount of \$171,581,593 is an increase of \$10,228,367 in comparison with the prior year due to investment earnings.
- At December 31, 2020, unassigned fund balance for the **general fund** was \$12,875,819 or 39.7% of total general fund expenditures.
- During 2020, 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 \$85,414 and \$711,222, respectively. The City had a decrease of \$338,587 in comparison with the prior year from the State of Alaska.
- During 2020, the City expended Coronavirus Relief Funds in the amount of \$15,692,668. The City distributed \$15,031,207 to medical facilities, businesses, and families.

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 \$302,359,772 on December 31, 2020.

Net Position	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 178,236,192	\$ 167,240,433	\$ 330,850	\$ 182,211	\$ 178,567,042	\$ 167,422,644
Capital assets, net	134,151,275	120,312,441	8,476,268	8,741,988	142,627,543	129,054,429
Other noncurrent assets	3,459,451	2,479,139	2,831,596	3,218,682	6,291,047	5,697,821
Total assets	315,846,918	290,032,013	11,638,714	12,142,881	327,485,632	302,174,894
Deferred outflows of resources	2,076,225	1,966,228	-	-	2,076,225	1,966,228
Liabilities						
Long-term liabilities outstanding	17,125,824	15,988,768	2,831,596	3,218,682	19,957,420	19,207,450
Other liabilities	5,671,821	4,987,242	408,071	391,665	6,079,892	5,378,907
Total liabilities	22,797,645	20,976,010	3,239,667	3,610,347	26,037,312	24,586,357
Deferred inflows of resources	1,164,773	1,258,586	-	-	1,164,773	1,258,586
Net position						
Net investment in capital assets	134,151,275	120,312,441	8,476,268	8,741,988	142,627,543	129,054,429
Restricted	144,157,507	134,618,970	-	-	144,157,507	134,618,970
Unrestricted	15,651,943	14,832,234	(77,221)	(209,454)	15,574,722	14,622,780
Total net position	\$ 293,960,725	\$ 269,763,645	\$ 8,399,047	\$ 8,532,534	\$ 302,359,772	\$ 278,296,179

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 2020, net investment in capital assets is 47.1% of total net position.

Restricted net position represents resources restricted for investments in the amount of \$138,287,704, subsequent year transfers in the amount of \$5,833,254, and law enforcement in the amount of \$36,549. In 2020, restricted net position is 47.7% of total net position.

Unrestricted net position represents the remaining portion of \$15,574,722 that may be used to meet the government's ongoing obligations to citizens and creditors. In 2020, 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 \$24,063,593. In 2019, the net position increased by \$15,985,428. The reasons are discussed below for governmental activities and business-type activities.

Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 8,133,851	8,294,309	538,331	583,285	8,672,182	8,877,594
Operating grants and contributions	17,316,541	1,558,873	-	-	17,316,541	1,558,873
Capital grants and contributions	20,235,340	1,443,445	-	-	20,235,340	1,443,445
General revenues:						
Property taxes	15,698,033	16,170,339	-	-	15,698,033	16,170,339
Other taxes	6,217,156	7,825,543	-	-	6,217,156	7,825,543
Investment gain (loss)	14,830,100	20,752,182	-	-	14,830,100	20,752,182
Other	1,317,901	2,124,602	17	23	1,317,918	2,124,625
Total revenues	<u>83,748,922</u>	<u>58,169,293</u>	<u>538,348</u>	<u>583,308</u>	<u>84,287,270</u>	<u>58,752,601</u>
Expenses:						
General government	33,035,584	17,372,909	-	-	33,035,584	17,372,909
Public safety	15,916,784	14,302,575	-	-	15,916,784	14,302,575
Public works	10,170,265	10,019,292	-	-	10,170,265	10,019,292
Building Inspections	616,109	578,318	-	-	616,109	578,318
Fairbanks Transportation Center	-	-	408,051	417,195	408,051	417,195
Municipal Utilities System	-	-	76,884	76,884	76,884	76,884
Total expenses	<u>59,738,742</u>	<u>42,273,094</u>	<u>484,935</u>	<u>494,079</u>	<u>60,223,677</u>	<u>42,767,173</u>
Increase (decrease) in net position before transfers	24,010,180	15,896,199	53,413	89,229	24,063,593	15,985,428
Transfers	186,900	396,900	(186,900)	(396,900)	-	-
Increase (decrease) in net position	24,197,080	16,293,099	(133,487)	(307,671)	24,063,593	15,985,428
Net position - beginning	269,763,645	253,470,546	8,532,534	8,840,205	278,296,179	262,310,751
Net position - ending	<u>\$ 293,960,725</u>	<u>269,763,645</u>	<u>8,399,047</u>	<u>8,532,534</u>	<u>302,359,772</u>	<u>278,296,179</u>

Governmental activities increased the City's net position by \$24,197,080. Key elements of the changes in net position are as follows:

- Increase in operating grants and contributions for Coronavirus Relief Funds in the amount of \$15,692,668; the City distributed \$15,031,207 of these funds to local medical facilities, businesses, and families.
- Increase in capital grants and contributions for road donations in the amount of \$18,235,873.
- Decrease in investment earnings of \$5,922,082, including net unrealized gains.
- OPEB expense decreased in the amount of \$1,341,863 to reflect obligations in accordance with GASB 75.
- Pension expense increased in the amount of \$895,361 to reflect net pension liability in accordance with GASB 68.

Business-type activities decreased the City's net position by \$133,487. Key element of the decrease is a transfer of \$396,900 from the MUS Fund to the Permanent Fund for investment and a General Fund transfer of \$210,000 to the FTC Fund.

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). On December 31, 2020, the City's governmental funds had an increase of \$10,228,367 of **combined ending fund balances**. The unassigned fund balance in the amount of \$12,317,245 is available for spending at the government's discretion. The combined ending fund balances comprised of the following:

Governmental Funds - Fund Balance			
Purpose	Type	Amount	Percentage
Unassigned	Unassigned	\$ 12,317,245	7.18%
Prepaid assets	Nonspendable	578,793	0.34%
Investments	Restricted	144,120,958	84.00%
Law enforcement	Restricted	36,549	0.02%
Snow removal	Committed	250,000	0.15%
Capital projects	Committed	4,555,589	2.66%
Contractual obligations	Assigned	1,930,133	1.12%
Capital projects uncommitted	Assigned	7,792,326	4.54%
Total		<u>\$ 171,581,593</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 \$12,875,819 while total fund balance was \$13,547,941. 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 39.7% of total general fund expenditures, while total fund balance represents 41.8% of total general fund expenditures.

General Fund - Fund Balance			
	2020	2019	Changes
Nonspendable	\$ 39,559	\$ 5,612	\$ 33,947
Committed	250,000	250,000	-
Assigned	382,563	413,257	(30,694)
Unassigned	<u>12,875,819</u>	<u>10,618,540</u>	<u>2,257,279</u>
Total	<u>\$ 13,547,941</u>	<u>\$ 11,287,409</u>	<u>\$ 2,260,532</u>

The general fund's fund balance increased by \$2,260,532 and unassigned fund balance increased by \$2,257,279 during the current fiscal year primarily due to no significant 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			
	2020	2019	Changes
Taxes	\$ 20,438,389	\$ 22,033,268	\$ (1,594,879)
Charges for services	5,666,858	5,641,337	25,521
Intergovernmental	1,592,975	1,887,932	(294,957)
Licenses and permits	1,695,295	1,586,537	108,758
Fines and forfeitures	417,141	511,203	(94,062)
Special assessments	1,074	1,074	-
Other revenues	580,312	865,950	(285,638)
Total	\$ 30,392,044	\$ 32,527,301	\$ (2,135,257)

- City losses in revenues were due to the pandemic, with hotel/motel taxes sustaining the largest loss of \$1,972,018; this impacted the distribution to tourism agencies.
- PERS on-behalf payment increased by \$99,462 but other intergovernmental revenues from the State of Alaska decreased by \$438,049.
- Licenses and permits increased primarily due to a major construction project involving a medical facility.
- Fines and forfeitures continue to decrease but at a higher amount than last year due to business closures and stay at home orders.
- Other revenues include interest income that decreased due to drops in interest rates.

General Fund - Expenditures			
	2020	2019	Changes
General government	\$ 8,186,714	\$ 9,484,385	\$ (1,297,671)
Public safety	15,056,629	15,885,981	(829,352)
Public works	8,577,034	8,488,408	88,626
Building inspections	608,256	570,465	37,791
Total	\$ 32,428,633	\$ 34,429,239	\$ (2,000,606)

- General government expenditures decreased because of less distribution to tourism agencies in the amount of \$1,481,741, this was offset by increases in PERS on-behalf costs.
- Public safety expenditures decreased by \$518,990 in salaries and benefits due to position vacancies and \$310,362 due to reductions in operating and travel costs.

The **permanent fund** has a total fund balance of \$144,120,958 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 \$9,552,958 in 2020; this was attributable to investment earnings of \$14,825,464 and transfers to the general fund (\$4,965,345) and capital fund (\$620,668). 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 \$2,211,738 and \$6,187,309 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 \$56,603 decrease for the FTC fund was due to expenses exceeding revenue; this decrease was offset by a transfer of \$210,000 from the General Fund.

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 a decrease of \$533,835; this amount excludes inter-fund transfers. Significant differences are summarized as follows:

- \$ 1,092,527 decrease in taxes
- \$ 434,000 increase in intergovernmental
- \$ 272,692 increase in charges for services
- \$ 130,000 decrease in interest and penalties

Difference between the **original budget** for total expenditures and the final amended budget is a decrease of \$129,607. Significant differences are briefly summarized as follows:

- \$ 333,951 decrease in general government and administrative activities
- \$ 412,461 decrease for public safety
- \$ 598,530 increase for public works

During the year, revenues were greater than **budgetary estimates** by \$37,317. Expenditures and encumbrances were less than budgetary estimates by \$2,696,634. The most significant differences were as follows:

- Hotel/Motel taxes was significantly less due to the pandemic. This also impacted general government and administrative activities in distributions to tourism agencies.
- All departments' expenditures were less than anticipated due to salary and wages decreases from position vacancies and other operating expenditure savings due to closures and travel restrictions.

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 \$7,046,115, which is \$5,829,704 less than the 2020 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 \$142,627,543 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$13,573,114, approximately 10.5%.

Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and land improvements	\$ 9,478,647	9,478,647	454,356	454,356	9,933,003	9,933,003
Construction in progress	5,965,289	16,322,217	-	-	5,965,289	16,322,217
Buildings	17,021,828	17,804,541	5,995,530	6,184,366	23,017,358	23,988,907
Equipment	8,542,651	7,061,119	1,183,982	1,229,666	9,726,633	8,290,785
Infrastructure	93,142,860	69,645,917	842,400	873,600	93,985,260	70,519,517
Total	<u>\$ 134,151,275</u>	<u>120,312,441</u>	<u>8,476,268</u>	<u>8,741,988</u>	<u>142,627,543</u>	<u>129,054,429</u>

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

- Two major infrastructure upgrades to include streets, sidewalks, and storm water drains totaled \$29,245,915 with decreases of \$11,010,042 in construction in progress.
- Equipment purchases totaled \$3,195,053; however, depreciation costs and disposals resulted in an increase from the prior year in the amount of \$1,435,848.

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$19,957,420. The total increase in long-term liabilities in the amount of \$751,970 is primarily due to the increase in net pension 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	
	2020	2019	2020	2019	2020	2019
Alaska clean water loans	\$ -	-	2,831,596	3,218,682	2,831,596	3,218,682
Self-Insurance losses	556,258	468,914	-	-	556,258	468,914
Net OPEB liability	25,403	489,783	-	-	25,403	489,783
Net pension liability	16,544,163	15,028,071	-	-	16,544,163	15,028,071
Total	<u>\$ 17,125,824</u>	<u>15,986,768</u>	<u>2,831,596</u>	<u>3,218,682</u>	<u>19,957,420</u>	<u>19,205,450</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

On December 14, 2020, City Council passed *Ordinance No. 6145 As Amended* adopting the 2021 budget for the general fund. The original budget projects revenues and other financing sources to be \$35,929,568 and expenditures in the amount of \$35,679,256 increasing fund balance by \$250,312.

On February 22, 2021, *Ordinance No. 6148* was passed. This ordinance ratified a collective bargaining agreement between the City of Fairbanks and the International Brotherhood of Electrical Workers Local 1547. This three-year contract had a total cost of \$441,080.

