

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

Jerry Cleworth
Mayor

Prepared by
Finance Department

James Soileau, CPA, Chief Financial Officer
Carmen Randle, CPA, Controller



CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2011

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INTRODUCTORY SECTION

Letter of Transmittal
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Organizational Chart
List of Principal Officials





CITY OF

FAIRBANKS

May 30, 2012

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

We present to you the comprehensive annual financial report (CAFR) of the City of Fairbanks (City) for the fiscal year ended December 31, 2011. Charter Section 8.7 requires that the City publish an annual report on its financial position and activity presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

INTRODUCTION

Responsibility and Internal Controls

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

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

Independent Financial Audit

The City's financial statements have been audited by Kohler, Schmitt & Hutchison, PC, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2011, 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 unqualified opinion on the City's financial statements for the fiscal year ended December 31, 2011. 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 GOLDEN HEART CITY ... "extremely Alaska"

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

Management's Discussion and Analysis

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

PROFILE OF THE CITY OF FAIRBANKS

The City, incorporated in 1903, is located in Alaska's interior. It is located some 365 road miles north of Anchorage and 120 miles south of the Arctic Circle. The City has a land area of 33.8 square miles and a population of approximately 30,547. 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 97,615, which includes City residents. The City levies a property tax on real property located within its boundaries. The City has the power to extend its corporate limits by annexations in accordance with state law.

Form of Government

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

General Government Functions and Proprietary Fund Operations

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

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

Budgetary Control

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

The City experienced some growth in 2011. The Building Department issued 990 construction permits with a construction value of approximately \$64.1 million. While this is more than the calendar year 2010 amount of \$48.4 million, it is still far below the 2004 and 2005 boom years when construction topped \$140.0 million and \$111.7 million respectively. The total (estimated) net taxable value of commercial and residential property slightly decreased in 2011 to \$2,413,004,325 from \$2,420,240,995 in 2010. This decrease is due, in part, to the removal of North Haven, LLC, military housing from the property assessment valuations.

According to the Fairbanks North Star Borough's *Community Research Quarterly, Winter 2011 edition*, tourism revenue from hotel-motel receipts decreased from 2010 by 1.5 percent. In the last five years, only 2009 had fewer hotel motel receipts than 2011. Foreclosures increased from 102 in 2008 to 181 in 2009 then subsequently fell to 165 in 2010 and 144 in 2011. During the years 2003 through 2007 the foreclosures reported for the area were consistently between 60 and 80 a year. The average annual unemployment rate in 2011 fell to 6.6 percent from 7.2 percent in 2010. The federal government reported the largest decline in employment of 28.6 percent followed by wholesale trade. Curiously, manufacturing, a small part of the local economy, saw the greatest percentage increase in employment of 16.7 percent.

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

There are several different proposals in various stages of development involving different routes for the construction of a natural gas pipeline to develop and market natural gas resources from Alaska's North Slope. Fairbanks would benefit from any of these projects.

The campus of the University of Alaska Fairbanks is located to the west of the City's boundaries. Enrollment at the University exceeds 5,000 students. The University employs over 3,000 people. The Fort Knox Gold Mine, located about 20 miles northeast of the City, is one of the world's largest open pit mines. The mine produces about 400,000 ounces of gold annually. Fairbanks serves as a major center for petroleum-related activity. Alyeska Pipeline Service Company, operator of the Trans-Alaska pipeline system, has a significant presence in the City. Flint Hills, Inc. and Petro Star Inc. operate refineries nearby in the borough.

Long Term Financial Planning

City ordinances require the general fund unassigned fund balance to be the greater of 20 percent of budgeted operational expenditures or \$4,000,000. On December 31, 2011, the unassigned fund balance in the City's general fund was \$9,515,887. During the annual budget process, departments are encouraged to forecast future capital needs. Annually each department transfers an estimated amount to the capital fund to help pay for future capital needs. Funds transferred to the capital fund are accumulated and budgeted annually as capital needs become due. By Charter, funds may not be transferred out of the capital fund to pay for general fund operating expenditures.

The City of Fairbanks maintains a permanent investment fund comprised of receipts associated with the sale of assets. The fund was originally established by the sale of the Municipal Utility System. Proceeds from any sales of real property are deposited in the fund. The Permanent Fund Advisory Committee is managed by the head of the City Finance Department under the oversight of a five (5) person fund review board, including one member of the City Council, appointed by the Mayor and confirmed by the Council. This committee reviews the performance of the investment fund and makes recommendations for changes to the City Council. The City Council adopts investment fund policy by ordinance. At December 31, 2011 the fund balance was \$98,759,020. City code allows four percent of the five-year average of the market value to be transferred to the general fund to support city operations. One half of one percent of the five year average may be used for capital needs. In 2011, \$3,982,286 was transferred from the permanent fund to the general fund and \$497,786 was transferred from the permanent fund to the capital fund. In 2012, it is estimated that \$3,922,848 and \$490,356 will be transferred to the general fund and capital fund respectively.

Relevant Financial Policies

In 2010, the Council amended the permanent fund's investment policies after receiving recommendations from consultants and the Permanent Fund Review Board. This changed the asset allocation of the fund to 60 percent fixed income and 40 percent equities to help achieve the return goal of 6.4 percent.

Major Initiatives

Starting in 2011 and continuing in 2012, the City:

- Commenced a multi-year program for reconstruction of a number of City streets, funded by both grant and local revenues. Approximately \$13.2 million of state funding was appropriated by the State of Alaska in May, 2012 for a variety of street and building improvements.
- Started formal planning for a "continuity of operations plan" for City governmental functions in the event of any natural disaster or breakdown in utility services. Formal simulated event exercises have been held.
- Continued renovation of City Hall to restore the facility to its historic floor plan.
- Paid off the existing Police Station General Obligation Bonds, leaving the City free of non-reimbursed/guaranteed debt.
- Reached labor agreements with all four bargaining units that will provide fiscal certainty through 2013.
- Worked with the State of Alaska to design substantial access improvements to the northeast commercial area of the City ("North Bentley") and Illinois Street. Construction of Illinois in 2012 and 2013; North Bentley construction expected to be complete in 2012.

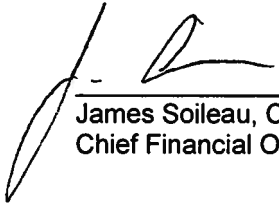
AWARDS and ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairbanks for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. The City received this prestigious award for the past nine consecutive years (2002 - 2010). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

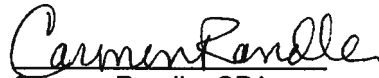
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



James Soileau, CPA
Chief Financial Officer



Carmen Randle, CPA
Controller



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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

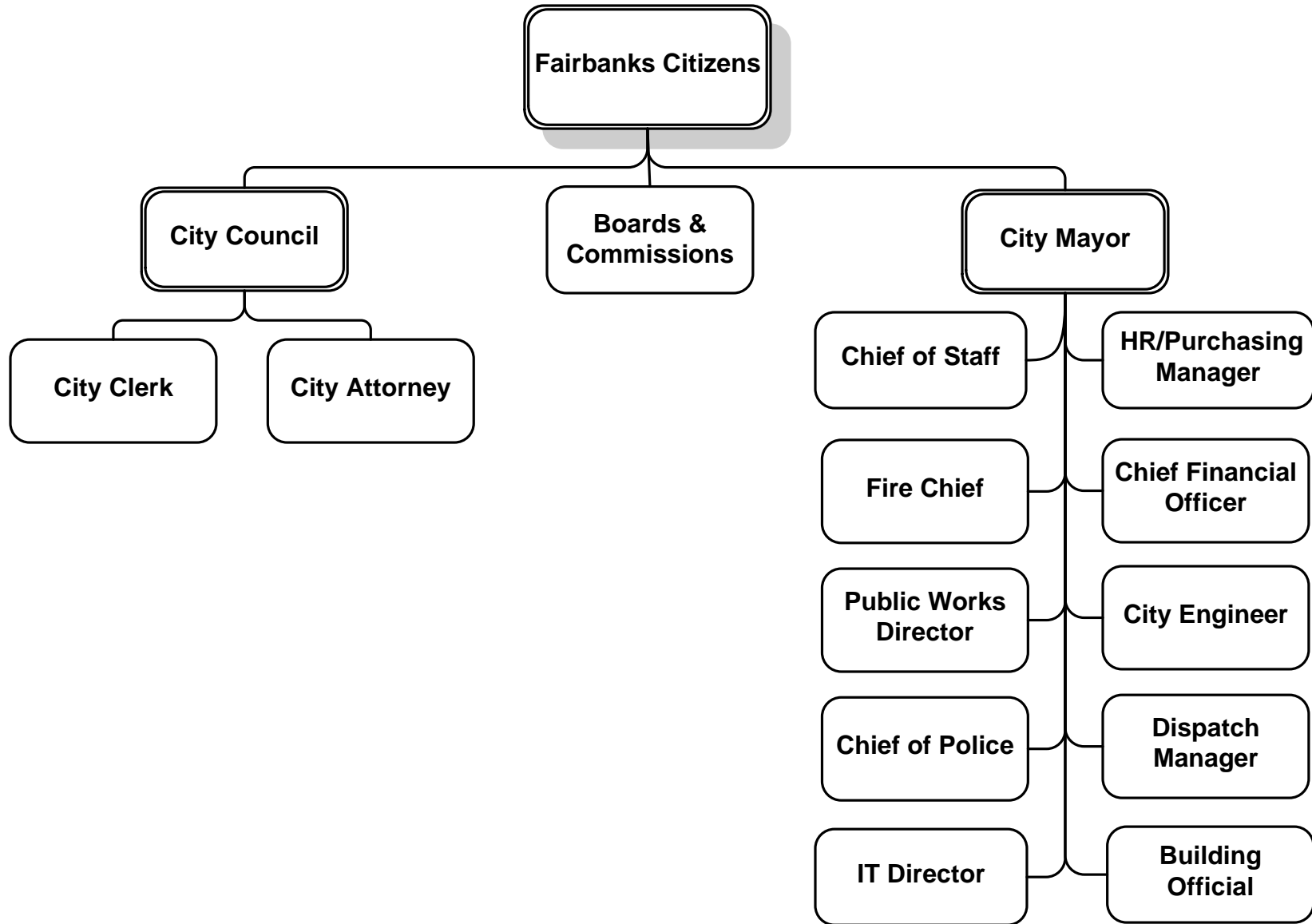
President

Jeffrey R. Emer

Executive Director



City of Fairbanks 2011



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2011

MAYOR

Jerry Cleworth

CITY COUNCIL MEMBERS

Vivian Stiver, Seat A
Chad Roberts, Seat B
Bernard Gatewood, Seat C
Jim Matherly, Seat D
Lloyd Hilling, Seat E
John Eberhart, Seat F

ADMINISTRATION

Jerry Cleworth, Mayor
Patrick Cole, Chief of Staff
Janey Hovenden, City Clerk
Michael Schmetzer, City Engineer
Warren Cummings, Fire Chief
Laren Zager, Police Chief
Stephanie Johnson, Director of Emergency Dispatch Center
Michael Schmetzer, Director of Public Works
Paul Ewers, City Attorney
Antonio Shumate, Personnel/Purchasing
Clem Clouten, Building Official
James Soileau, Chief Financial Officer
Ryan Rickels, Information Technology

FINANCIAL SECTION

Independent Auditor's Report
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairbanks, Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2010 financial statements and, in our report dated May 27, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

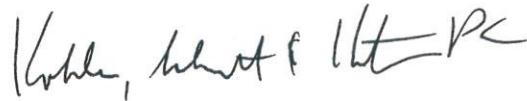
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages M-1 through M-13 and pages 51-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbanks, Alaska's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and the schedule of state financial assistance are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not a required part of the financial statements of the City of Fairbanks, Alaska. The combining and individual nonmajor 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

A handwritten signature in black ink, appearing to read "K. K. K. K. K." with a stylized flourish at the end.

May 30, 2012

CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2011

As management of the City of Fairbanks, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011. 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 of the City of Fairbanks exceeded its liabilities at December 31, 2011 by \$244,580,331 (net assets). Of this amount, unrestricted net assets of \$23,606,044 may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$114,429,170
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,515,887 or 27.56 percent of total general fund expenditures. This unassigned amount is available for spending at the discretion of the City Council. The total unassigned fund balance at December 31, 2010 was \$11,366,786.
- During 2011, 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 \$2,218,347 and \$983,847, respectively.
- On March 18, 2009 Standard and Poor's Rating Services raised the ratings on the City's general obligation debt from "A-" to "A." The rating was upgraded following a review of credit strength.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-

type activities). The governmental activities of the City include general government, public safety, public works, and building inspection. The major business-type activities of the City include the Fairbanks Transportation Center (FTC) and the Municipal Utilities System (MUS).