On March 22, 2021, *Ordinance No. 6149 As Amended* was passed. This ordinance amended the 2021 operating budget for the general fund by increasing revenues in the amount of \$173,150, increasing other financing sources by \$1,434,919, and increasing expenditures in the amount of \$596,134. This ordinance also amended the 2021 capital fund budget by increasing other financing sources by \$1,508,135 and increasing expenditures in the amount of \$2,143,735.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. ARPA will provide the City with federal funds totaling \$6.41 million to be spent by the end of calendar year 2024. The Funds can be used for revenue replacement, relative to revenues collected in the most recent fiscal year prior to the COVID-19 public health emergency.

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
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, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Equity in central treasury	\$ 28,359,819	313	28,360,132
Restricted cash and cash equivalents	8,564,903	-	8,564,903
Investments, restricted	135,935,782	-	135,935,782
Accounts receivable (net)	3,207,204	467,062	3,674,266
Internal balances	136,525	(136,525)	-
Inventory	1,453,166	-	1,453,166
Prepaid expenses	578,793	-	578,793
Noncurrent receivables	2,000,000	2,831,596	4,831,596
Capital assets			
Non-depreciable	9,478,647	454,356	9,933,003
Construction in progress	5,965,289	-	5,965,289
Depreciable, net of accumulated depreciation	118,707,339	8,021,912	126,729,251
Net OPEB asset	1,459,451	-	1,459,451
Total assets	<u>315,846,918</u>	<u>11,638,714</u>	<u>327,485,632</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>2,076,225</u>	<u>-</u>	<u>2,076,225</u>
Total assets and deferred outflows of resources	<u>\$ 317,923,143</u>	<u>11,638,714</u>	<u>329,561,857</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 2,395,140	18,750	2,413,890
Unearned revenue	875,161	2,235	877,396
Pollution remediation obligation	483,546	-	483,546
Other liabilities			
Due within one year	1,917,974	387,086	2,305,060
Due in more than one year	17,125,824	2,831,596	19,957,420
Total liabilities	<u>22,797,645</u>	<u>3,239,667</u>	<u>26,037,312</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>1,164,773</u>	<u>-</u>	<u>1,164,773</u>
NET POSITION			
Net Investment in capital assets	134,151,275	8,476,268	142,627,543
Expendable restricted for:			
Law enforcement	36,549	-	36,549
Subsequent year transfers	5,833,254	-	5,833,254
Nonexpendable restricted for:			
Permanent fund investment	138,287,704	-	138,287,704
Unrestricted	15,651,943	(77,221)	15,574,722
Total net position	<u>293,960,725</u>	<u>8,399,047</u>	<u>302,359,772</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 317,923,143</u>	<u>11,638,714</u>	<u>329,561,857</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Statement of Activities

For the Year Ended December 31, 2020

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	\$ 33,035,584	2,056,572	16,218,225	18,818,977	4,058,190	-	4,058,190
Public safety	15,916,784	3,257,034	838,570	723,631	(11,097,549)	-	(11,097,549)
Public works	10,170,265	2,237,168	259,746	692,732	(6,980,619)	-	(6,980,619)
Building inspections	616,109	583,077	-	-	(33,032)	-	(33,032)
Total governmental activities	<u>59,738,742</u>	<u>8,133,851</u>	<u>17,316,541</u>	<u>20,235,340</u>	<u>(14,053,010)</u>	<u>-</u>	<u>(14,053,010)</u>
Business-type activities:							
Municipal Utilities System	76,884	396,900	-	-	-	320,016	320,016
Fairbanks Transportation Center	408,051	141,431	-	-	-	(266,620)	(266,620)
Total business-type activities	<u>484,935</u>	<u>538,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,396</u>	<u>53,396</u>
Total	<u>\$ 60,223,677</u>	<u>8,672,182</u>	<u>17,316,541</u>	<u>20,235,340</u>	<u>(14,053,010)</u>	<u>53,396</u>	<u>(13,999,614)</u>
General Revenues:							
Property tax					15,698,033	-	15,698,033
Hotel motel tax					1,473,829	-	1,473,829
Alcohol beverage tax					2,346,009	-	2,346,009
Tobacco tax					850,381	-	850,381
Marijuana tax					1,440,964	-	1,440,964
Gasoline tax					105,973	-	105,973
Unrestricted shared revenue					823,208	-	823,208
Investment income					14,830,100	-	14,830,100
Interest income					209,749	17	209,766
Miscellaneous					284,944	-	284,944
Transfers - internal activity					186,900	(186,900)	-
Total general revenues and transfers					<u>38,250,090</u>	<u>(186,883)</u>	<u>38,063,207</u>
Change in net position					24,197,080	(133,487)	24,063,593
Net position - beginning					<u>269,763,645</u>	<u>8,532,534</u>	<u>278,296,179</u>
Net position- ending					<u>\$ 293,960,725</u>	<u>8,399,047</u>	<u>302,359,772</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2020

	<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	\$ 12,732,158	-	-	13,948,795	26,680,953
Restricted cash and cash equivalents	100	8,009,633	518,621	36,549	8,564,903
Restricted investments	-	135,935,782	-	-	135,935,782
Receivables (net of allowance for uncollectibles)	4,086,895	289,579	830,716	-	5,207,190
Prepaid assets	39,559	-	-	539,234	578,793
Due from other funds	1,633,828	-	-	-	1,633,828
Total assets	<u>\$ 18,492,540</u>	<u>144,234,994</u>	<u>1,349,337</u>	<u>14,524,578</u>	<u>178,601,449</u>
LIABILITIES					
Accounts payable	\$ 2,171,670	-	45,703	150,470	2,367,843
Deposits	27,297	-	-	-	27,297
Unearned revenue	486,605	-	388,556	-	875,161
Due to other funds	-	-	915,078	461,414	1,376,492
Total liabilities	<u>2,685,572</u>	<u>-</u>	<u>1,349,337</u>	<u>611,884</u>	<u>4,646,793</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,259,027</u>	<u>114,036</u>	<u>-</u>	<u>-</u>	<u>2,373,063</u>
FUND BALANCES					
Nonspendable	39,559	-	-	539,234	578,793
Restricted	-	144,120,958	-	36,549	144,157,507
Committed	250,000	-	-	4,555,589	4,805,589
Assigned	382,563	-	-	9,339,896	9,722,459
Unassigned	12,875,819	-	-	(558,574)	12,317,245
Total fund balances	<u>13,547,941</u>	<u>144,120,958</u>	<u>-</u>	<u>13,912,694</u>	<u>171,581,593</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 18,492,540</u>	<u>144,234,994</u>	<u>1,349,337</u>	<u>14,524,578</u>	<u>178,601,449</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, 2020

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>\$ 171,581,593</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	528,859,805
Land and land improvements	9,478,647
Construction in progress	5,965,289
Buildings	33,634,565
Equipment	31,417,068
Accumulated depreciation	<u>(475,204,099)</u>
	<u>134,151,275</u>
OPEB assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
	<u>1,459,451</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,453,166</u>
Deferred outflows represent costs incurred at the fund level, but future costs in the Statement of Net Position.	
Related to OPEB costs	1,065,909
Related to pension costs	<u>1,010,316</u>
	<u>2,076,225</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Pollution remediation obligation	(483,546)
Self-insurance losses	(916,164)
Net OPEB liability	(25,403)
Net pension liability	<u>(16,544,163)</u>
	<u>(17,969,276)</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	(1,164,773)
Related to pension costs	<u>-</u>
	<u>(1,164,773)</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	38,505
Deferred Tract I and Tract II note receivable	114,036
Deferred Techite note receivable	<u>2,200,000</u>
	<u>2,373,064</u>
Net position of governmental activities (page 5)	<u><u>\$ 293,960,725</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, 2020

	General	Permanent	Grants & Contracts	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 20,438,389	-	-	1,476,800	21,915,189
Charges for services	5,666,858	-	-	-	5,666,858
Intergovernmental	1,592,975	-	18,328,182	-	19,921,157
Licenses and permits	1,695,295	-	-	-	1,695,295
Fines and forfeitures	417,141	-	-	-	417,141
Special assessments	1,074	-	-	-	1,074
Investment earnings	-	14,825,464	4,577	59	14,830,100
Other revenues	580,312	-	227,201	1,085,000	1,892,513
Total revenues	30,392,044	14,825,464	18,559,960	2,561,859	66,339,327
Expenditures					
Current					
General government	8,169,784	104,804	16,222,802	2,532,674	27,030,064
Public safety	15,020,673	-	771,751	303,112	16,095,536
Public works	8,540,347	-	259,746	20,905	8,820,998
Building inspections	608,256	-	-	-	608,256
Capital outlay					
General government	16,930	-	582,030	114,770	713,730
Public safety	35,956	-	723,631	831,404	1,590,991
Public works	36,687	-	-	1,506,760	1,543,447
Total expenditures	32,428,633	104,804	18,559,960	5,309,625	56,403,022
Excess (deficiency) of revenues over expenditures	(2,036,589)	14,720,660	-	(2,747,766)	9,936,305
Other financing sources (uses)					
Transfers in	4,965,345	396,900	-	1,162,643	6,524,888
Transfers out	(751,975)	(5,586,013)	-	-	(6,337,988)
Sale of capital assets	83,751	21,411	-	-	105,162
Total other financing sources (uses)	4,297,121	(5,167,702)	-	1,162,643	292,062
Net change in fund balances	2,260,532	9,552,958	-	(1,585,123)	10,228,367
Fund balances - beginning	11,287,409	134,568,000	-	15,497,817	161,353,226
Fund balances - ending	\$ 13,547,941	144,120,958	-	13,912,694	171,581,593

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, 2020

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>\$ 10,228,367</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	3,848,168
Depreciation expense	<u>(8,213,009)</u>
	<u>(4,364,841)</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>(32,197)</u>
Assets donated to the City are not reported in governmental funds. In the statement of activities, revenue is recorded for the fair value of the assets at date of donation.	
Road reconstruction project costs	29,245,915
Decrease in Construction in progress	<u>(11,010,042)</u>
	<u>18,235,873</u>
Inventories are reported under the purchase method in the governmental funds, and under the consumption method in the statement of activities.	
	<u>(125,510)</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	(21,411)
Techite note receivable	<u>(200,000)</u>
	<u>(221,411)</u>
Collections for business license receivable	<u>(1,000)</u>
Collections increase for special assessments penalties and interest	<u>2,193</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	(142,456)
Change in pollution remediation obligation	171,560
Net decrease in net OPEB liability and related deferred accounts	1,341,863
Net increase in net pension liability and related deferred accounts	<u>(895,361)</u>
	<u>475,606</u>
Change in net position of governmental activities (page 7)	<u>\$ 24,197,080</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds
Statement of Net Position
December 31, 2020

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
ASSETS				
Current assets				
Cash	\$ -	313	313	1,678,866
Accounts receivable	-	79,976	79,976	14
GHU Clean Water loan receivable	387,086	-	387,086	-
Total current assets	387,086	80,289	467,375	1,678,880
Noncurrent assets				
GHU Clean Water loan receivable	2,831,596	-	2,831,596	-
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	(23,392,649)	(3,555,163)	(26,947,812)	-
Total noncurrent assets	5,043,334	6,264,530	11,307,864	-
Total assets	\$ 5,430,420	6,344,819	11,775,239	1,678,880
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	\$ 387,086	-	387,086	-
Accounts payable	-	18,750	18,750	-
Due to general fund	-	136,525	136,525	120,812
Compensated absences	-	-	-	1,558,068
Unearned revenue	-	2,235	2,235	-
Total current liabilities	387,086	157,510	544,596	1,678,880
Noncurrent liabilities				
Alaska Clean Water loan payable	2,831,596	-	2,831,596	-
Total noncurrent liabilities	2,831,596	-	2,831,596	-
Total liabilities	3,218,682	157,510	3,376,192	1,678,880
NET POSITION				
Net investment in capital assets	2,211,738	6,264,530	8,476,268	-
Unrestricted	-	(77,221)	(77,221)	-
Total net position	2,211,738	6,187,309	8,399,047	-
Total liabilities and net position	\$ 5,430,420	6,344,819	11,775,239	1,678,880