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

Fund Financial Statements

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

Governmental funds

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

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

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

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

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

Proprietary funds

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

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the remaining MUS assets and operations of the FTC. The compensated absences internal service fund accounts for the City's liability for accrued personal, sick, 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 and RSI subsection of this report.

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Net Assets		
	December 31, 2011		
	Governmental	Business-type	
	Activities	Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current and other assets	\$ 124,689,989	2,616,237	127,306,226
Capital assets	116,124,424	9,540,987	125,665,411
Total assets	<u>240,814,413</u>	<u>12,157,224</u>	<u>252,971,637</u>
Liabilities			
Long-term liabilities outstanding	1,069,971	602,395	1,672,366
Other liabilities	4,788,350	1,930,590	6,718,940
Total liabilities	<u>5,858,321</u>	<u>2,532,985</u>	<u>8,391,306</u>
Net assets			
Invested in capital assets, net of related debt	114,439,424	7,670,987	122,110,411
Restricted	98,863,876	-	98,863,876
Unrestricted	<u>21,652,792</u>	<u>1,953,252</u>	<u>23,606,044</u>
Total net assets	<u>\$ 234,956,092</u>	<u>9,624,239</u>	<u>244,580,331</u>

Net Assets
December 31, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 127,511,391	758,427	128,269,818
Capital assets	123,823,255	10,037,928	133,861,183
Total assets	<u>251,334,646</u>	<u>10,796,355</u>	<u>262,131,001</u>
Liabilities			
Long-term liabilities outstanding	3,764,167	2,507,830	6,271,997
Other liabilities	5,510,851	160,625	5,671,476
Total liabilities	<u>9,275,018</u>	<u>2,668,455</u>	<u>11,943,473</u>
Net assets			
Invested in capital assets, net of related debt	118,868,255	8,087,929	126,956,184
Restricted	100,016,447	-	100,016,447
Unrestricted	23,174,926	39,971	23,214,897
Total net assets	<u>\$ 242,059,628</u>	<u>8,127,900</u>	<u>250,187,528</u>

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$244,580,331 at December 31, 2011. The largest portion of the City's net assets (49.93 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A large portion of the net assets (40.42 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$23,606,044 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Changes in Net Assets
for the year ended December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 7,339,002	594,245	7,933,247
Operating grants and contributions	7,297,799	-	7,297,799
Capital grants and contributions	2,169,152	-	2,169,152
General revenues:			
Property taxes	14,047,318	-	14,047,318
Other taxes	5,530,914	-	5,530,914
Investment gain (loss)	2,431,203	-	2,431,203
Other	3,474,655	108	3,474,763
Total revenues	<u>42,290,043</u>	<u>594,353</u>	<u>42,884,396</u>
Expenses:			
General government	18,119,261	-	18,119,261
Public safety	17,230,789	-	17,230,789
Public works	11,484,960	-	11,484,960
Building inspections	641,468	-	641,468
Interest on long-term debt	195,570	-	195,570
Fairbanks Transportation Center		523,742	523,742
Municipal Utilities System	-	295,803	295,803
Total expenses	<u>47,672,048</u>	<u>819,545</u>	<u>48,491,593</u>
Increase (decrease) in net assets before transfers	(5,382,005)	(225,192)	(5,607,197)
Transfers	<u>(1,721,531)</u>	<u>1,721,531</u>	<u>-</u>
Increase (decrease) in net assets	(7,103,536)	1,496,339	(5,607,197)
Net assets - 12/31/2010	<u>242,059,628</u>	<u>8,127,900</u>	<u>250,187,528</u>
Net assets - 12/31/2011	<u>\$ 234,956,092</u>	<u>9,624,239</u>	<u>244,580,331</u>

**Changes in Net Assets
for the year ended December 31, 2010**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 6,964,698	615,617	7,580,315
Operating grants and contributions	1,939,065	-	1,939,065
Capital grants and contributions	8,471,559	-	8,471,559
General revenues:			
Property taxes	14,107,284	-	14,107,284
Other taxes	5,355,082	-	5,355,082
Investment gain (loss)	10,756,324	-	10,756,324
Other	4,067,327	72,076	4,139,403
Total revenues	<u>51,661,339</u>	<u>687,693</u>	<u>52,349,032</u>
Expenses:			
General government	17,744,737	-	17,744,737
Public safety	17,079,301	-	17,079,301
Public works	12,001,873	-	12,001,873
Building inspections	618,059	-	618,059
Interest on long-term debt	246,320	-	246,320
Fairbanks Transportation Center	-	593,308	593,308
Municipal Utilities System	-	295,803	295,803
Total expenses	<u>47,690,290</u>	<u>889,111</u>	<u>48,579,401</u>
Increase (decrease) in net assets before transfers	3,971,049	(201,418)	3,769,631
Transfers	196,900	(196,900)	-
Increase (decrease) in net assets	<u>4,167,949</u>	<u>(398,318)</u>	<u>3,769,631</u>
Net assets - 12/31/2009	<u>237,891,679</u>	<u>8,526,218</u>	<u>246,417,897</u>
Net assets - 12/31/2010	<u>\$ 242,059,628</u>	<u>8,127,900</u>	<u>250,187,528</u>

Analysis of Changes in Net Assets

Governmental activities

Governmental activities decreased the City's net assets by \$7,103,536. Key elements of the changes in net assets are as follows:

- The City expended \$2,470,000 to pay off the Police station refunding bond and transferred \$1,950,000 to the FTC fund to pay off the long-term capital lease.
- The \$4,480,072 annual transfer to the general and capital funds for operating and expenditures exceeded investment earnings and transfers in, decreasing net assets in the permanent fund by \$1,247,486.
- Depreciation expense was \$9,285,678.
- The City added \$1,879,300 in new capital assets.

Business-type activities

Business-type activities increased the City's net assets by \$1,496,339. Key elements of the increase are as follows:

- The MUS Fund transferred \$396,900 in rental income to the Permanent Fund for investment.
- During 2011 the FTC Fund incurred an operating loss of \$225,814. The City's General fund transferred \$200,000 to help fund the Center's operations and \$1,918,431 to pay off the capital lease in early 2012.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$114,429,170, a decrease of \$2,688,457 in comparison to the prior year. Of this amount, \$9,915,587 (8.66 percent) is unassigned fund balance, which is available for spending at the government's discretion.

For the fiscal year ending December 31, 2011 the City adopted Statement No. 54 of the Governmental Accounting Standards Board (GASB) *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. Note 2 section E. of the Notes to the Financial Statements shows the new classifications and their associated balances.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$9,515,887 while total fund balance is \$10,992,919. 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 (27.56 percent) of total general fund expenditures, while total fund balance represents (31.84 percent) of total general fund expenditures.

The general fund's fund balance decreased by \$1,792,244 during the current fiscal year. The total general funds unassigned fund balance decreased by \$1,850,899. The original budget approved by the City Council estimated revenues in excess of budgeted expenditures to increase the unassigned fund balance. Subsequently, the Council amended the budget to pay off (legally defease) the Police Station general obligation bonds and transfer funds to the FTC to pay off the capital lease in February 2012. This amendment authorized unassigned fund balance to decrease during 2011, but not below the levels mandated by City code Sec. 2-651. This section requires that in no case shall unassigned fund balance be less than the greater of either 20 percent of budgeted operational expenditures or \$4,000,000.

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

- The State of Alaska (State) made employer relief payments of to the State's Public Employees Retirement System (PERS) in the amount of \$983,847 which was an increase of \$496,035 from 2010.
- During 2011, the City received \$2,218,347 in State revenue sharing compared to \$1,726,228 in 2010.
- Revenue from all taxes increased by \$115,155.
- Revenue from charges for licenses and permits increased by \$365,301.
- In 2011 an increase of \$201,724 was received for fees charged for services over 2010. The increase is due to changes in the reserve for losses, increases in copy charges, garbage billings, and alarm billings, and increased recovery from engineering projects netted with a decrease in ambulance billing and dispatch services revenues.
- Salaries and wages with benefits increased by \$1,383,620. The increase was due to new labor contracts being ratified in 2011. Public Safety employees, Public Works employees, and General Government employees all received increases to their pay and benefits.

The permanent fund has a total fund balance of \$98,759,020 all of which is restricted for investments. Certain earnings from the investments are intended to replace the payments in lieu of taxes previously provided by the MUS to the general fund.

The permanent fund balance decreased by \$1,247,486 during 2011. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$3,982,286 and \$497,786, respectively. Significant increases to fund balance were a \$396,900 transfer from the MUS fund from rental income, \$470,575 received from the sale of real property, and the fund's earnings were \$2,431,168. Detailed information about the permanent fund is located in Note 4 of the notes to the financial statements.

Proprietary Funds

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

The net assets of the MUS and the FTC at the end of the fiscal year were \$1,537,454 and \$8,086,785 respectively, of which \$7,670,987 was invested in capital assets and \$1,953,252 is unrestricted. The total decrease in net assets was \$295,803 for the MUS fund and an increase of \$1,792,142 for the FTC fund. The 2011 transfer of funds to pay off the FTC capital lease in early 2012 is responsible for the increase in net assets reported at year end 2011.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Differences between the original budget for total revenues and the final amended budget, excluding inter-fund transfers, increased budgeted revenues by \$1,302,514. Significant differences are briefly summarized as follows:

- \$ 203,805 decrease in tax revenue.
- \$ 250,945 increase in charges for services.
- \$ 184,009 increase in licenses and permits.
- \$ 976,263 increase in intergovernmental revenue.
- \$ 104,337 increase in fines and forfeitures.

Differences between the original budget for total expenditures and the final amended budget increased appropriations by \$3,629,487. Significant differences are briefly summarized as follows:

- \$ 2,557,429 increase in general government activities, of which \$2,088,000 was budgeted for defeasance of a general obligation bond.
- \$ 589,531 increase allocated to public safety.
- \$ 463,863 increase allocated to public works.
- \$ 18,664 increase allocated to building inspections.

During the year revenues exceeded budgetary estimates by \$296,236. Expenditures and encumbrances were less than budgetary estimates by \$1,084,638.

The most significant differences were as follows:

- Overall tax revenue increased \$98,996 and revenue from license and permits was \$176,683 higher than anticipated.
- General Government expenditures were under budget by \$471,505 due to decreased workers compensation insurance costs and claims, decreased liability insurance costs and claims, and overall efforts to control costs across the City.
- Public Safety expenditures were \$496,162 under budget attributed to lower than expected salaries and benefit expenditures and efforts to keep operational costs down.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

The City's investment in capital assets for its governmental and business type activities at December 31, 2011 is \$125,665,411 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure.

The total decrease in the City's net investment in capital assets for the current fiscal year was \$8,195,772 (a 6.21 percent decrease for governmental activities and 4.95 percent decrease for business-type activities).

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

- \$13.4 million for Noble Street from First Avenue to Gaffney Road. This project will reconstruct Noble Street, including new pavement, storm water drainage system, curbs and gutters, sidewalks, striping, and illumination. The design phase is expected to be completed in 2015. Only the funds relating to design and construction administration will run through the city. The gross costs will be reflected in infrastructure as a pass through federal donation via the State of Alaska Department of Transportation.
- \$11.7 million for South Cushman Street from 15th Avenue to the Mitchell Expressway. This project will reconstruct approximately 4,500 feet of South Cushman Street, including new pavement, storm water drainage system, curbs and gutters, sidewalks, striping, and illumination. The design phase is expected to be completed in 2013. Only the funds relating to design and construction administration will run through the city. The gross costs will be reflected in infrastructure as a pass through federal donation via the State of Alaska Department of Transportation.
- \$9.0 million for transportation improvements within the Bentley Retail Area bounded by College Road, the Old Steese Highway, and the Johansen Expressway. This project will extend Helmericks Avenue on a new alignment from the existing termini to the Illinois Street/College road intersection, construct intersection improvements along Helmericks Avenue, reconstruct the Bentley Trust Road from the Old Steese Highway to intersect with the new Helmericks Avenue Extension, and construct pedestrian facilities on the new and existing alignments. The design and construction phase is expected to be completed in 2012.
- \$4.8 million Cushman/Gaffney Upgrade, funded by state dollars is in the design phase and is scheduled to begin major construction in 2013. The project involves the revision of traffic signals, improving sight distances, ADA improvements, illumination, and drainage improvements and possible utility relocations. The area included in this project is between Noble Street on the East, Cowles Street on the west, First Avenue on the North, and Gaffney Road on the South.
- \$4.2 million Gillam Way project will reconstruct the road and create continuous sidewalks from Airport Way to 20th Avenue. The design phase began in 2010 and is expected to be completed in 2014. Only the funds relating to design and construction administration will be reimbursed to the city. The gross costs will be reflected in infrastructure as a pass through federal donation via the State of Alaska Department of Transportation.
- \$4.1 million Wickersham Street project will upgrade the street and improve the existing storm water drainage system. The project is funded by federal and state dollars and is in the design phase with construction scheduled for the summer of 2013. In 2012, it is anticipated another 1.8 million in state funding will be added for utility relocations.
- \$3.5 million for Aurora Subdivision, funded by the state, for the reconstruction of approximately 9.1 residential lane miles. The project was substantially completed in 2011.