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, 2020

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Operating revenues				
Rental income	\$ 396,900	141,431	538,331	-
Other revenue	-	-	-	1,601,929
Total operating revenues	<u>396,900</u>	<u>141,431</u>	<u>538,331</u>	<u>1,601,929</u>
Operating expenses				
Employee benefits	-	-	-	1,601,929
Management fees	-	219,215	219,215	-
Depreciation	-	188,836	188,836	-
Total operating expenses	<u>-</u>	<u>408,051</u>	<u>408,051</u>	<u>1,601,929</u>
Operating income (loss)	<u>396,900</u>	<u>(266,620)</u>	<u>130,280</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	17	17	-
Rental depreciation	(76,884)	-	(76,884)	-
Total nonoperating revenue (expenses)	<u>(76,884)</u>	<u>17</u>	<u>(76,867)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>320,016</u>	<u>(266,603)</u>	<u>53,413</u>	<u>-</u>
Capital contribution	-	210,000	210,000	-
Transfers out	(396,900)	-	(396,900)	-
Total contributions and transfers	<u>(396,900)</u>	<u>210,000</u>	<u>(186,900)</u>	<u>-</u>
Change in net position	(76,884)	(56,603)	(133,487)	-
Total net position - beginning	<u>2,288,622</u>	<u>6,243,912</u>	<u>8,532,534</u>	<u>-</u>
Total net position - ending	<u>\$ 2,211,738</u>	<u>6,187,309</u>	<u>8,399,047</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, 2020

	Business-type Activities			Governmental Activities- Internal Service Fund
	Enterprise Funds			
	MUS	FTC	Total	
Cash flows from operating activities				
Receipts from customers	\$ 396,900	121,307	518,207	-
Receipts for interfund services provided	-	-	-	1,610,812
Payments for interfund services provided	-	-	-	(1,601,929)
Payments to management	-	(405,393)	(405,393)	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>(284,086)</u>	<u>112,814</u>	<u>8,883</u>
Cash flows from noncapital financing activities				
Transfer to parking garage	-	210,000	210,000	-
Transfer to permanent fund	(396,900)	-	(396,900)	-
Net cash provided (used) by noncapital financing activities	<u>(396,900)</u>	<u>210,000</u>	<u>(186,900)</u>	<u>-</u>
Cash flows from capital and other related financing activities				
Payment to Alaska DEC for plant upgrade loans	(441,173)	-	(441,173)	-
Receipt from Golden Heart Utilities plant upgrade loans	441,173	-	441,173	-
Net cash provided (used) by capital and other related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Interest received	-	17	17	-
Net cash provided by investing activities	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>
Net increase (decrease) in cash	-	(74,069)	(74,069)	8,883
Cash at beginning of the year	-	74,382	74,382	1,669,983
Cash at end of the year	<u>\$ -</u>	<u>313</u>	<u>313</u>	<u>1,678,866</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 396,900	(266,620)	130,280	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	188,836	188,836	-
(Increase) decrease in assets				
Accounts receivable	-	(67,320)	(67,320)	2,148
(Decrease) increase in liabilities				
Accounts payable	-	15,389	15,389	-
Prepaid rent	-	1,017	1,017	-
Compensated absences	-	-	-	111,401
Due to other funds	-	(155,388)	(155,388)	(104,666)
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>(284,086)</u>	<u>112,814</u>	<u>8,883</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2020

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

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2020

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, gasoline 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, gasoline 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 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, 2020:

General Fund	\$	382,563
Grants & Contracts Fund*		37,391
Risk		87,576
Capital Fund		<u>1,547,570</u>
Total	\$	<u>2,055,100</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, 2020, 20% of annual budgeted expenditures were \$7,046,115. The unassigned fund balance in the general fund financial statement was \$12,875,819.

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, 2021.

C. Deficit Fund Equity

The Risk Special Revenue Fund reported an overall negative unassigned balance in the amount of \$558,574 at December 31, 2020. Property taxes will be levied in July 2021 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, 2020, the carrying amount of the City's cash and deposits was \$3,198,052 and the bank balances totaled \$3,804,959. 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, 2020, the fair value of the investments in the pool were reported in the amount of \$33,726,982. 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, 2020, 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	\$ 82,401,667	-	82,401,667	-
External investment pool	33,726,982	33,726,982	-	-
U.S. treasuries and agencies	25,785,193	-	25,785,193	-
Corporate bonds	6,562,274	-	6,562,274	-
Fixed income mutual funds	6,559,373	-	6,559,373	-
Foreign bonds	6,890,830	-	6,890,830	-
Real Estate Investment Trust	7,736,446	7,736,446	-	-
	<u>\$ 169,662,765</u>	<u>41,463,428</u>	<u>128,199,337</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, 2020, the City had the following investments and maturities subject to interest rate risk:

Investment Type	Investments and Maturities (in Years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
External investment pool	\$ 33,726,982	33,726,982	-	-	-
U.S. treasuries and agencies	25,785,193	352,801	8,588,246	5,843,648	11,000,498
Corporate bonds	6,562,274	-	2,968,682	853,530	2,740,062
Foreign bonds	6,890,830	6,520,421	-	370,409	-
	<u>\$ 72,965,279</u>	<u>40,600,204</u>	<u>11,556,928</u>	<u>7,067,587</u>	<u>13,740,560</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, 2020, 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	\$ 82,401,667	N/A	48.6%
External investment pool	33,726,982	N/A	19.9%
U.S. treasuries and agencies	25,785,193	N/A	15.2%
Corporate bonds	271,190	A+/A1	
Corporate bonds	672,471	A/A2	
Corporate bonds	1,193,725	A/A3	
Corporate bonds	430,170	A-/A2	
Corporate bonds	360,042	BBB+/A2	
Corporate bonds	1,384,229	BBB+/Baa1	
Corporate bonds	339,976	BBB+/Baa2	
Corporate bonds	273,075	BBB/Baa1	
Corporate bonds	1,332,246	BBB/Baa2	
Corporate bonds	305,150	BBB-/Baa1	
Total Corporate Bonds ^(B)	<u>6,562,274</u>		3.9%
Fixed income mutual funds	6,559,373	N/A	3.9%
Foreign bonds	6,890,830	N/A	4.1%
Real Estate Investment Trust	7,736,446	N/A	4.6%
	<u>\$ 169,662,765</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, 2020 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	\$ 915,078
	Risk fund	461,414
	Fairbanks Transportation Center	136,525
	Internal Service fund	120,812
	Total	<u>\$ 1,633,828</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, 2020 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	\$ -	4,965,345	-	4,965,345
Permanent fund	-	-	396,900	396,900
Nonmajor governmental funds	541,975	620,668	-	1,162,643
Fairbanks transportation center	210,000	-	-	210,000
Total	<u>\$ 751,975</u>	<u>5,586,013</u>	<u>396,900</u>	<u>6,734,888</u>

The General Fund transfer of \$751,975 included a transfer of \$210,000 to the FTC and \$541,975 transfer to the capital fund as authorized in accordance with City code and council approval. The capital fund transfer included \$83,707 for ambulance replacement, \$258,268 for garbage equipment replacement, and \$200,000 for other capital projects.

The Permanent Fund transfer of \$5,586,013 is authorized annually in accordance with City Charter. The amount transferred to the general fund for operations was \$4,965,345 and to the capital fund for capital acquisitions was \$620,668.

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, 2020 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	16,322,217	653,114	(11,010,042)	5,965,289
Total capital assets, not being depreciated	<u>25,800,864</u>	<u>653,114</u>	<u>(11,010,042)</u>	<u>15,443,936</u>
Capital assets, being depreciated				
Infrastructure	501,815,686	29,245,915	(2,201,796)	528,859,805
Buildings	33,634,565	-	-	33,634,565
Equipment	29,521,300	3,195,053	(1,299,285)	31,417,068
Total capital assets, being depreciated	<u>564,971,551</u>	<u>32,440,968</u>	<u>(3,501,081)</u>	<u>593,911,438</u>
Less accumulated depreciation				
Infrastructure	(432,169,769)	(5,748,972)	2,201,796	(435,716,945)
Buildings	(15,830,024)	(782,713)	-	(16,612,737)
Equipment	(22,460,181)	(1,681,324)	1,267,088	(22,874,417)
Total accumulated depreciation	<u>(470,459,974)</u>	<u>(8,213,009)</u>	<u>3,468,884</u>	<u>(475,204,099)</u>
Total capital assets being depreciated, net	<u>94,511,577</u>	<u>24,227,959</u>	<u>(32,197)</u>	<u>118,707,339</u>
Governmental activities capital assets, net	<u>\$ 120,312,441</u>	<u>24,881,073</u>	<u>(11,042,239)</u>	<u>134,151,275</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	(686,400)	(31,200)	-	(717,600)
Buildings	(12,917,135)	(188,836)	-	(13,105,971)
Equipment	(13,078,557)	(45,684)	-	(13,124,241)
Total accumulated depreciation	<u>(26,682,092)</u>	<u>(265,720)</u>	<u>-</u>	<u>(26,947,812)</u>
Total capital assets being depreciated, net	<u>8,287,632</u>	<u>(265,720)</u>	<u>-</u>	<u>8,021,912</u>
Business-type activities capital assets, net	<u>\$ 8,741,988</u>	<u>(265,720)</u>	<u>-</u>	<u>8,476,268</u>
Depreciation expense was charged to activities/programs of the primary government as follows:				
Governmental activities				
General government				\$ 6,002,427
Public safety				978,972
Public works				1,223,757
Building Inspections				7,853
Total depreciation expense - governmental activities				<u>\$ 8,213,009</u>
Depreciation expense for business-type activities is allocated over the following programs:				
Fairbanks Transportation Center				\$ 188,836
Municipal Utility System				76,884
Total depreciation expense - business type activities				<u>\$ 265,720</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 FPDEA agreement and IFFA that expires on December 31, 2021; AFL-CIO agreement expires on December 31, 2022. The IBEW agreement expired on December 31, 2020 and was 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 employers. Summary financial information for the plan can be obtained at www.aetf.com on the internet.

Benefit Terms

On December 31, 2020, the City had 38 employees participate in AEPP. The City also had 2 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 2020, the City contributed \$6.00 per compensable hour for employees earning \$50,000 or less and \$7.00 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 expired on December 31, 2020. The total contribution to AEPP for 2020 was \$527,291 of which \$28,718 was payable as of December 31, 2020.

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 employers. 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, 2020, the City had 11 employees participate in AL-ERF. The City also had 36 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 2020, 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 will expire on December 31, 2022. The total contribution to AL-ERF for 2020 was \$430,038 of which \$20,643 was payable as of December 31, 2020.

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, 2020, the City had 18 employees participate in IUOERP. The City also had 37 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 2020, the City contributed \$8.25 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, 2022. The total contribution to IUOERP for 2020 was \$401,395 of which \$26,095 was payable as of December 31, 2020.

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, 2020, 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 2020, 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, 2022. The total contribution to NACRP for 2020 was \$38,498 of which \$1,154 was payable as of December 31, 2020.

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, 2020, 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 2020, the City contributed \$10.00 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, 2022. The total contribution to APPIPF for 2020 was \$20,816 of which \$960 was payable as of December 31, 2020.

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

D. Pension Obligations, Continued

Benefit Terms

On December 31, 2020, 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 2020, 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, 2022. The total contribution to ATEPP for 2020 was \$91,050 of which \$2,029 was payable as of December 31, 2020.

Defined Benefit (DB) Pension Plan – PERS

Plan Description

On December 31, 2020, the City had 99 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. 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, 2020 as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
January 1 through June 30, 2020			
Pension	15.72%	21.41%	5.69%
Postemployment healthcare	6.28%	7.21%	0.93%
Total Contribution Rates	22.00%	28.62%	6.62%
July 1 through December 31, 2020			
Pension	14.57%	23.42%	8.85%
Postemployment healthcare	7.43%	7.43%	0.00%
Total Contribution Rates	22.00%	30.85%	8.85%

In 2020, the City was credited with the following contributions into the pension plan. Employee contributions were \$270,033.

	December 31, 2020
Employer contributions (including DBUL)	\$ 779,805
Nonemployer contributions (on-behalf)	711,222
Total Contributions	\$ 1,491,027

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, 2020, the City reported a liability of \$16,544,163 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020. 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. On December 31, 2020, the City's proportion was .28035%, which was an increase of .00583% from its proportion measures as of June 30, 2019.

For the year ended December 31, 2020, the City recognized an increase in pension expense of \$895,361 in the government-wide financial statements.