Capital Assets
December 31, 2011
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 8,979,325	454,356	9,433,681
Construction in progress	3,466,563	-	3,466,563
Buildings	23,932,630	7,963,430	31,896,060
Equipment	6,371,558	-	6,371,558
Infrastructure	73,374,348	1,123,200	74,497,548
Total	<u>\$ 116,124,424</u>	<u>9,540,986</u>	<u>125,665,410</u>

Capital Assets
December 31, 2010
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,254,973	454,356	9,709,329
Construction in progress	3,037,798	-	3,037,798
Buildings	24,628,747	8,429,172	33,057,919
Equipment	6,352,400	-	6,352,400
Infrastructure	80,549,337	1,154,400	81,703,737
Total	<u>\$ 123,823,255</u>	<u>10,037,928</u>	<u>133,861,183</u>

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$6,533,872. Additional information on the City's long-term liabilities can be found in Note 3 to the basic financial statements.

**Outstanding Debt
December 31, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 1,685,000	-	1,685,000
Capital leases	-	1,870,000	1,870,000
Compensated absences	1,811,769	-	1,811,769
Alaska clean water loan	-	637,830	637,830
Self-Insurance losses	529,273	-	529,273
Total	\$ 4,026,042	2,507,830	6,533,872

**Outstanding Debt
December 31, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 4,955,000	-	4,955,000
Capital leases	-	1,950,000	1,950,000
Compensated absences	1,810,057	-	1,810,057
Alaska clean water loan	-	673,265	673,265
Self-Insurance losses	577,896	-	577,896
Total	\$ 7,342,953	2,623,265	9,966,218

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On December 12, 2011 the City Council passed Ordinance No. 5865 adopting the 2012 budget for the general fund. The original budget projects revenues and other financing sources to be \$32,987,067 and expenditures in the amount of \$32,090,615 increasing fund balance by \$896,452.
- The original budget was amended on May 21, 2012. The amended budget estimates a \$298,042 increase to fund balance. Total fund balance in the general fund is projected to be \$11,290,961 with an unassigned balance of \$10,511,688. The significant adjustments to the budget were due to:
 1. The City Council ratified an amendment to the current labor agreement with the International Brotherhood of Electrical Workers Local 1547 on April 9, 2012. The agreement contains a retroactive 2.5 percent increase to the package rate effective February 16, 2012 with an agreement to increase the package rate by 2.5 percent on February 1, 2013. Previous contracts provided annual increases, with a 2.5 percent minimum and a 3.5 percent maximum.
 2. The City Council ratified an amendment to the current labor agreement with the Public Safety Employees Association (PSEA) on January 23, 2012. The agreement contains a single 4.0 percent increase in the pay scale and a \$40 per month increase in the City's contribution to the PSEA's Health and Welfare Trust effective August 16, 2012

- In October 2007, Proposition A. established a permanent maximum base rate of tax levy of 4.9 mills on real property taxes. Proposition A. created a tax cap within the City's maximum allowed tax. For 2012, the mill levy estimate projects the maximum revenue allowed from all taxes will be \$19,466,285. The calculation allows \$14,312,977 for property taxes, but is limited to \$14,094,971 by the 4.9 mill cap. The cap leaves \$218,006 in taxes that could be levied. The City's greatest challenge is adoption of new sources of revenue to allow collection of the total revenue allowed by the City's Charter. Any new or additional sales tax levied, other than hotel/motel, alcohol, and tobacco, must be approved by the voters in a general election.
- The FY2013 State fiscal year budget appropriates approximately \$1.5 million in shared revenue to the City. In addition, the State estimates a supplemental revenue sharing payment of approximately \$650,000 will be added to the budget. The shared revenue is included in the City's budget but the supplemental payment is not.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information (RSI)

Budgetary Comparisons

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 Assets

December 31, 2011

(With comparative totals for 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
ASSETS				
Equity in central treasury	\$ 18,268,160	1,174	18,269,334	17,404,439
Restricted cash and cash equivalents	1,419,443	-	1,419,443	1,427,392
Investments, restricted	97,214,540	-	97,214,540	98,373,118
Accounts receivable (net)	3,367,298	66,061	3,433,359	3,998,251
Internal balances	(1,886,920)	1,886,920	-	-
Inventory	854,883	-	854,883	715,285
Prepaid expenses	403,799	24,252	428,051	422,357
Noncurrent receivables	5,048,786	637,830	5,686,616	5,928,976
Capital assets				
Non-depreciable	8,979,325	454,356	9,433,681	9,709,329
Construction in progress	3,466,563	-	3,466,563	3,037,798
Depreciable, net of accumulated depreciation	103,678,536	9,086,631	112,765,167	121,114,056
Total assets	<u>240,814,413</u>	<u>12,157,224</u>	<u>252,971,637</u>	<u>262,131,001</u>
LIABILITIES				
Accounts payable and other current liabilities	1,831,154	-	1,831,154	1,921,027
Unearned revenue	1,125	25,155	26,280	56,228
Noncurrent liabilities				
Due within one year	2,956,071	1,905,435	4,861,506	3,694,221
Due in more than one year	1,069,971	602,395	1,672,366	6,271,997
Total liabilities	<u>5,858,321</u>	<u>2,532,985</u>	<u>8,391,306</u>	<u>11,943,473</u>
NET ASSETS				
Invested in capital assets, net of related debt	114,439,424	7,670,987	122,110,411	126,956,184
Restricted				
Federal asset forfeiture	104,856	-	104,856	9,941
Permanent fund - expendable	4,413,204	-	4,413,204	4,480,072
Permanent fund - nonexpendable	94,345,816	-	94,345,816	95,526,434
Unrestricted	21,652,792	1,953,252	23,606,044	23,214,897
Total net assets	<u>\$ 234,956,092</u>	<u>9,624,239</u>	<u>244,580,331</u>	<u>250,187,528</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Statement of Activities
For the Year Ended December 31, 2011
(With comparative totals for 2010)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2011	2010
Governmental Activities:								
General government	\$ 18,119,261	1,920,916	42,328	57,575	(16,098,442)		(16,098,442)	(15,167,254)
Public safety	17,230,789	2,947,032	3,389,822	986,595	(9,907,340)		(9,907,340)	(9,750,701)
Public works	11,484,960	1,599,410	3,865,649	1,124,982	(4,894,919)		(4,894,919)	(5,129,351)
Building inspections	641,468	871,644	-	-	230,176		230,176	(21,342)
Interest on long-term debt	195,570	-	-	-	(195,570)		(195,570)	(246,320)
Total governmental activities	<u>47,672,048</u>	<u>7,339,002</u>	<u>7,297,799</u>	<u>2,169,152</u>	<u>(30,866,095)</u>		<u>(30,866,095)</u>	<u>(30,314,968)</u>
Business-type activities:								
Municipal Utilities System	295,803	396,900	-	-		101,097	101,097	101,097
Fairbanks Transportation Center	523,742	197,345	-	-		(326,397)	(326,397)	(374,591)
Total business-type activities	<u>819,545</u>	<u>594,245</u>	<u>-</u>	<u>-</u>		<u>(225,300)</u>	<u>(225,300)</u>	<u>(273,494)</u>
Total	<u>\$ 48,491,593</u>	<u>7,933,247</u>	<u>7,297,799</u>	<u>2,169,152</u>	<u>(30,866,095)</u>	<u>(225,300)</u>	<u>(31,091,395)</u>	<u>(30,588,462)</u>
General Revenues:								
Property tax					14,047,318	-	14,047,318	14,107,284
Hotel motel tax					2,476,320	-	2,476,320	2,518,545
Alcohol beverage tax					2,117,465	-	2,117,465	1,919,076
Tobacco tax					937,129	-	937,129	917,461
Unrestricted shared revenue					2,908,426	-	2,908,426	1,938,054
Investment income					2,431,203	-	2,431,203	10,756,324
Interest income					147,689	108	147,797	181,612
Miscellaneous					418,540	-	418,540	2,019,737
Transfers - internal activity					(1,721,531)	1,721,531	-	-
Total general revenues and transfers					<u>23,762,559</u>	<u>1,721,639</u>	<u>25,484,198</u>	<u>34,358,093</u>
Change in net assets					(7,103,536)	1,496,339	(5,607,197)	3,769,631
Net assets - beginning					242,059,628	8,127,900	250,187,528	246,417,897
Net assets - ending					<u>\$ 234,956,092</u>	<u>9,624,239</u>	<u>244,580,331</u>	<u>250,187,528</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2011

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in central treasury	\$ 11,979,980	-	-	4,476,411	16,456,391
Restricted cash and cash equivalents	13,249	1,164,042	-	242,152	1,419,443
Restricted investments	-	97,214,540	-	-	97,214,540
Receivables (net of allowance for uncollectibles)	5,820,996	1,599,628	993,934	1,526	8,416,084
Prepaid assets	403,799	-	-	-	403,799
Due from other funds	995,447	-	-	-	995,447
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 19,213,471	99,978,210	993,934	4,720,089	124,905,704
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES					
Accounts payable	1,754,328	12,593	11	41,334	1,808,266
Deposits	19,000	-	-	-	19,000
Unearned revenue	1,125	-	-	-	1,125
Deferred revenue	4,559,179	1,206,597	-	-	5,765,776
Due to other funds	1,886,920	-	993,923	1,524	2,882,367
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	8,220,552	1,219,190	993,934	42,858	10,476,534
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES					
Nonspendable	403,799	-	-	-	403,799
Restricted	-	98,759,020	-	104,856	98,863,876
Committed	250,000	-	-	-	250,000
Assigned	823,233	-	-	4,572,375	5,395,608
Unassigned	9,515,887	-	-	-	9,515,887
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	10,992,919	98,759,020	-	4,677,231	114,429,170
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 19,213,471	99,978,210	993,934	4,720,089	124,905,704
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 December 31, 2011

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

Total fund balances of governmental funds (page 9)	<u>\$ 114,429,170</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	481,910,290
Land and land improvements	8,979,325
Construction in progress	3,466,563
Buildings	33,791,647
Equipment	19,957,129
Accumulated depreciation	<u>(431,980,530)</u>
	<u>116,124,424</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>854,883</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Fire station general obligation bond	(1,685,000)
Unamortized bond premium	(3,887)
Self-insurance losses	<u>(529,273)</u>
	<u>(2,218,160)</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	74,092
Deferred sales tax, garbage collection fees, penalties and interest	485,086
Deferred Tract I and Tract II note receivable	265,433
Deferred Weeks Field note receivable	882,574
Deferred Breadline note receivable	58,590
Deferred Techite note receivable	<u>4,000,000</u>
	<u>5,765,775</u>
Net assets of governmental activities (page 5)	<u>\$ 234,956,092</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, 2011

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 19,578,233	-	-	-	19,578,233
Charges for services	4,135,457	-	-	-	4,135,457
Intergovernmental	4,788,687	-	6,704,287	110,449	11,603,423
Licenses and permits	1,835,062	-	-	-	1,835,062
Fines and forfeitures	1,076,167	-	-	-	1,076,167
Special assessments	6,975	-	-	-	6,975
Investment earnings	-	2,431,168	-	34	2,431,202
Other revenues	567,246	-	44,988	986,698	1,598,932
Total revenues	<u>31,987,827</u>	<u>2,431,168</u>	<u>6,749,275</u>	<u>1,097,181</u>	<u>42,265,451</u>
Expenditures					
Current					
General government	9,349,767	166,057	27,489	1,037,540	10,580,853
Public safety	13,736,416	-	2,281,475	38,034	16,055,925
Public works	7,042,352	-	3,865,649	3,649	10,911,650
Building inspections	637,456	-	-	-	637,456
Debt service					
Principal	1,380,000	-	-	-	1,380,000
Interest	195,570	-	-	-	195,570
Legal defeasance	2,083,137	-	-	-	2,083,137
Capital outlay					
General government	29,381	-	50,600	142,198	222,179
Public safety	14,000	-	119,780	128,993	262,773
Public works	58,743	-	404,282	922,975	1,386,000
Building inspections	-	-	-	8,348	8,348
Total expenditures	<u>34,526,822</u>	<u>166,057</u>	<u>6,749,275</u>	<u>2,281,737</u>	<u>43,723,891</u>
Excess (deficiency) of revenues over expenditures	<u>(2,538,995)</u>	<u>2,265,111</u>	<u>-</u>	<u>(1,184,556)</u>	<u>(1,458,440)</u>
Other financing sources (uses)					
Transfers in	3,982,286	950,300	-	1,535,829	6,468,415
Transfers out	(3,709,874)	(4,480,072)	-	-	(8,189,946)
Sale of capital assets	474,339	17,175	-	-	491,514
Total other financing sources (uses)	<u>746,751</u>	<u>(3,512,597)</u>	<u>-</u>	<u>1,535,829</u>	<u>(1,230,017)</u>
Net change in fund balances	(1,792,244)	(1,247,486)	-	351,273	(2,688,457)
Fund balances - beginning	<u>12,785,163</u>	<u>100,006,506</u>	<u>-</u>	<u>4,325,958</u>	<u>117,117,627</u>
Fund balances - ending	<u>\$ 10,992,919</u>	<u>98,759,020</u>	<u>-</u>	<u>4,677,231</u>	<u>114,429,170</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 For the year ended December 31, 2011

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

Net change in fund balances - total governmental funds (page 13) \$ (2,688,457)

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	1,879,300
Depreciation expense	<u>(9,285,678)</u>
	<u>(7,406,378)</u>

Gains 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, the loss on disposal is reported and proceeds from sales are not reported as revenue.

Gain on disposal	167,247
Proceeds from sales	<u>(459,700)</u>
	<u>(292,453)</u>

Inventories are reported under the purchases method in the governmental funds, and under the consumption method in the statement of activities. 139,598

Repayment of long-term debt is reported as an expenditure in the governmental funds. In the statement of net assets, the repayment reduces long-term liabilities. Repayments consisted of:

Fire station general obligation bond	800,000
Amortization of bond premium	1,297
Police station refunding bond 2005	<u>2,470,000</u>
	<u>3,271,297</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 assets. In the current period, proceeds were received from:

Breadline Note Receivable	(6,542)
Tract I and Tract II receivable	(12,077)
Techite note receivable	<u>(200,000)</u>
	<u>(218,619)</u>

Accrued interest is deferred in the governmental fund statements though reported as earned in the statement of activities. 31,922

Collections on special assessments receivable (7,791)

Collections on sales tax, garbage fees, penalties and interest 18,722

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

Increase in reserve for self-insurance losses	<u>48,623</u>
	<u>48,623</u>

Change in net assets of governmental activities (page 7) \$ (7,103,536)

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds Balance Sheet December 31, 2011

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		Total
ASSETS				
Current assets				
Equity in central treasury	\$ -	1,174	1,174	1,811,769
Accounts receivable	-	66,061	66,061	-
Prepaid expenses	-	24,252	24,252	-
Due from other funds	-	1,886,920	1,886,920	-
Total current assets	-	1,978,407	1,978,407	1,811,769
Noncurrent assets				
GHU Clean Water loan receivable	637,830	-	637,830	-
Capital assets				
Land	185,356	269,000	454,356	-
Plant in service	22,488,506	-	22,488,506	-
Buildings	-	9,506,735	9,506,735	-
Infrastructure	1,560,000	-	1,560,000	-
Less accumulated depreciation	(22,696,408)	(1,772,202)	(24,468,610)	-
Total noncurrent assets	2,175,284	8,003,533	10,178,817	-
Total assets	\$ 2,175,284	9,981,940	12,157,224	1,811,769
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	35,435	-	35,435	-
Capital lease payable	-	1,870,000	1,870,000	-
Compensated absences	-	-	-	1,768,931
Unearned revenue	-	25,155	25,155	-
Total current liabilities	35,435	1,895,155	1,930,590	1,768,931
Noncurrent liabilities				
Alaska Clean Water loan payable	602,395	-	602,395	-
Compensated absences	-	-	-	42,838
Total noncurrent liabilities	602,395	-	602,395	42,838
Total liabilities	637,830	1,895,155	2,532,985	1,811,769
NET ASSETS				
Invested in capital assets, net of related debt	1,537,454	6,133,533	7,670,987	-
Unrestricted	-	1,953,252	1,953,252	-
Total net assets	1,537,454	8,086,785	9,624,239	-
Total liabilities and net assets	\$ 2,175,284	9,981,940	12,157,224	1,811,769

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2011

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Operating revenues				
Rental income	\$ 396,900	197,345	594,245	-
Charges for interfund services	-	-	-	1,768,964
	<u>396,900</u>	<u>197,345</u>	<u>594,245</u>	<u>1,768,964</u>
Operating expenses				
Employee benefits	-	-	-	1,768,964
Management fees	-	220,000	220,000	-
Other	-	2,020	2,020	-
Depreciation	-	201,139	201,139	-
Total operating expenses	<u>-</u>	<u>423,159</u>	<u>423,159</u>	<u>1,768,964</u>
Operating income (loss)	<u>396,900</u>	<u>(225,814)</u>	<u>171,086</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	108	108	-
Rental depreciation	(295,803)	-	(295,803)	-
Interest expense	-	(100,583)	(100,583)	-
Total nonoperating revenue (expenses)	<u>(295,803)</u>	<u>(100,475)</u>	<u>(396,278)</u>	<u>-</u>
Income (loss) before contributions and transfers	101,097	(326,289)	(225,192)	-
Transfers in	-	2,118,431	2,118,431	-
Transfers out	<u>(396,900)</u>	<u>-</u>	<u>(396,900)</u>	<u>-</u>
Change in net assets	(295,803)	1,792,142	1,496,339	-
Total net assets - beginning	<u>1,833,257</u>	<u>6,294,643</u>	<u>8,127,900</u>	<u>-</u>
Total net assets - ending	<u>\$ 1,537,454</u>	<u>8,086,785</u>	<u>9,624,239</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, 2011

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	Fund
Cash flows from operating activities				
Receipts from customers	\$ 396,900	183,160	580,060	-
Receipts for interfund services provided	-	-	-	1,768,964
Payments for interfund services provided	-	-	-	(1,768,931)
Payments to management	-	(220,000)	(220,000)	-
Payments for operating expenses	-	(2,020)	(2,020)	-
Payments to trustee for repair reserve	-	(12,000)	(12,000)	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>(50,860)</u>	<u>346,040</u>	<u>33</u>
Cash flows from noncapital financing activities				
Transfer from general fund	-	200,000	200,000	-
Transfer to permanent fund	(396,900)	-	(396,900)	-
Net cash provided (used) by noncapital financing activities	<u>(396,900)</u>	<u>200,000</u>	<u>(196,900)</u>	<u>-</u>
Cash flows from capital and other related financing activities				
Payment to Alaska DEC	(45,534)	-	(45,534)	-
Receipt from Golden Heart Utilities	45,534	-	45,534	-
Capital lease payment	-	(180,583)	(180,583)	-
Contributions for capital lease payment	-	23,082	23,082	-
Net cash provided (used) by capital and other related financing activities	<u>-</u>	<u>(157,501)</u>	<u>(157,501)</u>	<u>-</u>
Cash flows from investing activities				
Interest received	-	108	108	-
Net cash provided by investing activities	<u>-</u>	<u>108</u>	<u>108</u>	<u>-</u>
Net increase (decrease) in cash	-	(8,253)	(8,253)	33
Equity in central treasury at beginning of the year	-	9,427	9,427	1,810,057
Equity in central treasury at end of the year	<u>\$ -</u>	<u>1,174</u>	<u>1,174</u>	<u>1,810,090</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	396,900	(225,814)	171,086	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	201,139	201,139	-
(Increase) decrease in assets				
Accounts receivable	-	5,850	5,850	-
Prepaid maintenance reserve	-	(12,000)	(12,000)	-
(Decrease) increase in liabilities				
Prepaid rent	-	(20,035)	(20,035)	-
Compensated absences	-	-	-	1,712
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>(50,860)</u>	<u>346,040</u>	<u>1,712</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements

December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity**
- B. Government-wide and Fund Financial Statements**
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**
- D. Assets, Liabilities, and Net Assets or Equity**
 - 1. Equity in central treasury, cash, and investments**
 - 2. Statement of cash flows**
 - 3. Receivables and payables**
 - 4. Inventories and prepaid items**
 - 5. Restricted assets**
 - 6. Capital assets**
 - 7. Compensated absences**
 - 8. Long-term obligations**
 - 9. Fund equity**
 - 10. Encumbrances**
 - 11. Use of estimates**
 - 12. Comparative data / reclassifications**
 - 13. Rounding**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

- A. Deposits and Investments**
- B. Property Taxes**
- C. Interfund Receivables, Payables, and Transfers**
- D. Leases**
- E. Long-Term Debt**
- F. Capital Assets**

NOTE 4 – OTHER INFORMATION

- A. Risk Management**
- B. Contingent Liabilities**
- C. Retirement Plans**
- D. Permanent Fund**
- E. Subsequent Event**

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The accompanying financial statements present the activities of the City of Fairbanks. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 180 days of the end of the current fiscal period. Property, hotel/motel, liquor, and tobacco taxes are considered available if collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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. Revenue and expenses in the MUS enterprise fund that do not meet the definition are reported as nonoperating.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow private-sector guidance issued on or before November 30, 1989 that is not in conflict with GASB pronouncements.

D. Assets, Liabilities, and Net Assets or Equity

1. Equity in central treasury, cash, and investments

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Assets or Equity, Continued

2. Statement of cash flows

For purposes of the statement of cash flows, enterprise funds and the internal service fund consider their equity in central treasury to be cash equity.

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. Inventories and prepaid items

Inventory is located and maintained at public works. It consists of parts 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.

5. Restricted assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Assets or Equity, Continued

5. Restricted assets, Continued

Restricted cash and investments in the J.P. Jones Community Development Center special revenue fund are restricted for investment.

6. Capital assets

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Assets or Equity, Continued

7. Compensated absences

City employees accumulate earned but unused annual, sick, 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.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

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

9. Fund equity

Fund equity in the government-wide and the proprietary fund statements is classified as "net assets". Fund equity is classified as "fund balance" in the governmental fund statements. In the City's fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources. The five classifications of fund balance are classified as follows:

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

Restricted - Fund balances are reported as restricted when constraints imposed on their use through either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Fund balances are reported as committed when the resources can only be used for specific purposes imposed by formal action of the City Council – the government's highest level of decision making authority. The City Council may remove or modify the commitment by taking the same formal action that imposed the constraint originally. This can occur as part of the annual budget appropriation, budget amendments, ordinances or resolutions.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

9. Fund equity, Continued

Assigned – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. The City Council may delegate the authority to assign amounts to another City body (Finance Committee for example or City official such as the Mayor or Chief Financial Officer). Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

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

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.

10. Encumbrances

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

The City had the following amounts reported as encumbrances at December 31, 2011:

General Fund	Grants and Contracts Fund(A)	Other Governmental Funds	Total
\$ 293,960	1,087,209	712,729	2,093,898

(A) Encumbrances will be funded with next years revenues and are not included in fund balance.

11. 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

12. Comparative data/reclassifications

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

13. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Minimum Fund Balance Requirement

City ordinances require that the unassigned general fund balance be set at 20 percent of budgeted annual expenditures but not less than \$4,000,000. At December 31, 2011, 20 percent of annual budgeted expenditures were \$6,949,427. The unassigned fund balance in the City's general fund was \$9,515,887.

B. Audit Requirement

The City's Charter requires an independent audit to be performed annually and submitted to the City Council within 180 days after the end of the fiscal year. The audit report was completed on May 30, 2012.

C. Deficit Fund Equity

There were no funds with deficit fund balances at December 31, 2011.