	<u>Beginning Balance</u>	<u>Ending Balance</u>	<u>Pension Expense</u>
Net pension liability	\$ 15,028,071	16,544,163	1,516,092
Deferred outflows	(675,564)	(760,633)	(85,069)
Deferred inflows	639,681	-	(639,681)
Contribution after measurement date	<u>(353,702)</u>	<u>(249,683)</u>	<u>104,019</u>
Total Obligations Related to Pensions	<u>\$ 14,638,486</u>	<u>15,533,847</u>	<u>895,361</u>

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 52,482
Changes in assumptions	-
Net difference between projected and actual earnings on pension plan investments	673,349
Changes in proportion and differences between City contributions and proportionate share of contributions	34,802
City contributions subsequent to the measurement date	<u>249,683</u>
Total Deferred Outflows and Inflows Related to Pensions	<u>\$ 1,010,316</u>

The \$249,683 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 99,184
2022	236,797
2023	250,287
2024	174,364

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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used in the June 30, 2019 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-commencement and post-commencement mortality rates were based on the 2013-2017 actual mortality experience. Pre-commencement mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-commencement 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	6.24 %
Global equity (non-U.S.)	6.67
Aggregate bonds	-0.16
Opportunistic	3.01
Real assets	3.82
Private equity	10.00
Cash equivalents	-1.09

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, 2020, 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%	Discount Rate 7.38%	1% Increase 8.38%
City's proportionate share of the net pension liability	.28035%	\$21,510,909	\$16,544,163	\$12,378,447

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, 2020, 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, 2020, the City and employee contributions to PERS were \$276,912 and \$443,059, respectively. The City had forfeitures in the amount of \$4,202. 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, 2020 were as follows:

January 1 through June 30, 2020	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%

July 1 through December 31, 2020	Peace Officers/ Firefighters	All Others	State Contribution Rate
ARHCT	7.43%	7.43%	0.00%
RMP	1.27%	1.27%	0.00%
ODD	0.70%	0.31%	0.00%
Total Contribution Rates	9.40%	9.01%	0.00%

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, 2020, the City contributed \$696,768 into the OPEB Plan of which \$606,641 was for ARHCT.

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

At December 31, 2020, the City reported a liability of \$25,403 and an asset of \$1,459,451 for its proportionate share of the net OPEB liability(asset). The total net OPEB liability(asset) for the City's proportionate share and State's proportionate support were as follows:

	December 31, 2020
City's proportionate share of net OPEB asset - ARHCT	\$ (1,268,913)
State's proportionate share of net OPEB asset- ARHCT	(526,139)
Total net OPEB asset - ARHCT	(1,795,052)
City's proportionate share of net OPEB liability - RMP	25,403
City's proportionate share of net OPEB asset - ODD	(190,538)

The net OPEB liability(asset) was measured as of June 30, 2020 and the total OPEB liability(asset) used to calculate the net OPEB liability(asset) was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The City's proportion of the net OPEB liability(asset) 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, 2020, the City's proportions and changes in proportion of the net OPEB liabilities(assets) were as follows:

	June 30, 2019 Measurement	June 30, 2020 Measurement	Change
ARHCT	0.27447%	0.28020%	0.00573%
RMP	0.34493%	0.35814%	0.01321%
ODD	0.68075%	0.69897%	0.01822%

For the year ended December 31, 2020, the City recognized a decrease in OPEB expense of \$1,341,863 in the government-wide financial statements.

	Beginning Balance	Ending Balance	OPEB Expense
Net OPEB asset - ARHCT	\$ 407,263	(1,268,913)	(1,676,176)
Net OPEB liability - RMP	82,520	25,403	(57,117)
Net OPEB asset - ODD	(165,047)	(190,538)	(25,491)
Deferred outflows	(660,020)	(623,963)	36,057
Deferred inflows	618,905	1,164,773	545,868
Contribution after measurement date	(276,942)	(441,946)	(165,004)
Total Obligations Related to OPEB	\$ 6,679	(1,335,184)	(1,341,863)

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, 2020, 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	\$ -	101,796
RMP	132	5,459
ODD	-	63,930
Changes in assumptions		
ARHCT	-	884,507
RMP	35,676	65,673
ODD	-	2,790
Net difference between projected and actual earnings on OPEB plan investments		
ARHCT	509,122	-
RMP	11,374	-
ODD	6,535	-
Changes in proportion and differences between City contributions and proportionate share of contributions		
ARHCT	51,058	-
RMP	6,575	-
ODD	3,491	40,618
City contributions subsequent to the measurement date	441,946	-
Total Deferred Outflows and Inflows Related to OPEB	\$ 1,065,909	1,164,773

The \$441,946 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(asset) 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
2021	\$ (939,338)	(1,780)	(15,729)
2022	181,219	490	(14,180)
2023	194,579	449	(14,148)
2024	137,417	(419)	(14,667)
2025	-	(3,158)	(16,315)
Thereafter	-	(12,956)	(22,273)

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(asset) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020. The actuarial assumptions used in the June 30, 2019 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; 7.0% grading down to 4.5% Post-65 medical; 5.4% grading down to 4.5% Prescription drug; 8.0% grading down to 4.5% Employer Group Waiver Plan: 8.0% grading down to 4.5%
Mortality	Pre-commencement and post- commencement mortality rates were based on the 2013-2017 actual mortality experience. Post-commencement 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-commencement 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	6.24 %
Global equity (non-U.S.)	6.67
Aggregate bonds	-0.16
Opportunistic	3.01
Real assets	3.82
Private equity	10.00
Cash equivalents	-1.09

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(asset) 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 statues. 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(asset).

Discount Rate Sensitivity

The following presents the City's proportionate share of the net OPEB liabilities/assets) calculated using the discount rate of 7.38%, as well as the City's proportionate share of the net OPEB liability(asset) 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 Discount Rate 7.38%	1% Increase 8.38%
ARHCT	0.28020%	\$ 1,324,084	(1,268,913)	(3,416,682)
RMP	0.35814%	157,373	25,403	(74,493)
ODD	0.69897%	(179,047)	(190,538)	(199,723)

Healthcare Cost Trend Rates Sensitivity

The following presents the City's proportionate share of the net OPEB liabilities/assets) calculated using the healthcare cost trend rate, as well as the City's proportionate share of the net OPEB liability(asset) 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 Discount Rate	1% Increase
ARHCT	0.28020%	\$ (3,668,504)	(1,268,913)	1,636,853
RMP	0.35814%	(89,134)	25,403	181,197

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 \$88.40 as of June 30, 2020 and \$89.96 as of December 31, 2020.

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, 2020, the City contributed \$245,046 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.

H. Deferred Outflows/Inflows of Resources

At December 31, 2020, the City reported deferred outflows/inflows of resources in the **government-wide** financial statements related to pensions (Note 3.E.) and OPEB (Note 3.F.).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net pension liability	\$ 1,010,316	-
Net OPEB liability	1,065,909	(1,164,773)
	\$ 2,076,225	(1,164,773)

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, Continued

At December 31, 2020, the City reported deferred inflows of resources in the **governmental funds** as follows:

	General	Permanent	Total Governmental Funds
Special assessments	\$ 59,027	-	59,027
Notes Receivable	-	114,036	114,036
Techite Receivable	2,200,000	-	2,200,000
Total deferred inflows of resources	<u>\$ 2,259,027</u>	<u>114,036</u>	<u>2,373,063</u>

I. Fund Balance Detail – Governmental Funds

	General	Permanent	Grants & Contracts	Other Governmental	Total
Nonspendable					
Prepayments	\$ 39,559	-	-	539,234	578,793
Restricted					
Investment	-	144,120,958	-	-	144,120,958
Federal Asset Forfeiture	-	-	-	36,549	36,549
Total Restricted	-	144,120,958	-	36,549	144,157,507
Committed					
Snow Removal	250,000	-	-	-	250,000
Capital Projects	-	-	-	4,555,589	4,555,589
Total Committed	250,000	-	-	4,555,589	4,805,589
Assigned					
Contractual Obligations	382,563	-	-	1,547,570	1,930,133
Capital Projects	-	-	-	7,792,326	7,792,326
Total Assigned	382,563	-	-	9,339,896	9,722,459
Unassigned	12,875,819	-	-	(558,574)	12,317,245
Total Fund Balance	<u>\$ 13,547,941</u>	<u>144,120,958</u>	<u>-</u>	<u>13,912,694</u>	<u>171,581,593</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 lessen 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, 2020, 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	\$ 318,915
Sludge Dewatering Project	2014	2028	1.5%	4,625,600	2,466,987
Clarifier Project	2016	2030	1.5%	649,170	432,780
Total					\$ 3,218,682

The following changes occurred during fiscal year 2020 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	\$ 1,446,667	1,601,929	1,490,528	1,558,068	1,558,068	-
Self-Insurance losses	773,708	546,372	403,916	916,164	359,906	556,258
Net OPEB liability	489,783	-	464,380	25,403	-	25,403
Net pension liability	15,028,071	1,516,092	-	16,544,163	-	16,544,163
Governmental activity						
Other liabilities	\$ 17,738,229	3,664,393	2,358,824	19,043,798	1,917,974	17,125,824
Business-type activities:						
Alaska clean water loans						
Dewatering Loan	\$ 2,775,360	-	308,373	2,466,987	308,373	2,158,614
Hypochlorite Loan	354,350	-	35,435	318,915	35,435	283,480
Clarifier Loan	476,058	-	43,278	432,780	43,278	389,502
Business-type activities						
Other liabilities	\$ 3,605,768	-	387,086	3,218,682	387,086	2,831,596

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 2020.

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>(416,039)</u>	<u>(23,392,649)</u>
Total	<u>\$ 5,348,836</u>	<u>2,211,738</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>
2021	\$ 126,791	396,900	523,691
2022	126,791	396,900	523,691
2023	124,190	396,900	521,090
2024	123,190	396,900	520,090
2025	<u>123,190</u>	<u>396,900</u>	<u>520,090</u>
Total minimum rental receipts	<u>\$ 624,152</u>	<u>1,984,500</u>	<u>2,608,652</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 \$916,164 for self-insurance losses and \$483,546 for pollution remediation. Changes in the claims liabilities for fiscal years 2020 and 2019 are as follows:

	Claims Liability December 31, 2020	Claims Liability December 31, 2019
January 1	\$ 1,428,814	1,392,893
Current year claims	280,927	182,973
Changes in estimates for claims of the prior period	265,446	134,227
Claims payments	(575,476)	(281,279)
December 31	\$ 1,399,711	1,428,814

The City recorded expenditures for claims in the **governmental fund financial statements** in the amount of \$403,916 for self-insurance losses and \$171,560 for pollution remediation for a total of \$575,476.

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 2020, the City paid \$171,560 in remediation costs. The current estimated pollution remediation obligation is \$483,546. 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:

	2020	2019
Interest income	\$ 1,046,780	1,486,718
Dividends	1,572,163	1,883,017
Net realized (losses) gains	2,141,473	16,466,429
Net unrealized (losses) gains	10,065,048	915,990
	\$ 14,825,464	20,752,154

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 2020 (based on an average of 2016-2020) and 2019 (based on an average of 2015-2019) is calculated as follows:

	2020	2019
Total average investments held in trust	\$ 129,474,133	123,962,444
Total average other assets	154,021	172,986
Total average liabilities	(297)	(1,805)
Total average fund value	\$ 129,627,857	124,133,625
Available for general operations	5,185,115	4,965,345
Available for capital expenditures	648,139	620,668
Subsequent year transfers	\$ 5,833,254	5,586,013

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
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, 2020

	Budget Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 21,664,300	20,571,773	20,438,389	(133,384)
Charges for services	5,335,400	5,608,092	5,666,858	58,766
Intergovernmental	1,082,400	1,516,400	1,592,975	76,575
Licenses and permits	1,554,400	1,601,400	1,695,295	93,895
Fines and forfeitures	565,000	500,000	417,141	(82,859)
Rental	150,562	150,562	148,714	(1,848)
Interest and penalties	315,500	185,500	209,749	24,249
Other	221,000	221,000	222,923	1,923
Total revenues	<u>30,888,562</u>	<u>30,354,727</u>	<u>30,392,044</u>	<u>37,317</u>
Expenditures				
General government				
Mayor	651,464	679,739	676,464	3,275
Legal	198,100	208,315	195,997	12,318
City clerk	428,817	439,782	403,058	36,724
Finance	887,565	963,150	871,449	91,701
Information technologies	2,310,800	2,365,911	2,183,213	182,698
General account	4,599,000	4,084,898	4,016,199	68,699
Total general government	<u>9,075,746</u>	<u>8,741,795</u>	<u>8,346,380</u>	<u>395,415</u>
Public safety				
Police	7,353,998	6,927,596	5,979,971	947,625
FECC	2,492,072	2,203,727	2,193,858	9,869
Fire	6,673,768	6,976,054	6,887,422	88,632
Total public safety	<u>16,519,838</u>	<u>16,107,377</u>	<u>15,061,251</u>	<u>1,046,126</u>
Public works				
Works	8,342,342	8,844,045	7,641,170	1,202,875
Engineering	783,625	880,452	876,882	3,570
Total public works	<u>9,125,967</u>	<u>9,724,497</u>	<u>8,518,052</u>	<u>1,206,445</u>
Building inspections	<u>638,629</u>	<u>656,904</u>	<u>608,256</u>	<u>48,648</u>
Total expenditures	<u>35,360,180</u>	<u>35,230,573</u>	<u>32,533,939</u>	<u>2,696,634</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,471,618)</u>	<u>(4,875,846)</u>	<u>(2,141,895)</u>	<u>2,733,951</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, 2020

	<u>Budget Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Transfers in	\$ 4,961,945	4,961,945	4,965,345	3,400
Transfers out	(339,710)	(749,710)	(751,975)	(2,265)
Sale of capital assets	50,000	85,000	83,751	(1,249)
Total other financing sources (uses)	<u>4,672,235</u>	<u>4,297,235</u>	<u>4,297,121</u>	<u>(114)</u>
Net change in fund balances	<u>\$ 200,617</u>	<u>(578,611)</u>	2,155,226	<u>2,733,837</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.