D. Excesses of Expenditures and Encumbrances over Appropriations

<u>General Fund</u>	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Mayor and City Council	\$ 472,130	475,551	(3,421)
Information systems	1,292,445	1,293,715	(1,270)
Engineering	519,817	604,984	(85,167)

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

E. Fund Balance Detail

	General Fund	Permanent Fund	Nonmajor Governmental	Total
Nonspendable				
Prepayments	\$ 403,799	-	-	403,799
Restricted				
Investment	-	98,759,020	-	98,759,020
Federal Asset Forfeitures	-	-	104,856	104,856
Total Restricted	-	98,759,020	104,856	98,863,876
Committed				
Snow Removal	250,000	-	-	250,000
Assigned				
Encumbrances	293,960	-	712,729	1,006,689
Self Insurance	529,273	-	-	529,273
Capital	-	-	3,722,348	3,722,348
JP Jones	-	-	137,298	137,298
	823,233	-	4,572,375	5,395,608
Unassigned	9,515,887	-	-	9,515,887
Total Fund Balance	<u>\$ 10,992,919</u>	<u>98,759,020</u>	<u>4,677,231</u>	<u>114,429,170</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

At December 31, 2011, the carrying amount of the City's cash and deposits was \$3,289,589 and the bank balances totaled \$3,641,031. 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, Northrim Bank, and Mt. McKinley Bank. Mt. McKinley provides lock box services for the collection of the City's garbage service accounts. See page S-2 in the Supplementary Information Section for a schedule of the City's total deposits and investments.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

Investments

- (1) Fairbanks General Code Sections 2-676 – 2-688 describe the objectives, policies, and procedures for investing the City's funds (except for assets accounted for in the permanent fund). As described in the Fairbanks General Code, the City's investment policy for all funds is to apply the prudent-person (investor) rule: The City Council, the Permanent Fund Review Board, the City staff, the investment managers, and the bank custodians shall exercise the judgment and care under the circumstances then prevailing which an investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the long-term investment of funds considering the probable safety of capital as well as probable income. The assets governed by Sections 2-676 – 2-688 may be invested in the following instruments:
- A. Demand deposits;
 - B. U.S. treasury bills;
 - C. Treasury notes or bonds maturing within one year;
 - D. Insured or fully collateralized certificates of deposit of banks and savings and loan associations maturing within one year;
 - E. Repurchase agreements collateralized by U.S. treasury securities and market-to-market;
 - F. The Alaska Municipal League Investment Pool;
 - G. Money market mutual funds whose portfolios consist entirely of U.S. government securities;
 - H. Obligations of the Export-Import Bank of the United States, the United States Postal Service, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, the Federal Banks for Cooperatives, the Federal Home Loan Bank, the Federal Land Banks, the Farmers Home Administration, and the Federal Home Loan Mortgage Association, or any agency or instrumentality of the federal government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing.
 - a. Funds may be invested in longer maturities, prime bankers' acceptances and secured commercial paper upon adoption of a motion of authorization by the majority of the City Council at a regular or special public meeting.
 - b. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (payroll, bond payments) as well as considering sizeable blocks of anticipated revenue.
- (2) Fairbanks General Code Section 2-260 describes the policies, procedures, and governance of the permanent fund's assets. The purpose of the permanent fund is to maximize income for capital and operating expenses of the City and preserve in trust assets of the City for present and future generations of City residents. The principal goal shall be to preserve principal and maintain purchasing power. The investment policy is to allow only the following investment vehicles:

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

- 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, including both mutual funds and exchange traded funds (ETF's);
- G. International equities, which taken as a whole, attempt to replicate the Morgan Stanley Europe, Australasia, Far East (EAFE) Index, including both mutual funds and ETF's;
- H. Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts, including both mutual funds and ETF's;
- I. Domestic equities, which taken as a whole, attempt to replicate the S & P 400 MidCap Index, including both mutual funds and ETF's;
- J. Commodities, which taken as a whole, attempt to replicate a broad based commodity index, such as the Dow-Jones UBS Commodity Index, including mutual funds, ETF's, and exchange traded notes (ETNs);
- K. Emerging markets equity index funds, which taken as a whole, attempt to replicate the MSCI Emerging Market Index, including both mutual funds and ETF's;
- L. International Bond index funds, which taken as a whole attempt to replicate Barclays Capital Global Treasury ex-U.S. Capped Index, including both mutual funds and ETF's;
- M. U.S Treasury Inflation Protected Securities (TIPS), and/or mutual funds or ETF's which attempt to replicate the Barclays Capital U.S Treasury Inflation Protected Securities Index;
- N. The following investment practices are prohibited and shall constitute limitations to fund investments:
 - a. Options and futures may not be purchased or sold; complex derivatives and complex structured notes which provide for uncertain payment dates and amounts are prohibited without the express, written consent of the City Council, as are practices which involve the use of leveraging through reverse repurchase agreements.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

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

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

As of December 31, 2011, the City had the following investments and maturities.

Investment Type	Investments and Maturities (in Years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More Than 10
Corporate bonds	\$ 22,625,632	1,024,355	10,380,678	6,205,671	5,014,928
U.S. treasuries and agencies	18,875,794	1,052,190	2,433,266	3,551,112	11,839,226
External investment pool	15,377,581	15,377,581	-	-	-
Foreign bonds	4,906,983	206,908	4,098,270	601,805	-
Certificates of deposit	1,021,607	1,021,607	-	-	-
	<u>\$ 62,807,597</u>	<u>18,682,641</u>	<u>16,912,214</u>	<u>10,358,588</u>	<u>16,854,154</u>

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

Concentration of credit risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s investment policy limits exposure to concentration risk in the permanent fund as described in (2) N c & d of this section. On December 31, 2011, investments in the permanent fund were within required investment limitations. The City has no investment policy that would further limit its concentration of credit risk. GAAP requires disclosure of any investment in a single issuer of 5 percent or more except for U.S. government obligations and obligations explicitly guaranteed by the U.S. government. At December 31, 2011 the City’s exposure to credit and concentration risk is as follows:

Investment Type	Fair Value	Credit Rating ^(A)	Percentage of total Investments
Equity mutual funds	\$ 48,306,738	N/A	42.53%
U.S. treasuries and agencies	18,875,794	N/A	16.61%
Fixed income mutual fund	2,499,393	N/A	2.20%
Corporate bonds	2,789,982	AAA/Aaa	
Corporate bonds	543,058	A/Aaa	
Corporate bonds	1,413,563	AAA/Unrated	
Corporate bonds	1,843,355	Unrated/Aaa	
Corporate bonds	567,335	A/Unrated	
Corporate bonds	2,399,748	AA/Aa	
Corporate bonds	2,803,745	A/Aa	
Corporate bonds	7,962,770	A/A	
Corporate bonds	1,526,940	A/Baa	
Corporate bonds	775,136	BBB/A	
Total Corporate Bonds ^(B)	22,625,632		19.91%
Foreign bonds	1,751,830	Unrated/Aaa	
Foreign bonds	520,375	AA/Aa	
Foreign bonds	206,908	AA/A	
Foreign bonds	1,017,580	A/Aa	
Foreign bonds	869,945	A/A	
Foreign bonds	540,345	A/Baa	
Total Foreign Bonds ^(B)	4,906,983		4.32%
External investment pool	15,377,581	AAA/Unrated	13.53%
Certificate of deposit	1,021,607	N/A	0.90%
	\$ 113,613,728		100.00%

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

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

A. Deposits and Investments, Continued

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. For an investment, it is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City policy, as stated in Section 2-686 of the Code requires all investment securities purchased by the City to be held in third-party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information. Deposit-type securities (i.e., certificates of deposit, repurchase agreements) shall be collateralized through the deposit of collateral in the amount of 103 percent of the invested amount for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Corporation (FSLIC) coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

The Alaska Municipal League Investment Pool (AMLIP) is a not-for-profit entity which provides a means for eligible political subdivisions in the State of Alaska (Public Entities) to secure the maximum investment return consistent with preservation of capital and liquidity by pooling money temporarily available for investment. The Pool's membership is limited to Public Entities, including municipalities and their subdivisions, school districts and regional educational attendance areas. AMLIP is considered to be an external investment pool as defined by GASB Statement No. 31. AMLIP is not SEC-registered, but is a 2a7-like pool, operating in a manner consistent with that rule. In May 2009, Standard & Poor's Rating Services assigned its AAAm principal stability fund rating to AMLIP. Stand-alone financial statements can be obtained by writing to the investment advisor, AML Investment Pool, Alaska Permanent Capital Management Co. 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or through the internet at www.amlip.org and selecting the document link at the bottom of the website.

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

The investment manager is required to produce monthly disclosure statements on the pool. The pool also has retained an investment adviser who monitors the performance of the investment manager to ensure compliance with investment policies. All participation in the pool is voluntary. The pool may only purchase securities with a remaining maturity within 13 months of the date of purchase, except that floating rate securities may be purchased if they are subject to an annual reset. The dollar weighted average maturity of the portfolio is typically 90 days or less. On a monthly basis, the investments in the pool are reviewed for fair value by an independent pricing service. As of December 31, 2011, the fair value of the investments in the pool approximates amortized cost at which the investments were reported. The fair value of the City's investment in AMLIP is the same as the value of its pool units.

B. Property Taxes

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

B. Property Taxes, Continued

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

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

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances at December 31, 2011 was as follows:

Receivable Fund	Payable Fund	Amount
General fund	Grants and contracts fund	\$ 993,923
	Nonmajor governmental funds	1,524
Fairbanks Transportation Center	General fund	<u>1,886,920</u>
Total		<u>\$ 2,882,367</u>

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.

Interfund Transfers:

Transfers In:	Transfers Out:			Total
	General Fund	Permanent Fund	MUS Enterprise Fund	
General fund	\$ -	3,982,286	-	3,982,286
Permanent fund	553,400	-	396,900	950,300
Nonmajor governmental funds	1,038,043	497,786	-	1,535,829
FTC - Enterprise fund	<u>2,118,431</u>	-	-	<u>2,118,431</u>
Total	<u>\$ 3,709,874</u>	<u>4,480,072</u>	<u>396,900</u>	<u>8,586,846</u>

The \$3,709,874 transfers from the general fund includes \$453,400 transferred to the permanent fund from the sale of capital assets, \$100,000 of State Revenue Sharing funds, and \$1,038,043 transferred to the capital fund for capital projects, equipment, property replacement, and facilities maintenance. The general fund transferred \$1,918,431 to the FTC enterprise fund to pay off the capital lease on the facility in 2012 and \$200,000 to provide funds for the operations of the FTC.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Interfund Receivables, Payables, and Transfers, Continued

The \$4,480,072 transferred from the permanent fund is authorized annually in accordance with the City Charter. \$3,982,286 was transferred to the general fund for operations and \$497,786 was transferred to the capital fund to fund capital acquisitions.

The MUS fund transferred \$396,900 to the permanent fund for lease payments received on the plant.

D. Leases

Lessor operating leases

The MUS enterprise fund contains the proceeds of the lease of the wastewater treatment plant to Golden Heart Utilities Inc. (GHU) under the terms of a non-cancelable operating lease signed October 6, 1997. The lease provides for monthly rental payments to the City in the amount of \$33,075 for 30 years. A comprehensive lease security agreement was signed by the City with GHU for the plant and all subsequent additions and replacements. GHU has the option to purchase the plant for \$5,000,000 prior to the 20th year of the lease less a credit against the purchase price for prior lease payments discounted at seven percent. In the last 10 years of the lease, GHU may purchase the plant for the fair market value, less improvements made by the lessee. The option purchase price will be, at a minimum, the discounted present value of the remaining lease payments at a seven percent discount rate. Rental income of \$396,900 was recognized in 2011.

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

The City leased land to the Downtown Association of Fairbanks, Inc. (DTA) on which the Transportation Center was constructed in consideration of a nominal fee.

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Leases, Continued

The assets being leased as lessor are as follows:

Asset	Governmental Activities	Business Activities
Land	\$ 5,487,366	454,356
Buildings	3,132,537	9,506,735
Plant in service	-	24,048,506
Less: Accumulated depreciation	(438,170)	(24,468,611)
 Total	 \$ 8,181,733	 9,540,986

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

	Governmental Activities	Business Activities	Total
2012	\$ 143,610	396,900	540,510
2013	118,560	396,900	515,460
2014	96,270	396,900	493,170
2015	89,495	396,900	486,395
2016	80,010	396,900	476,910
Total minimum rental receipts	\$ 527,945	1,984,500	2,512,445

Lessee capital leases

In 2003, the DTA leased the FTC to the City. This lease is accounted for in the FTC fund. The term of the lease is thirty years and automatically terminates on the earlier of December 31, 2031 or the date the lease revenue bonds are fully retired, the balance of which equals the present value of net minimum lease payments. During the term of the lease, the DTA owns improvements constructed on the land and all fixtures and equipment. Upon expiration or termination of the lease, title will vest automatically to the City. The lease agreement requires annual payments that vary from year to year with a maximum lease payment of no greater than \$185,748. In addition to the annual lease payment, \$12,000 is deposited into a repair and replacement account maintained by the DTA.

On November 14, 2011 Ordinance 5863 as substituted authorized the transfer of \$1,918,431 to the FTC fund. The funds were transferred on November 15, 2011 and committed to pay off the remaining balance of the capital lease. On February 15, 2012 the city paid the remaining balance of \$1,870,000 in principal and \$48,431 in interest and the title of the FTC transferred to the City.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Leases, Continued

The assets acquired through capital leases are as follows:

	<u>Fairbanks Transportation Center</u>
Asset:	
Buildings	\$ 9,775,735
Less: Accumulated depreciation	<u>(1,772,202)</u>
Total	<u>\$ 8,003,533</u>

Amortization of the lease for the period was \$48,700 which was included in depreciation expense. The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at December 31, 2011.

<u>Fiscal Year Ending December 31, 2012</u>	<u>Fairbanks Transportation Center</u>
	\$ 1,918,431
Total minimum lease payments	<u>1,918,431</u>
Less: amount representing interest ⁽¹⁾	<u>(48,431)</u>
Present value of net minimum lease payments	<u>\$ 1,870,000</u>

⁽¹⁾ Amount necessary to reduce total minimum lease payments to present value calculated at the City's incremental borrowing rate at the inception of the lease.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Long-Term Debt

General Obligation Bond

\$7,470,000 2004 Series A bond payable to the Alaska Municipal Bond Bank due in annual installments of \$650,000 to \$855,000 through December 1, 2013; interest at 3.0 to 3.3 percent (Fire Station); subject to annual appropriation, the annual bond payments will be reimbursed by the State of Alaska \$ 1,685,000

The annual requirements to amortize the General Obligation Bond at December 31, 2011 are as follows:

Fiscal Years Ending December 31	General Obligation Bond	
	Principal	Interest
2012	\$ 830,000	55,190
2013	855,000	28,215
	\$ 1,685,000	83,405

Revolving Loan

In 2010 and 2009, the City of Fairbanks received Alaska Clean Water Fund loan funds in the amount of \$130,827 and \$577,873 respectively, for a sodium hypo-chloride system at the wastewater treatment plant on behalf of Golden Heart Utilities. The loan repayment is twenty years following initiation of the operation of the facility and will include a finance charge of 1.5 percent. The City will be repaid by Golden Heart Utilities and at December 31, 2011 the receivable balance remaining is \$637,830. The loan is collateralized by rental income recorded in the MUS enterprise Fund.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Long-Term Debt, Continued

Changes in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year	Due in more than one year
Governmental activities:						
General obligation bonds						
Refunding bond, 2005	\$ 2,470,000	-	2,470,000	-	-	-
Fire station	2,485,000	-	800,000	1,685,000	830,000	855,000
Compensated absences	1,810,057	1,768,963	1,767,251	1,811,769	1,768,931	42,838
Self-Insurance losses	577,896	279,133	327,756	529,273	357,140	172,133
Governmental activity Long-term liabilities	<u>\$ 7,342,953</u>	<u>2,048,096</u>	<u>5,365,007</u>	<u>4,026,042</u>	<u>2,956,071</u>	<u>1,069,971</u>
Business-type activities:						
Capital lease	\$ 1,950,000	-	80,000	1,870,000	1,870,000	-
Alaska clean water loan	673,265	-	35,435	637,830	35,435	602,395
Business-type activities Long-term liabilities	<u>\$ 2,623,265</u>	<u>-</u>	<u>115,435</u>	<u>2,507,830</u>	<u>1,905,435</u>	<u>602,395</u>

The internal service fund (ISF) serves the governmental funds. Accordingly, the long-term liabilities for the ISF are included as part of the above totals for governmental activities. At year-end \$1,811,769 of ISF compensated absences are included in the above amounts. Compensated absences are liquidated by the ISF. Claims and judgments are liquidated by the general fund.

On December 16, 2011, the City defeased the refunding bond, 2005 by placing \$2,073,269 from the general fund in an irrevocable escrow account held and managed by bank trustees and invested in U.S. Treasury obligations, the principal and interest on which will provide amounts sufficient to pay principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly the escrow account and the defeased bonds are not included in the City's financial statements. On December 31, 2011, \$1,890,000 of bonds outstanding are considered defeased.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 9,254,973	-	(275,648)	8,979,325
Construction in progress	3,037,798	428,765	-	3,466,563
Total capital assets, not being depreciated	<u>12,292,771</u>	<u>428,765</u>	<u>(275,648)</u>	<u>12,445,888</u>
Capital assets, being depreciated				
Infrastructure	481,910,290	-	-	481,910,290
Buildings	33,791,647	-	-	33,791,647
Equipment	19,561,836	1,450,535	(1,055,242)	19,957,129
Total capital assets, being depreciated	<u>535,263,773</u>	<u>1,450,535</u>	<u>(1,055,242)</u>	<u>535,659,066</u>
Less accumulated depreciation				
Infrastructure	(401,360,953)	(7,174,989)	-	(408,535,942)
Buildings	(9,162,900)	(696,117)	-	(9,859,017)
Equipment	(13,209,436)	(1,414,572)	1,038,437	(13,585,571)
Total accumulated depreciation	<u>(423,733,289)</u>	<u>(9,285,678)</u>	<u>1,038,437</u>	<u>(431,980,530)</u>
Total capital assets being depreciated, net	<u>111,530,484</u>	<u>(7,835,143)</u>	<u>(16,805)</u>	<u>103,678,536</u>
Governmental activities capital assets, net	<u>\$ 123,823,255</u>	<u>(7,406,378)</u>	<u>(292,453)</u>	<u>116,124,424</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	31,995,241	-	-	31,995,241
Total capital assets being depreciated	<u>33,555,241</u>	<u>-</u>	<u>-</u>	<u>33,555,241</u>
Less accumulated depreciation				
Infrastructure	(405,600)	(31,200)	-	(436,800)
Buildings	(23,566,069)	(465,742)	-	(24,031,811)
Total accumulated depreciation	<u>(23,971,669)</u>	<u>(496,942)</u>	<u>-</u>	<u>(24,468,611)</u>
Total capital assets being depreciated, net	<u>9,583,572</u>	<u>(496,942)</u>	<u>-</u>	<u>9,086,630</u>
Business-type activities capital assets, net	<u>\$ 10,037,928</u>	<u>(496,942)</u>	<u>-</u>	<u>9,540,986</u>

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

Governmental activities	
General government	\$ 7,393,894
Public safety	1,174,864
Public works	712,908
Building Inspections	4,012
Total depreciation expense - governmental activities	<u>\$ 9,285,678</u>

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

Fairbanks Transportation Center	\$ 201,139
Municipal Utility System	295,803
Total depreciation expense - business type activities	<u>\$ 496,942</u>

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

NOTE 4 - OTHER INFORMATION

A. Risk Management

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

The City records liabilities for all known unpaid claims when they are reported to the risk manager. The balance of these claims was \$529,273 at December 31, 2011. Self-insurance losses are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Self-insurance losses include estimates for expected future developments on claims already reported, as well as considering known and unknown events that might create claims, but for which none have been reported. Based on the type of claim, estimates of the ultimate cost of settling these claims are made by using case-by-case review of claims or by extrapolating historical experience. Both methods adjust for current trends and other information and the estimates include the effects of inflation and other economic and social factors. A liability for incurred but not reported claims was based on historical experience. The City has assigned fund balance in the amount of \$529,273 for its self-insurance program. Settlements have not exceeded coverage's in each of the last three years.

Changes in the claims liabilities included in assigned fund balances for self-insurance losses for fiscal years 2011 and 2010 follow:

	Claims Liability <u>December 31, 2011</u>	Claims Liability <u>December 31, 2010</u>
January 1	\$ 577,896	631,706
Current year claims	260,042	152,182
Changes in estimates for claims of the prior period	19,091	251,530
Claims payments	<u>(327,756)</u>	<u>(457,522)</u>
December 31	<u>\$ 529,273</u>	<u>577,896</u>

B. Contingent Liabilities

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

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

NOTE 4 - OTHER INFORMATION, CONTINUED

B. Contingent Liabilities, Continued

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

C. Retirement Plans

As of December 31, 2011, approximately 60 percent of all regular employees of the City participate in the State of Alaska Public Employees' Retirement System (PERS). The remaining employees participate in pension plans offered by the International Brotherhood of Electrical Workers (IBEW) or the labor union trust plans covered under the contract with the AFL-CIO Joint Crafts Unit. 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/dr/b on the internet. Employer contributions to the PERS are actuarially determined and have been paid or accrued by the City of Fairbanks. In 2011, the City contributed between \$5.00 and \$11.47 per compensable hour to the Alaska Electrical Trust Fund (AETF) and the other plans covered by the AFL-CIO Joint Crafts agreement. The total contribution to the AETF and the AFL-CIO pension plans for 2011 was \$668,962 and \$719,975, respectively. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation for the IBEW and AFL-CIO Joint Crafts Unit employees' retirement is limited to the amount paid under the labor agreements.

PERS Plan Description

PERS was established and is administered by the State to provide pension, post-employment healthcare, survivor, and disability benefits to eligible employees. PERS consists of a defined benefit plan (Tiers I, II, and III) and a defined contribution plan with a component of defined benefit postemployment healthcare (Tier IV). The defined benefit plan is closed to new members. Eligible employees who first enter PERS after June 30, 2006 participate in the defined contribution plan. Contribution and benefit provisions for both plans are established by State law and may be amended only by the State Legislature. In April 2008, State legislation was enacted changing the PERS defined benefit plan from a single agent, multiple-employer plan to a cost-sharing, multiple-employer plan.

Defined Benefit Plan (Tiers I, II and III)

Funding Policy

Employee contribution rates for the defined benefit plan are 7.5 percent of eligible compensation for City police officers and eligible firefighters and all other employees contribute 6.75 percent. The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the funds necessary to meet both pension and post-employment healthcare benefit obligations when due. The PERS average employer contribution rates for January through June 2011 were 27.96 percent (9.33 percent normal cost rate plus 18.63 percent past service rate), an increase of 1.1 percent from the prior year. The PERS average employer contribution rates for July through December 2011 were 33.49 percent (8.28 percent normal cost rate plus 22.48 percent past service rate, plus 2.73 percent defined contribution retirement rate), an increase of 19.8 percent.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Effective July 1, 2007 the Alaska legislature set the effective employer rate at 22 percent for all employers with the difference between the effective rate and the actuarially determined rate (if greater than 22 percent) to be paid by the State on behalf of the municipal employer.

Plan Contributions

The City contributed \$1,704,463, \$ 1,692,617, and \$1,684,357 in 2011, 2010, and 2009, respectively, to the PERS cost sharing defined benefit plan. This amount is equal to the mandatory employer contributions for the year.

On behalf payments made by the State for the years ending 2011, 2010, and 2009 were \$983,846, \$487,812, and \$764,144, respectively. On-behalf payments are recorded in the general fund in revenues and expenditures.

Defined Contribution Plan (Tier IV)

Funding Policy

Employee contribution rates for the defined contribution plan are 8 percent of eligible compensation. Calendar year 2011 employer contribution rates are 22 percent, the same as the defined benefit tiers.

January through June 2011 the employers are required to contribute 5 percent to each member's individual pension account, 0.55 percent into the retiree medical plan and a flat dollar amount per employee based on 3 percent of the employer's average annual employee compensation into the employee's health reimbursement account and a residual contribution to pay down the defined benefit plan's unfunded liability. The employer also contributes 1.18 percent for occupational death and disability benefits for peace officers and firefighters and 0.31 percent for all others.

For July through December 2011 the employers are required to contribute 5 percent to each member's individual pension account, 0.51 percent into the retiree medical plan and a flat dollar amount per employee based on 3 percent of the employer's average annual employee compensation into the employee's health reimbursement account and a residual contribution to pay down the defined benefit plan's unfunded liability. The employer also contributes .97 percent for occupational death and disability benefits for peace officers and firefighters and 0.20 percent for all others.

Plan Contributions

City contributions to the PERS defined contribution plan for years ended 2011, 2010, and 2009 was \$102,813, \$82,564, and \$53,578, respectively, and employee contributions to the plan were \$91,069, \$68,318, and \$43,086, respectively.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

The employer residual contributions for fiscal years 2011, 2010, and 2009 to pay down the unfunded liability of the defined benefit plan unfunded liability, were \$147,694, \$105,530, and \$65,027, respectively.

Labor Contracts

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

Negotiated agreements are in effect with the AFL-CIO, IBEW and FPDEA. The AFL-CIO and IBEW contracts expire on December 31, 2013 and the FPDEA contract expires on December 31, 2013. The IFFA contract expired on August 16, 2011 and remains in effect until a successor agreement is adopted.

Deferred Compensation Plans

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

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

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrators. In the opinion of management, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

D. Permanent Fund

In October 1996, the voters of the City of Fairbanks approved amendment of the City Charter to establish a permanent fund using proceeds from the sale of the Municipal Utilities System. The net proceeds of most sales of land are also deposited in the fund. Appropriations from the permanent fund were limited so as to replace 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.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund, Continued

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:

	2011	2010
Interest income	\$ 2,018,942	2,240,777
Dividends	1,338,278	1,006,479
Net realized (losses) gains	1,533,016	1,857,838
Net unrealized (losses) gains	(2,459,068)	5,651,179
	\$ 2,431,168	10,756,273

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

The amount available for appropriation for general operations and capital expenditures in 2011 is calculated as follows (based on an average of 2006-2010 amounts):

Total average investments held in trust	\$ 98,783,548
Total average other assets	791,553
Total average liabilities	(17,951)
Total average fund value	\$ 99,557,150
Available for general operations	\$ 3,982,286
Available for capital expenditures	\$ 497,786

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

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund, Continued

For 2011 the entire amount available for appropriation for general operations and capital expenditures during the year was transferred to the general and capital funds.