105,306

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

\$ 2,260,532

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 Six 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
2020	0.28035%	\$ 16,544,163	\$ 6,846,757	\$ 23,390,920	\$ 4,097,593	403.75%	61.61%
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 Six 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
2020	\$ 781,865	\$ 779,993	\$ 1,872	\$ 3,553,930	22.0%
2019	\$ 1,039,814	\$ 1,035,675	\$ 4,139	\$ 4,726,429	22.0%
2018	\$ 1,138,239	\$ 1,137,977	\$ 262	\$ 5,173,815	22.0%
2017	\$ 1,289,240	\$ 1,289,240	\$ -	\$ 5,860,180	22.0%
2016	\$ 1,414,662	\$ 1,414,662	\$ -	\$ 6,430,280	22.0%
2015	\$ 1,507,684	\$ 1,505,698	\$ 1,986	\$ 6,853,107	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 Four 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 (Asset)	Total Net OPEB Liability (Asset)	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Alaska Retiree Healthcare Trust							
2020	0.28020%	\$ (1,268,913)	\$ (526,139)	\$ (1,795,052)	\$ 5,054,342	-25.11%	106.15%
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%
Retiree Medical Plan							
2020	0.35814%	\$ 25,403	\$ -	\$ 25,403	\$ 5,054,342	0.50%	95.23%
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%
Occupational Death and Disability Plan							
2020	0.69897%	\$ (190,538)	\$ -	\$ (190,538)	\$ 5,054,342	-3.77%	283.80%
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 Four 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
<i>Alaska Retiree Healthcare Trust</i>					
2020	\$ 138,645	\$ 138,645	\$ -	\$ 5,534,813	2.5%
2019	\$ 123,595	\$ 123,595	\$ -	\$ 4,741,934	2.6%
2018	\$ 99,022	\$ 99,022	\$ -	\$ 3,873,234	2.6%
2017	\$ 83,925	\$ 83,925	\$ -	\$ 3,100,242	2.7%
<i>Retiree Medical Plan</i>					
2020	\$ 71,601	\$ 71,601	\$ -	\$ 5,534,813	1.3%
2019	\$ 54,160	\$ 54,160	\$ -	\$ 4,741,934	1.1%
2018	\$ 37,891	\$ 37,891	\$ -	\$ 3,873,234	1.0%
2017	\$ 34,191	\$ 34,191	\$ -	\$ 3,100,242	1.1%
<i>Occupational Death and Disability Plan</i>					
2020	\$ 34,800	\$ 34,800	\$ -	\$ 5,534,813	0.6%
2019	\$ 30,271	\$ 30,271	\$ -	\$ 4,741,934	0.6%
2018	\$ 19,883	\$ 19,883	\$ -	\$ 3,873,234	0.5%
2017	\$ 11,871	\$ 11,871	\$ -	\$ 3,100,242	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
2020	\$ 527,291	\$ 527,291	\$ -	\$ 2,993,894	17.6%
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%

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
2020	\$ 430,038	\$ 430,038	\$ -	\$ 988,770	43.5%
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%

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
2020	\$ 401,395	\$ 401,395	\$ -	\$ 1,648,718	24.3%
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%

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
2020	\$ 38,498	\$ 38,498	\$ -	\$ 197,084	19.5%
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%

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
2020	\$ 20,816	\$ 20,816	\$ -	\$ 71,491	29.1%
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%

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
2020	\$ 91,050	\$ 91,050	\$ -	\$ 277,556	32.8%
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%

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 9, 2019 and amended by ordinances during 2020. 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 each major special revenue fund. The City does not have an adopted annual budget for a major special revenue fund; therefore, budgetary information is 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 of June 30, 2020. 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 of June 30, 2020. 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 six years. A portion of these contributions are reported as deferred outflow on the December 31, 2020 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 four years. A portion of these contributions are reported as deferred outflow on the December 31, 2020 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 from 2016 to 2019 is due to decreases in positions.

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 Investment – 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, 2020

(With comparative totals for 2019)

	<u>Totals</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Equity in central treasury	\$ 12,732,158	\$ 10,707,045
Restricted cash and cash equivalents	100	100
	<u>12,732,258</u>	<u>10,707,145</u>
Receivables		
Taxes	1,175,912	1,255,469
Accounts	1,551,278	1,171,464
Special assessments	20,523	20,523
Interest and penalties	38,692	68,629
Notes	7,401	4,900
Techite	2,200,000	2,400,000
Less allowance for uncollectible receivables	(906,911)	(882,233)
	<u>4,086,895</u>	<u>4,038,752</u>
Prepaid assets	39,559	5,612
Due from other funds	<u>1,633,828</u>	<u>1,540,164</u>
Total assets	<u>\$ 18,492,540</u>	<u>\$ 16,291,673</u>
LIABILITIES		
Accounts payable	\$ 2,171,670	\$ 2,075,763
Deposits	27,297	20,573
Unearned revenue	<u>486,605</u>	<u>450,094</u>
Total liabilities	<u>2,685,572</u>	<u>2,546,430</u>
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	<u>2,259,027</u>	<u>2,457,834</u>
FUND BALANCE		
Nonspendable	39,559	5,612
Committed	250,000	250,000
Assigned	382,563	413,257
Unassigned	<u>12,875,819</u>	<u>10,618,540</u>
Total fund balance	<u>13,547,941</u>	<u>11,287,409</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 18,492,540</u>	<u>\$ 16,291,673</u>

CITY OF FAIRBANKS, ALASKA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2020
 (With comparative totals for 2019)

	Totals	
	2020	2019
Revenues		
Taxes		
Real property	\$ 14,221,233	\$ 14,207,725
Hotel / motel	1,473,829	3,445,847
Alcoholic beverages	2,346,009	2,333,130
Tobacco distribution	850,381	878,288
Marijuana	1,440,964	1,168,278
Gasoline	105,973	-
Charges for services	5,666,858	5,641,337
Intergovernmental		
PERS relief payments	711,222	611,760
Other	881,753	1,276,172
Licenses and permits	1,695,295	1,586,537
Fines and forfeitures	417,141	511,203
Special assessments	1,074	1,074
Other revenues		
Interest and penalties	209,749	496,521
Rental	148,714	146,665
Techite settlement	200,000	200,000
Other	21,849	22,764
Total revenues	<u>30,392,044</u>	<u>32,527,301</u>
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	554,128	537,718
Employee benefits	186,060	174,308
Other services	10,907	18,469
Inter-departmental	(74,631)	(71,844)
Total mayor and city council	<u>676,464</u>	<u>658,651</u>
City attorney		
Salaries and wages	253,184	218,484
Employee benefits	82,727	67,253
Other services	38,796	34,254
Inter-departmental	(178,710)	(173,719)
Total city attorney	<u>195,997</u>	<u>146,272</u>
City clerk		
Salaries and wages	269,307	263,304
Employee benefits	92,348	94,829
Other services	41,403	47,163
Total city clerk	<u>403,058</u>	<u>405,296</u>
Finance		
Salaries and wages	590,453	554,500
Employee benefits	204,399	192,641
Other services	39,597	92,597
Total finance	<u>834,449</u>	<u>839,738</u>

CITY OF FAIRBANKS, ALASKA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2020
 (With comparative totals for 2019)

	Totals	
	2020	2019
Expenditures - continued		
General government, continued		
Information technology		
Other services	2,219,856	2,005,875
Total information technology	<u>2,219,856</u>	<u>2,005,875</u>
Non-departmental		
Community services	1,976,380	2,169,704
PERS relief payments	711,222	611,760
Hotel / motel distributions	1,152,358	2,634,099
Total non-departmental	<u>3,839,960</u>	<u>5,415,563</u>
Total general government	<u>8,169,784</u>	<u>9,471,395</u>
Public safety		
Police		
Salaries and wages	3,814,542	4,386,589
Employee benefits	1,552,882	1,717,155
Other services	618,936	616,708
Total police	<u>5,986,360</u>	<u>6,720,452</u>
Dispatch		
Salaries and wages	1,371,583	1,432,130
Employee benefits	562,345	590,818
Other services	266,130	415,684
Total dispatch	<u>2,200,058</u>	<u>2,438,632</u>
Fire		
Salaries and wages	4,432,124	4,183,877
Employee benefits	1,820,380	1,762,277
Other services	581,751	780,743
Total fire	<u>6,834,255</u>	<u>6,726,897</u>
Total public safety	<u>15,020,673</u>	<u>15,885,981</u>
Public works		
Works		
Salaries and wages	3,251,110	2,875,467
Employee benefits	1,842,987	1,706,824
Other services	2,555,836	3,048,463
Total works	<u>7,649,933</u>	<u>7,630,754</u>
Engineering		
Salaries and wages	604,382	537,035
Employee benefits	177,803	161,924
Other services	108,229	75,726
Total engineering	<u>890,414</u>	<u>774,685</u>
Total public works	<u>8,540,347</u>	<u>8,405,439</u>

CITY OF FAIRBANKS, ALASKA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2020
 (With comparative totals for 2019)

	Totals	
	2020	2019
Expenditures - continued		
Building inspections		
Salaries and wages	428,774	412,308
Employee benefits	144,166	135,508
Other services	35,316	22,649
Total building inspections	<u>608,256</u>	<u>570,465</u>
Capital outlay		
General government		
Information Technology	16,930	-
Nondepartmental	-	12,990
Total general government	<u>16,930</u>	<u>12,990</u>
Public safety		
Fire	35,956	-
Total public safety	<u>35,956</u>	<u>-</u>
Public works		
Works	36,687	82,969
Total public works	<u>36,687</u>	<u>82,969</u>
Total capital outlay	<u>89,573</u>	<u>95,959</u>
Total expenditures	<u>32,428,633</u>	<u>34,429,239</u>
Excess (deficiency) of revenues over expenditures	<u>(2,036,589)</u>	<u>(1,901,938)</u>
Other financing sources (uses)		
Transfers in	4,965,345	4,856,659
Transfers out	(751,975)	(4,231,002)
Sale of capital assets	83,751	121,166
Total other financing sources (uses)	<u>4,297,121</u>	<u>746,823</u>
Net change in fund balances	2,260,532	(1,155,115)
Fund balance - beginning	<u>11,287,409</u>	<u>12,442,524</u>
Fund balance - ending	<u>\$ 13,547,941</u>	<u>\$ 11,287,409</u>

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2020

	<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	\$ -	-	13,948,795	13,948,795
Restricted cash and cash equivalents	-	36,549	-	36,549
Receivables	-	-	-	-
Prepaid assets	539,234	-	-	539,234
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 539,234</u>	<u>36,549</u>	<u>13,948,795</u>	<u>14,524,578</u>
LIABILITIES				
Accounts payable	\$ 97,160	-	53,310	150,470
Unearned revenue	-	-	-	-
Due to general fund	461,414	-	-	461,414
Total liabilities	<u>558,574</u>	<u>-</u>	<u>53,310</u>	<u>611,884</u>
FUND BALANCES				
Nonspendable	539,234	-	-	539,234
Restricted	-	36,549	-	36,549
Committed	-	-	4,555,589	4,555,589
Assigned	-	-	9,339,896	9,339,896
Unassigned	(558,574)	-	-	(558,574)
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>(19,340)</u>	<u>36,549</u>	<u>13,895,485</u>	<u>13,912,694</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 539,234</u>	<u>36,549</u>	<u>13,948,795</u>	<u>14,524,578</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2020