The amount available for appropriation for general operations and capital expenditures in 2012 is calculated as follows (based on an average of 2007 - 2011 amounts):

Total average investments held in trust	\$	97,236,466
Total average other assets		850,900
Total average liabilities		<u>(16,164)</u>
 Total average fund value	 \$	 <u><u>98,071,202</u></u>
 Available for general operations	 \$	 3,922,848
Available for capital expenditures	\$	490,356

E. Subsequent Event

No subsequent events, material in nature, have been noted.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual
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, 2011

	<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				
Taxes	\$ 19,683,042	19,479,237	19,578,233	98,996
Charges for services	3,949,860	4,200,805	4,135,457	(65,348)
Intergovernmental	2,804,208	3,780,471	3,804,840	24,369
Licenses and permits	1,474,370	1,658,379	1,835,062	176,683
Fines and forfeitures	917,587	1,021,924	1,076,167	54,243
Rental	224,663	213,831	212,198	(1,633)
Interest and penalties	135,000	136,597	147,689	11,092
Other	216,500	216,500	214,334	(2,166)
Total revenues	<u>29,405,230</u>	<u>30,707,744</u>	<u>31,003,980</u>	<u>296,236</u>
Expenditures				
General government				
Mayor and city council	470,242	472,130	475,551	(3,421)
City attorney	161,613	163,423	159,033	4,390
City clerk	283,667	288,335	283,086	5,249
Finance	854,411	877,069	859,096	17,973
Information systems	1,219,319	1,292,445	1,293,715	(1,270)
Risk management	1,580,967	1,659,032	1,398,814	260,218
General account	5,364,743	7,739,868	7,583,930	155,938
Property management	58,870	58,959	26,531	32,428
Total general government	<u>9,993,832</u>	<u>12,551,261</u>	<u>12,079,756</u>	<u>471,505</u>
Public safety				
Police	5,962,722	6,360,614	6,072,696	287,918
Dispatch	1,835,724	1,937,529	1,864,705	72,824
Fire	5,869,697	5,959,531	5,824,111	135,420
Total public safety	<u>13,668,143</u>	<u>14,257,674</u>	<u>13,761,512</u>	<u>496,162</u>
Public works				
Works	6,318,158	6,765,761	6,578,791	186,970
Engineering	503,557	519,817	604,984	(85,167)
Total public works	<u>6,821,715</u>	<u>7,285,578</u>	<u>7,183,775</u>	<u>101,803</u>
Building inspections	<u>633,960</u>	<u>652,624</u>	<u>637,456</u>	<u>15,168</u>
Total expenditures	<u>31,117,650</u>	<u>34,747,137</u>	<u>33,662,499</u>	<u>1,084,638</u>
Excess (deficiency) of revenues over expenditures	<u>(1,712,420)</u>	<u>(4,039,393)</u>	<u>(2,658,519)</u>	<u>1,380,874</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, 2011

	<u>Budgeted 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	\$ 3,947,485	3,982,286	3,982,286	-
Transfers out	(936,492)	(3,240,323)	(3,709,874)	(469,551)
Sale of capital assets	25,000	25,000	474,339	449,339
Total other financing sources (uses)	<u>3,035,993</u>	<u>766,963</u>	<u>746,751</u>	<u>(20,212)</u>
Net change in fund balances	<u>\$ 1,323,573</u>	<u>(3,272,430)</u>	(1,911,768)	<u>1,360,662</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.

119,524

GAAP recognizes PERS relief payments as revenue and a corresponding expenditure, but the City does not recognize these payments for budget purposes.

Revenue	983,847
Expenditure	<u>(983,847)</u>

-

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

\$ (1,792,244)

CITY OF FAIRBANKS, ALASKA
Notes to Required Supplementary Information

Note – 1 Budgets, Budgetary Accounting and Encumbrances

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

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

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

Budgets for the general fund, special revenue funds, capital projects funds, enterprise funds and the internal service fund are adopted on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Also, the State passed legislation that capped all participating PERS employers' fiscal year 2011 contribution rates to the retirement system at 22 percent with a provision the State pay, on behalf of the employers, the difference between the actuarially determined rate and the effective rate. The payments are paid directly to the retirement system and cash does not flow through the City's accounts. The City does not include these payments in its annual budget. Budgetary comparisons presented in this report are on this budgetary basis. All annual appropriations lapse at year-end to the extent that they have not been expended or encumbered. Budgets for the general and the capital fund are adopted on an annual basis. Budgets for the grants and contracts fund, and capital projects funds are adopted by project or program and are not budgeted on an annual basis.

Budgeted amounts were originally adopted by the City Council on December 6, 2010 or as amended by ordinances during 2011.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Major Governmental Funds

General Fund
Permanent Fund
Grants and Contracts Fund

Nonmajor Governmental Funds

Combining Statements
Combining Special Revenue Statements
Combining Capital Projects Funds Statements



MAJOR GOVERNMENTAL FUNDS

General Fund

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

Permanent Fund

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

Special Revenue Funds

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

Grants and Contracts Special Revenue Fund

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



CITY OF FAIRBANKS, ALASKA
Major Governmental Fund
General Fund
Balance Sheet
December 31, 2011
(With comparative totals for 2010)

	Totals	
	2011	2010
ASSETS		
Equity in central treasury	\$ 11,979,980	\$ 11,270,802
Restricted cash and cash equivalents	13,249	18,528
	11,993,229	11,289,330
Receivables		
Taxes	1,107,626	1,029,496
Accounts	1,747,431	1,709,693
Special assessments	74,092	81,305
Interest and penalties	128,603	112,028
Notes	456	65,654
Techite	4,000,000	4,200,000
Less allowance for uncollectible receivables	(1,237,212)	(1,032,160)
	5,820,996	6,166,016
Prepaid assets	403,799	410,105
Due from other funds	995,447	1,506,265
	1,399,246	1,916,370
Total assets	\$ 19,213,471	\$ 19,371,716
LIABILITIES		
Accounts payable	1,754,328	1,720,830
Deposits	19,000	41,306
Unearned revenue	1,125	11,038
Deferred revenue	4,559,179	4,813,379
Due to other funds	1,886,920	-
	8,220,552	6,586,553
Total liabilities	8,220,552	6,586,553
FUND BALANCE		
Nonspendable	403,799	410,105
Committed	250,000	255,940
Assigned	823,233	752,333
Unassigned	9,515,887	11,366,785
	10,992,919	12,785,163
Total fund balance	10,992,919	12,785,163
Total liabilities and fund balance	\$ 19,213,471	\$ 19,371,716

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2011

(With comparative totals for 2010)

	Totals	
	2011	2010
Revenues		
Taxes		
Real property	\$ 14,047,318	\$ 14,107,284
Hotel / motel	2,476,320	2,518,545
Alcoholic beverages	2,117,465	1,919,787
Tobacco distribution	937,130	917,462
Charges for services	4,135,457	3,933,733
Intergovernmental		
PERS relief payments	983,847	487,812
Other	3,804,840	2,867,419
Licenses and permits	1,835,062	1,469,761
Fines and forfeitures	1,076,167	930,710
Special assessments	6,975	4,878
Other revenues		
Interest and penalties	147,689	181,612
Rental	212,198	288,064
Techite settlement	200,000	200,000
Other	7,359	24,652
Total revenues	31,987,827	29,851,719
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	421,847	395,008
Employee benefits	122,781	130,346
Other services	10,772	14,134
Inter-departmental	(79,849)	(78,028)
Total mayor and city council	475,551	461,460
City attorney		
Salaries and wages	219,701	202,263
Employee benefits	67,749	73,734
Other services	23,401	34,112
Inter-departmental	(151,818)	(147,372)
Total city attorney	159,033	162,737
City clerk		
Salaries and wages	176,449	157,960
Employee benefits	70,906	72,903
Other services	27,283	39,505
Total city clerk	274,638	270,368
Finance		
Salaries and wages	557,111	513,135
Employee benefits	197,375	201,764
Other services	106,710	95,453
Total finance	861,196	810,352

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2011

(With comparative totals for 2010)

	Totals	
	2011	2010
Expenditures - continued		
General government, continued		
Information technology		
Salaries and wages	\$ 450,417	\$ 407,106
Employee benefits	154,646	157,514
Other services	675,694	615,623
Total information technology	<u>1,280,757</u>	<u>1,180,243</u>
Non-departmental		
Community services	1,917,252	1,918,241
PERS relief payments	983,847	487,812
Hotel / motel distributions	1,972,059	1,934,340
Property management	26,620	57,904
Risk management	1,398,814	1,642,500
Total non-departmental	<u>6,298,592</u>	<u>6,040,797</u>
Total general government	<u>9,349,767</u>	<u>8,925,957</u>
Public safety		
Police		
Salaries and wages	4,024,825	3,684,206
Employee benefits	1,452,671	1,309,139
Other services	578,676	721,430
Total police	<u>6,056,172</u>	<u>5,714,775</u>
Dispatch		
Salaries and wages	1,193,853	1,108,384
Employee benefits	505,227	444,119
Other services	162,475	153,403
Total dispatch	<u>1,861,555</u>	<u>1,705,906</u>
Fire		
Salaries and wages	3,684,936	3,649,687
Employee benefits	1,439,365	1,349,094
Other services	694,388	686,264
Total fire	<u>5,818,689</u>	<u>5,685,045</u>
Total public safety	<u>13,736,416</u>	<u>13,105,726</u>
Public works		
Works		
Salaries and wages	2,688,265	2,331,697
Employee benefits	1,339,990	1,240,072
Other services	2,415,586	2,346,987
Total works	<u>6,443,841</u>	<u>5,918,756</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2011

(With comparative totals for 2010)

	Totals	
	2011	2010
Expenditures - continued		
Public works, continued		
Engineering		
Salaries and wages	\$ 409,919	\$ 377,427
Employee benefits	159,634	148,588
Other services	28,958	72,529
Total engineering	<u>598,511</u>	<u>598,544</u>
Total public works	<u>7,042,352</u>	<u>6,517,300</u>
 Building inspections		
Salaries and wages	448,624	442,225
Employee benefits	153,832	160,132
Other services	35,000	15,702
Total building inspections	<u>637,456</u>	<u>618,059</u>
 Debt service		
Principal	1,380,000	1,325,000
Interest	195,570	246,320
Legal defeasance	2,083,137	-
Total debt service	<u>3,658,707</u>	<u>1,571,320</u>
 Capital outlay		
General government		
City clerk	8,448	-
Information technology	12,000	-
Nondepartmental	8,933	-
Total general government	<u>29,381</u>	<u>-</u>
 Public safety		
Police	14,000	-
Total public safety	<u>14,000</u>	<u>-</u>
 Public works		
Works	51,743	-
Engineering	7,000	-
Total public works	<u>58,743</u>	<u>-</u>
 Total capital outlay	<u>102,124</u>	<u>-</u>
 Total expenditures	<u>34,526,822</u>	<u>30,738,362</u>
 Excess (deficiency) of revenues over expenditures	<u>(2,538,995)</u>	<u>(886,643)</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2011

(With comparative totals for 2010)

	Totals	
	2011	2010
Other financing sources (uses)		
Transfers in	\$ 3,982,286	4,310,789
Transfers out	(3,709,874)	(3,530,062)
Sale of capital assets	<u>474,339</u>	<u>1,641,977</u>
Total other financing sources (uses)	<u>746,751</u>	<u>2,422,704</u>
Net change in fund balances	(1,792,244)	1,536,061
Fund balance - beginning	<u>12,785,163</u>	<u>11,249,102</u>
Fund balance - ending	<u>\$ 10,992,919</u>	<u>\$ 12,785,163</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2011

(With comparative totals for 2010)

	<u>Totals</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Restricted cash and cash investments		
Cash and cash equivalents	\$ 1,164,042	\$ 1,225,492
Investments	97,214,540	98,373,118
Receivables		
Interest	408,686	494,522
Notes	1,190,942	1,059,008
	<u>1,190,942</u>	<u>1,059,008</u>
Total assets	<u>\$ 99,978,210</u>	<u>\$ 101,152,140</u>
LIABILITIES		
Accounts payable	12,593	17,472
Deferred revenue	1,206,597	1,128,162
	<u>1,206,597</u>	<u>1,128,162</u>
Total liabilities	<u>1,219,190</u>	<u>1,145,634</u>
FUND BALANCE		
Restricted for investments	98,759,020	100,006,506
	<u>98,759,020</u>	<u>100,006,506</u>
Total liabilities and fund balance	<u>\$ 99,978,210</u>	<u>\$ 101,152,140</u>

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2011

(With comparative totals for 2010)