	<u>Special Revenue Fund</u>			Total Other Governmental Funds
	<u>Risk</u>	<u>Asset Forfeiture</u>	<u>Capital Fund</u>	
Revenues				
Taxes	\$ 1,476,800	-	-	1,476,800
Investment earnings	-	59	-	59
Other revenues	-	-	1,085,000	1,085,000
Total revenues	<u>1,476,800</u>	<u>59</u>	<u>1,085,000</u>	<u>2,561,859</u>
Expenditures				
Current				
General government	1,793,840	-	738,834	2,532,674
Public safety	-	14,480	288,632	303,112
Public works	-	-	20,905	20,905
Capital outlay				
General government	-	-	114,770	114,770
Public safety	-	-	831,404	831,404
Public works	-	-	1,506,760	1,506,760
Total expenditures	<u>1,793,840</u>	<u>14,480</u>	<u>3,501,305</u>	<u>5,309,625</u>
Excess (deficiency) of revenues over expenditures	<u>(317,040)</u>	<u>(14,421)</u>	<u>(2,416,305)</u>	<u>(2,747,766)</u>
Other financing sources				
Transfers in	-	-	1,162,643	1,162,643
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,162,643</u>	<u>1,162,643</u>
Net change in fund balances	<u>(317,040)</u>	<u>(14,421)</u>	<u>(1,253,662)</u>	<u>(1,585,123)</u>
Fund balances - beginning	<u>297,700</u>	<u>50,970</u>	<u>15,149,147</u>	<u>15,497,817</u>
Fund balances - ending	<u>\$ (19,340)</u>	<u>36,549</u>	<u>13,895,485</u>	<u>13,912,694</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, 2020

	<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	\$ 1,085,000	1,085,000	1,085,000	-
Expenditures				
Capital outlay				
General government	1,495,151	1,910,416	826,551	1,083,865
Public safety	710,000	1,730,767	869,225	861,542
Public works	577,000	1,981,527	658,774	1,322,753
Total expenditures	<u>2,782,151</u>	<u>5,622,710</u>	<u>2,354,550</u>	<u>3,268,160</u>
Excess deficiency of revenues over expenditures	<u>(1,697,151)</u>	<u>(4,537,710)</u>	<u>(1,269,550)</u>	<u>3,268,160</u>
Other financing sources (uses)				
Transfers in	<u>958,700</u>	<u>1,158,700</u>	<u>1,162,643</u>	<u>3,943</u>
Total other financing sources (uses)	<u>958,700</u>	<u>1,158,700</u>	<u>1,162,643</u>	<u>3,943</u>
Net change in fund balances	<u>\$ (738,451)</u>	<u>(3,379,010)</u>	<u>(106,907)</u>	<u>3,272,103</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

(1,146,755)

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

\$ (1,253,662)

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Cash and Investments
 Classified by Depository - All Funds
 December 31, 2020

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	11,150	\$ 11,150
Mt. McKinley Bank	-	1,508,036	1,508,036
Key Trust	-	1,678,866	1,678,866
Key Trust			
Equity mutual funds	82,401,667	-	82,401,667
U. S. treasuries and agencies	25,785,193	-	25,785,193
Corporate bonds	6,562,274	-	6,562,274
Fixed income mutual funds	6,559,373	-	6,559,373
Foreign bonds	6,890,830	-	6,890,830
Real Estate Investment Trust (REIT)	7,736,446	-	7,736,446
Alaska Municipal League Investment Pool	33,726,982	-	33,726,982
Total cash and investments	\$ 169,662,765	3,198,052	\$ 172,860,817
Reconciliation of cash and investments to governmental and proprietary funds			
Governmental funds			
Equity in central treasury			\$ 26,680,953
Restricted cash and cash equivalents			8,564,903
Restricted investments			135,935,782
Total governmental funds			171,181,638
Proprietary funds			
Enterprise funds			
Equity in central treasury			313
Internal service fund			
Cash			1,678,866
Total proprietary funds			1,679,179
Total cash and investments			\$ 172,860,817

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2020

Equity

Fair value at December 31, 2020	\$ 82,401,667
Cost of investments sold in 2020	13,834,223
Cost of investments purchased in 2020	(12,647,169)
Fair value at December 31, 2019	<u>(73,419,619)</u>
Change in fair value of equity investments	<u>10,169,102</u>

Fixed-Income

Fair value at December 31, 2020	45,797,670
Cost of investments sold in 2020	17,287,918
Cost of investments purchased in 2020	(15,673,341)
Fair value at December 31, 2019	<u>(45,099,933)</u>
Change in fair value of fixed-income investments	<u>2,312,314</u>

Real Assets

Fair value at December 31, 2020	7,736,446
Cost of investments sold in 2020	923,989
Cost of investments purchased in 2020	(878,608)
Fair value at December 31, 2019	<u>(8,056,722)</u>
Change in fair value of real assets investments	<u>(274,895)</u>

Total change in fair value of investments	<u><u>\$ 12,206,521</u></u>
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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			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$ 114,439,424	\$ 108,299,354	\$ 125,595,200	\$ 123,621,505
Restricted	98,863,876	106,020,888	113,515,303	120,914,019
Unrestricted	<u>21,652,792</u>	<u>23,083,794</u>	<u>23,885,855</u>	<u>22,170,564</u>
Total governmental activities net position	<u>\$ 234,956,092</u>	<u>\$ 237,404,036</u>	<u>\$ 262,996,358</u>	<u>\$ 266,706,088</u>
Business-type activities				
Net investment in capital assets	\$ 7,670,987	\$ 9,080,636	\$ 8,867,682	\$ 8,624,217
Unrestricted	<u>1,953,252</u>	<u>-</u>	<u>(51,535)</u>	<u>(64,055)</u>
Total business-type activities net position	<u>\$ 9,624,239</u>	<u>\$ 9,080,636</u>	<u>\$ 8,816,147</u>	<u>\$ 8,560,162</u>
Primary government				
Net investment in capital assets	\$ 122,110,411	\$ 117,379,990	\$ 134,462,882	\$ 132,245,722
Restricted	98,863,876	106,020,888	113,515,303	120,914,019
Unrestricted	<u>23,606,044</u>	<u>23,083,794</u>	<u>23,834,320</u>	<u>22,106,509</u>
Total primary government net position	<u>\$ 244,580,331</u>	<u>\$ 246,484,672</u>	<u>\$ 271,812,505</u>	<u>\$ 275,266,250</u>

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 126,445,168	\$ 127,230,310	\$ 122,541,390	\$ 125,084,528	\$ 120,312,441	\$ 134,151,275
116,661,227	119,308,031	130,456,426	118,984,654	134,618,970	144,157,507
<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>15,651,943</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>	<u>\$ 293,960,725</u>
\$ 8,392,465	\$ 9,539,147	\$ 9,273,427	\$ 9,007,707	\$ 8,741,988	\$ 8,476,268
<u>43,179</u>	<u>(87,569)</u>	<u>(121,071)</u>	<u>(167,502)</u>	<u>(209,454)</u>	<u>(77,221)</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>	<u>\$ 8,399,047</u>
\$ 134,837,633	\$ 136,769,457	\$ 131,814,817	\$ 134,092,235	\$ 129,054,429	\$ 142,627,543
116,661,227	119,308,031	130,456,426	118,984,654	134,618,970	144,157,507
<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>15,574,722</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>	<u>\$ 302,359,772</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2011	2012	2013	2014
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 18,119,261	\$ 19,777,837	\$ 17,283,253	\$ 18,534,706
Public safety	17,230,789	17,473,736	17,151,562	18,277,156
Public works	11,484,960	11,179,444	13,741,033	15,617,945
Building inspections	641,468	653,783	676,773	646,838
Interest on long-term debt	195,570	55,190	28,215	-
Total governmental activities expenses	<u>47,672,048</u>	<u>49,139,990</u>	<u>48,880,836</u>	<u>53,076,645</u>
<i>Business-type activities</i>				
Municipal Utilities	295,803	260,098	31,200	31,200
Fairbanks Transportation Center	523,742	484,643	424,602	384,291
Total business-type activities expenses	<u>819,545</u>	<u>744,741</u>	<u>455,802</u>	<u>415,491</u>
Total primary government expenses	<u>\$ 48,491,593</u>	<u>\$ 49,884,731</u>	<u>\$ 49,336,638</u>	<u>\$ 53,492,136</u>
PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 1,920,916	\$ 1,222,012	\$ 918,736	\$ 1,947,754
Public safety	2,947,032	3,085,975	3,010,712	2,956,695
Public works	1,599,410	1,804,586	1,810,491	1,966,209
Building inspections	871,644	916,972	717,556	505,065
Operating grants and contributions	7,297,799	5,638,466	7,711,240	10,676,943
Capital grants and contributions	2,169,152	5,514,809	26,379,749	6,729,479
Total governmental activities				
program revenues	<u>16,805,953</u>	<u>18,182,820</u>	<u>40,548,484</u>	<u>24,782,145</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	197,345	201,061	191,245	159,481
Total business-type activities				
program revenues	<u>594,245</u>	<u>597,961</u>	<u>588,145</u>	<u>556,381</u>
Total primary government				
program revenues	<u>\$ 17,400,198</u>	<u>\$ 18,780,781</u>	<u>\$ 41,136,629</u>	<u>\$ 25,338,526</u>

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ 17,684,053	\$ 20,663,070	\$ 19,703,633	\$ 16,861,147	\$ 17,372,909	\$ 33,035,584
16,554,512	20,535,541	15,402,443	14,417,423	14,302,575	15,916,784
13,000,898	9,788,380	11,632,705	9,726,464	10,019,292	10,170,265
675,169	703,223	660,598	630,643	578,318	616,109
-	-	-	-	-	-
47,914,632	51,690,214	47,399,379	41,635,677	42,273,094	59,738,742
31,200	35,007	76,884	76,884	76,884	76,884
424,153	497,436	412,944	412,070	417,195	408,051
455,353	532,443	489,828	488,954	494,079	484,935
\$ 48,369,985	\$ 52,222,657	\$ 47,889,207	\$ 42,124,631	\$ 42,767,173	\$ 60,223,677
\$ 2,180,127	\$ 1,919,721	\$ 2,126,759	\$ 2,320,738	\$ 2,272,233	\$ 2,056,572
3,323,851	3,016,870	3,017,808	3,291,893	3,379,741	3,257,034
2,037,256	1,961,288	2,058,351	2,061,424	2,156,127	2,237,168
1,086,506	775,911	474,492	756,905	486,208	583,077
4,826,073	4,859,777	2,434,298	1,786,536	1,558,873	17,316,541
9,245,556	6,215,414	1,603,851	1,704,275	1,443,445	20,235,340
22,699,369	18,748,981	11,715,559	11,921,771	11,296,627	45,685,732
396,900	396,900	396,900	396,900	396,900	396,900
188,434	177,831	190,593	176,794	186,385	141,431
585,334	574,731	587,493	573,694	583,285	538,331
\$ 23,284,703	\$ 19,323,712	\$ 12,303,052	\$ 12,495,465	\$ 11,879,912	\$ 46,224,063

CITY OF FAIRBANKS, ALASKA

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

NET (EXPENSE) REVENUE	Fiscal Year			
	2011	2012	2013	2014
<i>Governmental activities</i>	\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)	\$ (28,294,500)
<i>Business-type activities</i>	(225,300)	(146,780)	132,343	140,890
Total primary government net expense	\$ (31,091,395)	\$ (31,103,950)	\$ (8,200,009)	\$ (28,153,610)
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 14,047,318	\$ 14,109,307	\$ 14,333,209	\$ 14,270,470
Hotel motel tax	2,476,320	2,504,130	2,632,839	2,720,456
Alcohol beverage tax	2,117,465	2,126,694	2,147,775	2,247,924
Tobacco tax	937,129	934,351	930,378	911,185
Marijuana tax	-	-	-	-
Gasoline tax	-	-	-	-
Shared revenue	2,908,426	2,935,794	2,300,539	2,339,182
Investment income	2,431,203	10,179,570	10,787,731	8,358,472
Interest income	147,689	195,278	170,011	122,993
Miscellaneous	418,540	23,090	225,292	636,648
Transfers - internal activity	(1,721,531)	396,900	396,900	396,900
Total governmental activities	23,762,559	33,405,114	33,924,674	32,004,230
<i>Business-type activities</i>				
Interest income	108	77	68	25
Transfers - internal activity	1,721,531	(396,900)	(396,900)	(396,900)
Total business-type activities	1,721,639	(396,823)	(396,832)	(396,875)
Total primary government	\$ 25,484,198	\$ 33,008,291	\$ 33,527,842	\$ 31,607,355
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322	\$ 3,709,730
<i>Business-type activities</i>	1,496,339	(543,603)	(264,489)	(255,985)
Total primary government	\$ (5,607,197)	\$ 1,904,341	\$ 25,327,833	\$ 3,453,745

Fiscal Year

2015	2016	2017	2018	2019	2020
\$ (25,215,261)	\$ (32,941,233)	\$ (35,683,820)	\$ (29,713,906)	\$ (30,976,467)	\$ (14,053,010)
<u>129,981</u>	<u>42,288</u>	<u>97,665</u>	<u>84,740</u>	<u>89,206</u>	<u>53,396</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>	<u>\$ (13,999,614)</u>
\$ 14,875,855	\$ 14,966,473	\$ 15,924,815	\$ 18,976,356	\$ 16,170,339	\$ 15,698,033
2,869,170	3,210,422	3,146,023	3,379,900	3,445,847	1,473,829
2,309,214	2,293,100	2,275,898	2,273,948	2,333,130	2,346,009
938,026	930,924	973,944	810,972	878,288	850,381
-	32,338	442,821	989,569	1,168,278	1,440,964
-	-	-	-	-	105,973
2,257,980	1,761,295	1,598,425	1,439,637	1,256,663	823,208
269,253	6,949,838	15,762,858	(6,373,803)	20,752,182	14,830,100
156,746	152,119	219,901	328,163	496,522	209,749
424,142	211,671	348,347	8,761,312	371,417	284,944
<u>254,517</u>	<u>(973,625)</u>	<u>396,900</u>	<u>396,900</u>	<u>396,900</u>	<u>186,900</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>	<u>38,250,090</u>
18	21	13	9	23	17
<u>(254,517)</u>	<u>973,625</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(186,900)</u>
<u>(254,499)</u>	<u>973,646</u>	<u>(396,887)</u>	<u>(396,891)</u>	<u>(396,877)</u>	<u>(186,883)</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>	<u>\$ 38,063,207</u>
\$ (860,358)	\$ (3,406,678)	\$ 5,406,112	\$ 1,269,048	\$ 16,293,099	\$ 24,197,080
<u>(124,518)</u>	<u>1,015,934</u>	<u>(299,222)</u>	<u>(312,151)</u>	<u>(307,671)</u>	<u>(133,487)</u>
<u>\$ (984,876)</u>	<u>\$ (2,390,744)</u>	<u>\$ 5,106,890</u>	<u>\$ 956,897</u>	<u>\$ 15,985,428</u>	<u>\$ 24,063,593</u>

CITY OF FAIRBANKS, ALASKA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 403,799	\$ 394,735	\$ 424,514	\$ 473,424
Committed	250,000	250,000	250,000	250,000
Assigned	823,233	891,376	967,270	1,002,385
Unassigned	<u>9,515,887</u>	<u>10,492,755</u>	<u>11,628,256</u>	<u>9,634,436</u>
Total general fund	<u>\$ 10,992,919</u>	<u>\$ 12,028,866</u>	<u>\$ 13,270,040</u>	<u>\$ 11,360,245</u>
All other governmental funds				
Restricted				
Permanent funds	\$ 98,759,020	\$ 105,954,571	\$ 113,495,958	\$ 120,885,537
Special revenue funds	104,856	66,317	19,345	28,482
Committed				
Capital projects funds	-	-	1,180,540	807,552
Assigned				
Capital projects funds	4,435,077	5,780,451	4,828,224	5,827,289
JP Jones	137,298	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 103,436,251</u>	<u>\$ 111,801,339</u>	<u>\$ 119,524,067</u>	<u>\$ 127,548,860</u>

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 499,031	\$ 488,807	\$ 16,848	\$ 2,491	\$ 5,612	\$ 39,559
250,000	250,000	250,000	250,000	250,000	250,000
1,018,800	3,173,880	351,737	586,285	413,257	382,563
11,487,174	8,132,918	11,472,993	11,603,748	10,618,540	12,875,819
<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>	<u>\$ 13,547,941</u>
\$ -	\$ -	\$ 455,899	\$ 475,964	\$ 552,120	\$ 539,234
116,576,569	119,264,416	130,447,586	118,968,223	134,568,000	144,120,958
84,658	43,615	8,840	16,431	50,970	36,549
877,552	1,027,552	2,185,404	3,883,055	4,563,509	4,555,589
6,079,754	5,624,487	5,161,637	7,615,144	10,585,638	9,339,896
-	-	-	-	-	-
-	-	(3,606,439)	(590,352)	(254,420)	(558,574)
<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>	<u>\$ 158,033,652</u>

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

	Fiscal Year			
	2011	2012	2013	2014
Revenues				
Taxes	\$ 19,578,233	\$ 19,674,483	\$ 20,044,201	\$ 20,150,036
Charges for services	4,135,457	4,739,263	4,566,999	4,632,461
Intergovernmental	11,603,423	11,883,068	21,265,762	18,656,516
Licenses and permits	1,835,062	1,985,385	1,775,851	1,612,546
Fines and forfeitures	1,076,167	1,061,959	993,619	895,919
Special assessments	6,975	4,416	2,674	16,277
Investment earnings	2,431,202	10,179,569	10,787,731	8,358,470
Other revenues	1,598,932	2,044,516	2,054,612	1,851,311
Total revenues	42,265,451	51,572,659	61,491,449	56,173,536
Expenditures				
Current				
General government	10,580,853	10,508,964	10,816,850	12,282,236
Public safety	16,055,925	16,230,668	15,887,630	17,018,011
Public works	10,911,650	10,654,648	13,024,157	14,600,343
Building inspections	637,456	643,830	666,819	636,884
Capital outlay	1,879,300	4,196,815	12,133,923	6,337,499
Debt service - principal	1,380,000	830,000	855,000	-
Debt service - interest	195,570	55,190	28,215	-
Debt service - legal defeasance	2,083,137	-	-	-
Total expenditures	43,723,891	43,120,115	53,412,594	50,874,973
Other financing sources (uses)				
Transfers in	6,468,415	7,878,534	6,199,600	10,041,759
Transfers out	(8,189,946)	(7,481,634)	(5,802,700)	(9,644,859)
Sale of capital assets	491,514	551,591	488,147	419,535
Total other financing sources (uses)	(1,230,017)	948,491	885,047	816,435
Net change in fund balances	\$ (2,688,457)	\$ 9,401,035	\$ 8,963,902	\$ 6,114,998
Capitalized expenditures	\$ 1,879,300	\$ 4,196,815	\$ 12,133,923	\$ 6,337,499
 Debt service as a percentage of noncapital expenditures	 8.74%	 2.27%	 2.14%	 0.00%

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 20,992,265	\$ 21,433,257	\$ 22,763,501	\$ 26,430,745	\$ 23,995,882	\$ 21,915,189	
5,147,122	4,370,505	5,177,232	5,592,220	5,641,337	5,666,858	
16,381,575	11,716,015	4,500,295	4,375,410	3,891,884	19,921,157	
2,263,001	1,984,184	1,585,314	1,874,904	1,586,537	1,695,295	
672,646	577,534	475,268	611,956	511,203	417,141	
8,360	12,603	1,996	1,074	1,074	1,074	
269,252	6,949,838	15,762,858	(6,373,803)	20,752,182	14,830,100	
3,399,020	2,879,705	2,547,972	2,049,379	2,429,537	1,892,513	
<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>	<u>66,339,327</u>	
11,999,943	14,455,243	15,140,956	12,212,640	12,103,350	27,030,064	
15,954,520	16,281,037	15,517,064	15,401,766	16,624,086	16,095,536	
11,979,771	8,820,045	10,522,680	8,857,016	8,749,213	8,820,998	
666,241	700,485	660,598	628,680	570,465	608,256	
10,917,537	8,979,480	2,770,881	1,839,794	2,757,345	3,848,168	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<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>	<u>56,403,022</u>	
6,973,847	8,650,261	7,920,824	9,584,946	10,091,643	6,524,888	
(6,719,330)	(8,253,361)	(7,523,924)	(9,188,046)	(9,694,743)	(6,337,988)	
94,687	47,886	139,673	47,595	140,160	105,162	
<u>349,204</u>	<u>444,786</u>	<u>536,573</u>	<u>444,495</u>	<u>537,060</u>	<u>292,062</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>\$ 10,228,367</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>	<u>\$ 3,848,168</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
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
2020	1,218,987,307	1,076,241,524	612,806,679	2,059,320	60,044,605

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.

<u>Pipeline</u>	<u>Other</u>	<u>Assessed Full Value</u>	<u>Less Tax Exempt Property</u>	<u>Assessed Taxable Value</u>	<u>Total Direct Tax Rate</u>
\$ 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
50,021,290	6,411,167	3,026,571,892	281,349,069	2,745,222,823	5.684

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 *	
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
2020	0.251		0.533	4.900	5.684	13.891	19.575

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	2020 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	2011 Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Doyon Utilities	\$ 287,586,025	1	9.50%	\$ 220,152,076	1	8.39%
Fred Meyer Stores	62,149,523	2	2.05%	50,053,119	2	1.91%
Westmark Hotel	37,999,603	3	1.26%	33,251,338	4	1.27%
Wal-Mart Stores Inc.	34,751,898	4	1.15%	33,578,595	3	1.28%
GCI Cable Fairbanks Inc.	29,593,009	5	0.98%			
Bentley Mall	28,108,132	6	0.93%	23,216,929	5	0.88%
Costco	26,836,223	7	0.89%			
Jillian Square Apartments LLC	21,724,303	8	0.72%	21,827,395	6	0.83%
Tanana Valley Clinic	19,431,945	9	0.64%			
Safeway	18,999,974	10	0.63%	19,224,284	9	0.73%
Sportsmans Warehouse				19,280,028	8	0.73%
Sam's Club (Wal-Mart)				19,501,203	7	0.74%
Sophie Plaza				19,082,457	10	0.73%
	<u>\$ 567,180,635</u>		<u>18.74%</u>	<u>\$ 459,167,424</u>		<u>17.50%</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 2020 was \$3,026,571,892 and the total assessed valuation for 2011 was \$2,623,562,254.

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
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%	382,445	15,921,279	99.94%
2018	19,057,396	18,591,632	97.56%	418,014	19,009,646	99.75%
2019	16,067,471	15,588,637	97.02%	195,390	15,784,027	98.24%
2020	15,743,573	15,393,595	97.78%	N/A	15,393,595	97.78%

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			
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
2020	-	-	3,218,682	-	3,218,682	0.17%	102

Notes:

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

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

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Cash With Fiscal Agents</u>	<u>Net General Bonded Debt</u>	<u>Assessed Value</u>	<u>Population</u>	<u>Net Bonded Debt to Assesed Value</u>	<u>Net Debt Per Capita</u>
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	-	-
2020	-	-	-	3,026,571,892	31,410	-	-

Notes:

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

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, 2020

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	92,325,000	31.88%	<u>29,433,862</u>
			<u>\$ 29,433,862</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				
	2011	2012	2013	2014	2015
Debt limit	\$ 380,929,801	\$ 364,302,182	\$368,137,138	\$376,214,627	\$ 383,827,565
Total debt applicable to limit	<u>1,685,000</u>	<u>855,000</u>	-	-	-
Legal debt margin	<u>\$ 379,244,801</u>	<u>\$363,447,182</u>	<u>\$368,137,138</u>	<u>\$376,214,627</u>	<u>\$ 383,827,565</u>
Total debt applicable to limit as a percentage of debt limit	0.44%	0.23%	0.00%	0.00%	0.00%

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt limit	\$ 391,797,187	\$398,664,484	\$403,804,976	\$406,627,735	\$ 408,293,875
Total debt applicable to limit	-	-	-	-	-
Legal debt margin	<u>\$ 391,797,187</u>	<u>\$398,664,484</u>	<u>\$403,804,976</u>	<u>\$406,627,735</u>	<u>\$ 408,293,875</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 2018	\$ 2,707,866,912
Assessed valuation 2019	2,712,787,755
Assessed valuation 2020	<u>2,745,222,823</u>
Total three year assessed valuation	<u>\$ 8,165,877,490</u>
Divided by three; average assessed value	<u>\$ 2,721,959,163</u>
15% of average assessed value; Debt limit	\$ 408,293,875
General obligation bonds outstanding	-
Legal debt margin	<u>\$ 408,293,875</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

<u>Year</u>	<u>Population</u>	<u>Per Capita Personal Income</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>
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%
2020	31,410	59,958	1,883,280,780	6.8%

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	2020			2011		
	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	4,900	13.76%	4	3,700	9.46%
Retail Trade	2	4,800	13.48%	2	4,700	12.02%
State Government	3	4,400	12.36%	1	5,400	13.81%
Leisure & Hospitality	4	3,400	9.55%	3	4,100	10.49%
Federal Government	5	3,300	9.27%	5	3,400	8.70%
Local Government	6	2,700	7.58%	6	3,300	8.44%
Construction	7	2,600	7.30%	7	3,100	7.93%
Professional & Business Services	8	2,600	7.30%	8	2,500	6.39%
Transportation/Warehouse/Utilities	9	2,400	6.74%	9	2,400	6.14%
Financial Activities	10	1,100	3.09%	10	1,300	3.32%
		32,200	90.45%		33,900	86.70%

Notes:

Data is for the Fairbanks Metropolitan Statistical Area. The total annual average monthly employment for 2020 is 35,600 and the amount for 2011 is 39,100.

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									
	2011	2012	2103	2014	2015	2016	2017	2018	2019	2020
General Government										
Mayor	5.0	5.0	4.0	4.0	4.0	6.0	7.0	7.0	7.0	7.0
City attorney	2.5	2.5	2.5	3.0	2.5	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	7.0	8.0	7.0	7.0	6.0	8.0
Information systems	6.0	6.0	6.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0
Risk	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Public Safety										
Police										
Administration	5.5	6.5	6.5	9.5	8.0	7.0	8.0	7.0	6.0	6.0
Investigations	6.0	7.0	5.0	7.0	5.0	6.0	5.0	6.0	4.0	4.0
Patrol	41.4	38.0	40.0	34.0	34.0	28.0	31.0	31.0	32.0	28.0
Dispatch	18.0	18.0	17.5	19.0	16.0	16.0	14.0	14.5	16.0	18.0
Fire										
Administration	5.0	4.0	4.0	5.0	4.5	4.0	5.0	5.0	5.0	5.0
Suppression	39.0	39.0	39.0	39.0	38.0	37.0	38.0	37.0	40.0	42.0
Public Works										
Works	33.7	38.0	37.5	38.0	36.0	36.0	37.0	37.0	37.0	36.0
Engineering	12.1	12.0	12.5	11.0	10.0	12.0	10.0	9.0	9.0	9.0
FMATS	2.0	2.0	2.5	2.5	2.5	2.5	2.5	0.0	0.0	0.0
Building Inspections	<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>	<u>5.0</u>
Total	<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>	<u>173.5</u>

Source: City of Fairbanks, Finance Department.

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

Function/Program	Fiscal Year			
	2011	2012	2013	2014
General Government				
Annual final operating budget	\$ 34,747,137	\$ 33,037,424	\$ 34,878,988	\$ 34,663,777
Public Safety				
Dispatch				
Number of E-911 calls	43,626	46,165	70,830	30,822
Number of Dispatch Service calls	53,508	65,068	43,384	40,608
Police				
Number of law enforcement calls	41,734	30,907	32,098	40,491
Number of major crimes ^(a)	2,124	2,093	2,024	1,957
Number of physical arrests	2,549	1,619	1,621	1,959
Number of traffic citations	4,303	4,060	2,536	2,208
Fire				
Number of fire calls	730	807	1,034	928
Number of emergency medical service calls	3,222	3,223	3,300	3,239
Public Works				
Works				
Refuse collected (tons)	5,100	5,510	5,348	5,352
Patching (tons)	3,110	1,520	1,272	252
Snow removal (cubic yards) ^(b)	275,310	528,640	674,030	327,953
Sand (tons spread) ^(b)	3,049	2,481	3,000	2,888
Building Inspections				
Number of permits issued	990	1,023	974	961

Notes:

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

^(b) Amounts are available by season only.

Sources: City of Fairbanks

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 36,111,546	\$ 36,482,001	\$ 36,727,187	\$ 35,098,948	\$ 36,443,182	\$ 35,230,573
42,777	37,217	37,363	35,425	36,681	40,065
45,414	53,351	57,083	48,562	45,853	50,196
27,037	24,274	22,553	24,798	23,036	22,207
1,738	1,942	2,055	1,885	2,022	1,998
1,068	1,269	1,326	1,504	1,502	1,538
1,873	1,440	1,122	1,643	845	721
964	1,072	5,229	2,338	2,745	2,320
3,252	3,884	3,396	3,455	3,548	4,253
5,279	5,299	5,225	5,211	5,309	5,513
759	747	1,222	8,203	221	450
365,173	270,113	646,940	377,685	435,348	464,676
3,544	3,071	3,766	527	1,963	1,661
863	850	899	929	945	933

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

Function/Program	Fiscal Year			
	2011	2012	2013	2014
General Government				
Administration square footage	64,000	65,000	65,000	65,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	66	59	68	66
Fire				
Stations manned	2	2	2	2
Emergency response vehicles	19	22	20	19
Public Works				
Works				
Refuse trucks	10	9	9	9

Sources: City of Fairbanks

Fiscal Year

2015	2016	2017	2018	2019	2020
65,000	65,000	65,000	65,000	65,000	65,000
1 63	1 67	1 69	1 66	1 61	1 63
2 21	2 24	2 24	2 24	2 25	2 25
11	11	9	9	9	12



SINGLE AUDIT SECTION

Reports on Federal and State Single Audit Requirements



FEDERAL SINGLE AUDIT





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2020, 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 April 16, 2021.

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) as a basis for designing 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 financial statements. 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.

Alliance CPAs LLC

April 16, 2021
Fairbanks, Alaska



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fairbanks, Alaska's major federal programs for the year ended December 31, 2020. 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, 2020.

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.

Alliance CPAs LLC

April 16, 2021
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed through Programs from:			
Alaska Department of Commerce, Community, and Economic Development Community Development Block Grant (CDBG)	14.228	B-17-DC-02-0001	\$ 703,466
Total Department of Housing & Urban Development			703,466
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Office of Justice Programs COVID-19-Coronavirus Emergency Supplemental Funding Program	16.034		40,360
Office of Justice Programs Bulletproof Vest Program	16.607		6,244
Bureau of Justice Assistance FY2017 Edward Byrne Memorial Justice Assistance Grant	16.738		5,832
Bureau of Justice Assistance FY2018 Edward Byrne Memorial Justice Assistance Grant	16.738		15,720
Bureau of Justice Assistance FY2019 Edward Byrne Memorial Justice Assistance Grant	16.738		14,891
Bureau of Justice Assistance FY2020 Edward Byrne Memorial Justice Assistance Grant	16.738		22,709
Department of Justice Equitable Sharing Program	16.922		14,480
Total U.S. Department of Justice			120,236
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	22,685
Minnie Street Corridor Study	20.205	NFHWY00274	30,392
Wenell Ave Bridge Replacement	20.205	NFHWY00511	111,037
Chena River Walk Stage III Segment 1	20.205	NFHWY00280	48,921
Third Street Widening Project	20.205	MGL-M-0670(1)	82,769
FMATS Improvement Program - Bonfield & Ketchikan	20.205	NFHWY00346	24,504
Wembley Avenue Improvements	20.205	NFHWY00137	9,595
FMATS Sidewalk Improvements Plan	20.205	NFHWY00138	22,460
FAST Advance Project Definition	20.205	NFHWY00395	19,906
Minnie Street Improvements	20.205	NFHWY00509	28,493
FMATS Sign Replacement Stage III	20.205	NFHWY00246	162,604
FAST Area Surface Upgrades	20.205	NFHWY00434	38,551
Cowles Street Reconstruction	20.205	NFHWY00126	164,621
5th Avenue Reconstruction	20.205	NFHWY00445	243,475
Noble Street	20.205	STP-000S(413)	17,687,435
Total Highway Planning and Construction Cluster			18,697,448
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office 19/20 DUI Traffic Unit	20.616	405d-M5X-20-0-FA(B)	69,988
20/21 DUI Traffic Unit	20.616	405d-M5X-21-01-FA(B)	12,050
20/21 DUI HVE	20.616	405d-M5HVE-21-01-FA(A)4	1,189
Total Highway Safety Cluster			83,227
Total U.S. Department of Transportation			\$ 18,780,675

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Direct Programs:			
COVID-19-Provider Relief Fund (PRF)	93.498		\$ 41,018
Total U. S. Department of Health & Human Services			<u>41,018</u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
Federal Emergency Management Agency 2017 Staffing for Adequate Fire and Emergency Response	97.083		238,580
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs 2019 Emergency Management Performance Grant	97.042	20EMPG-GY19	3,820
2020 Emergency Management Performance Grant	97.042	20EMPG-GY20	4,454
			<u>8,274</u>
2019 State Homeland Security Program	97.067	20SHSP-GY19	43,242
2018 State Homeland Security Program	97.067	20SHSP-GY18	163,721
2017 State Homeland Security Program	97.067	20SHSP-GY17	303
			<u>207,266</u>
Total U. S. Department of Homeland Security			<u>454,120</u>
U. S. DEPARTMENT OF TREASURY			
Passed through Program from:			
Alaska Department of Commerce, Community, and Economic Development COVID-19-Coronavirus Relief Fund	21.019	20-CRF-065	15,692,668
Total U. S. Department of Treasury			<u>15,692,668</u>
Grand Total - Federal Financial Assistance			<u>\$ 35,792,183</u>

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, 2020

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, 2020. 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 ACCOUNTING 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.

NOTE 4 – PROVIDER RELIEF FUND (PRF)

The City of Fairbanks received \$41,018 in Provider Relief Fund from the United States Department of Health & Human Services. Based upon the December 31, 2020 PRF report, these funds were used for healthcare related expenses attributable to the coronavirus.

NOTE 5 – CONSTRUCTION DONATION

The City of Fairbanks, Alaska had road construction on Noble Street in the amount of \$17,999,302. This project was conducted over multiple years. Of the total project cost, the City received nonmonetary federal financial assistance through the State of Alaska Department of Transportation and Public Facilities in the amount of \$17,687,435 for this project.

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2020

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>
21.019 14.228	COVID-19- Coronavirus Relief Fund Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 1,073,765

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2020

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

STATE SINGLE AUDIT





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2020, 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 April 16, 2021..

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

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.

Alliance CPAs LLC

April 16, 2021
Fairbanks, Alaska



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF ALASKA AUDIT
GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS

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

Report on Compliance for Each Major State Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the City of Fairbanks, Alaska's major state programs for the year ended December 31, 2020. The City of Fairbanks, Alaska's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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

Alliance CPAe LLC

April 16, 2021
Fairbanks, Alaska

CITY OF FAIRBANKS, ALASKA
Schedule of State Financial Assistance
For the Year Ended December 31, 2020

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
<u>Alaska Department of Administration</u>		
Public employees retirement system on behalf payment*	N/A	\$ 711,222
Total Alaska Department of Administration		<u>711,222</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
Community Revenue Sharing Program*	N/A	85,414
Total Alaska Department of Commerce, Community & Economic Development		<u>85,414</u>
<u>Alaska Department of Public Safety</u>		
SART Reimbursement	N/A	58,545
Total Alaska Department of Public Safety		<u>58,545</u>
<u>Alaska Department of Revenue</u>		
Liquor License*	N/A	92,550
Electric and Telephone*	N/A	107,344
Marijuana License	N/A	9,300
Total Alaska Department of Revenue		<u>209,194</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
DOT Wembley Ave Improvements Fence*	25-21-1-005	93,725
Cushman Street Reconstruction*	77194	548,438
Total Alaska Department of Transportation and Public Facilities		<u>642,163</u>
<u>Alaska Mental Health Trust Authority</u>		
Fairbanks Homeless and Housing Services Coordinator*	7657	111,218
Total Alaska Mental Health Trust Authority		<u>111,218</u>
Total State Financial Assistance		<u>\$ 1,817,756</u>

*Major Program

CITY OF FAIRBANKS, ALASKA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year ended December 31, 2020

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – CONSTRUCTION DONATION

The City of Fairbanks, Alaska had road construction on Cushman Street in the amount of \$11,246,613. This project was conducted over multiple years. Of the total project costs, the City received nonmonetary state financial assistance from the State of Alaska Department of Transportation and Public Facilities in the amount of \$548,438.

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2020

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Financial Assistance

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses? reported	_____ Yes	___X___ None
Dollar threshold used to distinguish a state major program:	\$75,000	

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