	<u>Totals</u>	
	<u>2011</u>	<u>2010</u>
Revenues		
Investment earnings	<u>\$ 2,431,168</u>	<u>\$ 10,756,273</u>
Expenditures		
Current		
General government	<u>166,057</u>	<u>199,669</u>
Excess (deficiency) of revenues over expenditures	<u>2,265,111</u>	<u>10,556,604</u>
Other financing sources (uses)		
Transfers in	950,300	1,999,064
Transfers out	(4,480,072)	(4,482,955)
Sale of capital assets	<u>17,175</u>	<u>11,273</u>
Total other financing sources (uses)	<u>(3,512,597)</u>	<u>(2,472,618)</u>
Net change in fund balance	(1,247,486)	8,083,986
Fund balance - beginning	<u>100,006,506</u>	<u>91,922,520</u>
Fund balance - ending	<u>\$ 98,759,020</u>	<u>\$ 100,006,506</u>

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2011

(With comparative totals for 2010)

	Totals	
	2011	2010
ASSETS		
Receivables		
Accounts	\$ -	\$ 30,177
Intergovernmental	993,934	1,420,737
Total assets	<u>\$ 993,934</u>	<u>\$ 1,450,914</u>
LIABILITIES		
Accounts payable	11	820
Due to general fund	993,923	1,450,094
Total liabilities	<u>993,934</u>	<u>1,450,914</u>
FUND BALANCE	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 993,934</u>	<u>\$ 1,450,914</u>

CITY OF FAIRBANKS, ALASKA
Major Special Revenue Fund
Grants and Contracts Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2011
(With comparative totals for 2010)

	Totals	
	2011	2010
Revenues		
Intergovernmental	\$ 6,704,287	\$ 8,251,575
Other	44,988	109,777
	6,749,275	8,361,352
Expenditures		
Current		
General government	27,489	232,163
Public safety	2,281,475	2,530,650
Public works	3,865,649	3,886,811
Capital outlay		
General government	50,600	53,483
Public safety	119,780	993,531
Public works	404,282	664,714
	6,749,275	8,361,352
Excess (deficiency) of revenues over expenditures	-	-
Fund balance - beginning	-	-
Fund balance - ending	\$ -	\$ -



NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2011

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Equity in central treasury	\$ -	4,476,411	4,476,411
Restricted cash and cash equivalents	242,152	-	242,152
Receivables	2	1,524	1,526
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 242,154</u>	<u>4,477,935</u>	<u>4,720,089</u>
LIABILITIES			
Accounts payable	-	41,334	41,334
Due to general fund	-	1,524	1,524
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>42,858</u>	<u>42,858</u>
FUND BALANCES			
Restricted	104,856	-	104,856
Assigned	137,298	4,435,077	4,572,375
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>242,154</u>	<u>4,435,077</u>	<u>4,677,231</u>
Total liabilities and fund balances	<u>\$ 242,154</u>	<u>4,477,935</u>	<u>4,720,089</u>

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2011

	Special Revenue	Capital Projects	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ 94,900	15,549	110,449
Investment earnings	34	-	34
Other revenues			
Asset replacement and repair charges	-	986,698	986,698
Total revenues	94,934	1,002,247	1,097,181
Expenditures			
Current			
General government	-	1,037,540	1,037,540
Public safety	-	38,034	38,034
Public works	-	3,649	3,649
Capital outlay			
General government	-	142,198	142,198
Public safety	-	128,993	128,993
Public works	-	922,975	922,975
Building inspections	-	8,348	8,348
Total expenditures	-	2,281,737	2,281,737
Excess (deficiency) of revenues over expenditures	94,934	(1,279,490)	(1,184,556)
Other financing sources			
Transfers in	-	1,535,829	1,535,829
Total other financing sources (uses)	-	1,535,829	1,535,829
Net change in fund balances	94,934	256,339	351,273
Fund balances - beginning	147,220	4,178,738	4,325,958
Fund balances - ending	\$ 242,154	4,435,077	4,677,231



NONMAJOR SPECIAL REVENUE FUNDS

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

J.P. Jones Community Development Center Investment Fund

This fund holds investments to help finance the operations of the community development center.

Asset Forfeiture Fund

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

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2011

	<u>JP Jones Investment</u>	<u>Asset Forfeiture</u>	<u>Total</u>
ASSETS			
Restricted cash and cash equivalents	\$ 137,297	104,855	242,152
Interest receivable	1	1	2
	<u>137,298</u>	<u>104,856</u>	<u>242,154</u>
LIABILITIES			
Due to general fund	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	-	104,856	104,856
Assigned	137,298	-	137,298
	<u>137,298</u>	<u>104,856</u>	<u>242,154</u>
Total fund balances	<u>137,298</u>	<u>104,856</u>	<u>242,154</u>
Total liabilities and fund balances	<u>\$ 137,298</u>	<u>104,856</u>	<u>242,154</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2011

	JP Jones Investment	Asset Forfeiture	Total
Revenues			
Intergovernmental	\$ -	94,900	94,900
Interest	19	15	34
	<u>19</u>	<u>94,915</u>	<u>94,934</u>
Total revenues			
	<u>19</u>	<u>94,915</u>	<u>94,934</u>
Expenditures			
Current			
Public safety	-	-	-
Total expenditures	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>19</u>	<u>94,915</u>	<u>94,934</u>
Other financing sources (uses)			
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19	94,915	94,934
Fund balances - beginning	<u>137,279</u>	<u>9,941</u>	<u>147,220</u>
Fund balances - ending	<u>\$ 137,298</u>	<u>104,856</u>	<u>242,154</u>



NONMAJOR CAPITAL PROJECTS FUNDS

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

Capital Fund

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

Cowles Street Project Fund

This fund accounts for the design and certification of the right of way for the State of Alaska Department of Transportation and Public Facilities.

Wickersham Street Project

This fund accounts for storm water drainage improvements and road upgrades.

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Funds

Combining Balance Sheet

December 31, 2011

	<u>Capital</u>	<u>Cowles Street</u>	<u>Wickersham Street</u>	<u>Total</u>
ASSETS				
Equity in central treasury	\$ 4,476,411	-	-	4,476,411
Receivables				
Intergovernmental	-	-	1,524	1,524
Total assets	<u>\$ 4,476,411</u>	<u>-</u>	<u>1,524</u>	<u>4,477,935</u>
LIABILITIES				
Accounts payable	41,334	-	-	41,334
Due to general fund	-	-	1,524	1,524
Total liabilities	<u>41,334</u>	<u>-</u>	<u>1,524</u>	<u>42,858</u>
FUND BALANCES				
Assigned	<u>4,435,077</u>	<u>-</u>	<u>-</u>	<u>4,435,077</u>
Total fund balances	<u>4,435,077</u>	<u>-</u>	<u>-</u>	<u>4,435,077</u>
Total liabilities and fund balances	<u>\$ 4,476,411</u>	<u>-</u>	<u>1,524</u>	<u>4,477,935</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2011

	<u>Capital</u>	<u>Cowles Street</u>	<u>Wickersham Street</u>	<u>Total</u>
Revenues				
Intergovernmental	\$ -	9,982	5,567	15,549
Asset replacement and repair charges	986,698	-	-	986,698
 Total revenues	 986,698	 9,982	 5,567	 1,002,247
Expenditures				
Current				
General government	1,037,540	-	-	1,037,540
Public safety	38,034	-	-	38,034
Public works	3,649	-	-	3,649
Capital outlay				
General government	126,649	9,982	5,567	142,198
Public safety	128,993	-	-	128,993
Public works	922,975	-	-	922,975
Building inspections	8,348	-	-	8,348
Total expenditures	<u>2,266,188</u>	<u>9,982</u>	<u>5,567</u>	<u>2,281,737</u>
Excess (deficiency) of revenues over expenditures	<u>(1,279,490)</u>	<u>-</u>	<u>-</u>	<u>(1,279,490)</u>
Other financing sources (uses)				
Transfers in	<u>1,535,829</u>	<u>-</u>	<u>-</u>	<u>1,535,829</u>
Total other financing sources (uses)	<u>1,535,829</u>	<u>-</u>	<u>-</u>	<u>1,535,829</u>
 Net change in fund balances	 256,339	 -	 -	 256,339
 Fund balances - beginning	 <u>4,178,738</u>	 <u>-</u>	 <u>-</u>	 <u>4,178,738</u>
Fund balances - ending	<u>\$ 4,435,077</u>	<u>-</u>	<u>-</u>	<u>4,435,077</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, 2011

	<u>Final Budgeted Amounts</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Inter-departmental charges	\$ 986,698	986,698	-
Expenditures			
Capital outlay			
General government			
Information technology	404,341	314,707	89,634
Property management	<u>1,888,329</u>	<u>828,437</u>	<u>1,059,892</u>
Total general government	<u>2,292,670</u>	<u>1,143,144</u>	<u>1,149,526</u>
Public safety			
Police	190,000	-	190,000
Fire	<u>506,400</u>	<u>71,962</u>	<u>434,438</u>
Total public safety	<u>696,400</u>	<u>71,962</u>	<u>624,438</u>
Public works			
Works	1,406,800	902,345	504,455
Engineering	<u>-</u>	<u>(4,944)</u>	<u>4,944</u>
Total public works	<u>1,406,800</u>	<u>897,401</u>	<u>509,399</u>
Building Inspections	<u>8,400</u>	<u>8,348</u>	<u>52</u>
Total expenditures	<u>4,404,270</u>	<u>2,120,855</u>	<u>2,283,415</u>
Deficiency of revenues over expenditures	<u>(3,417,572)</u>	<u>(1,134,157)</u>	<u>2,283,415</u>
Other financing sources (uses)			
Transfers in	<u>1,509,115</u>	<u>1,535,829</u>	<u>26,714</u>
Total other financing sources (uses)	<u>1,509,115</u>	<u>1,535,829</u>	<u>26,714</u>
Net change in fund balances	<u>\$ (1,908,457)</u>	401,672	<u>2,310,129</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		<u>(145,333)</u>	
Net changes in fund balance as reported on the combining statement of revenues, expenditures, and changes in fund balances nonmajor capital projects funds		<u>\$ 256,339</u>	

SUPPLEMENTARY INFORMATION

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

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

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Cash and Investments
 Classified by Depository - All Funds
 December 31, 2011

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Change and petty cash funds	\$ -	\$ 11,250	\$ 11,250
KeyBank	-	2,917,238	2,917,238
Mt. McKinley Bank	1,021,607	273,460	1,295,067
Northrim Bank	-	87,641	87,641
 Key Trust			
U.S. securities and agencies	18,875,794	-	18,875,794
Equity mutual funds	48,306,738	-	48,306,738
Fixed income mutual fund	2,499,393	-	2,499,393
Corporate bonds	22,625,632	-	22,625,632
Foreign bonds	4,906,983	-	4,906,983
 Alaska Municipal League Investment Pool	15,377,581	-	15,377,581
 Total cash and investments	\$ 113,613,728	\$ 3,289,589	\$ 116,903,317
 Reconciliation of cash and investments to governmental and proprietary funds			
 Governmental funds			
Equity in central treasury			\$ 16,456,391
Restricted cash and cash equivalents			1,419,443
Restricted investments			97,214,540
 Total governmental funds			115,090,374
 Proprietary funds			
Enterprise funds			
Equity in central treasury			1,174
Internal service fund			
Equity in central treasury			1,811,769
 Total proprietary funds			1,812,943
 Total cash and investments			\$ 116,903,317

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Bonded Debt - All Funds
 December 31, 2011

	<u>Date of Issue</u>	<u>Ordinance/ Resolution Authorizing Issue</u>	<u>Remaining Interest Rates</u>	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>2011 Outstanding</u>	<u>2011 Interest Expenditures</u>
General obligation bonds									
2004 Series A - Fire Station	2004	5542	3.00 - 3.30%	12/01/13	\$ 7,500,000	\$ 7,470,000	\$ 5,785,000	\$ 1,685,000	\$ 80,190
Refunding Bond, 2005	2005	4151	2.75 - 5.50%	10/01/14	<u>5,435,000</u>	<u>5,435,000</u>	<u>5,435,000</u>	<u>-</u>	<u>115,380</u>
General obligation bonds total					<u>\$12,935,000</u>	<u>\$12,905,000</u>	<u>\$11,220,000</u>	<u>\$ 1,685,000</u>	<u>\$ 195,570</u>

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund Aggregate Method December 31, 2011

Equity Securities

Fair value at December 31, 2011	\$	48,306,738
Add cost of investments sold in 2011		3,798,438
Less cost of investments purchased in 2011		(6,744,009)
Less fair value at December 31, 2010		<u>(47,837,719)</u>
Change in fair value of equity investments		<u>(2,476,552)</u>

Fixed-Income Securities

Fair value at December 31, 2011		48,907,802
Add cost of investments sold in 2011		18,334,138
Less cost of investments purchased in 2011		(15,156,041)
Less fair value at December 31, 2010		<u>(50,535,399)</u>
Change in fair value of fixed-income investments		<u>1,550,500</u>

Total change in fair value of investments	\$	<u><u>(926,052)</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.

Contents Page

Financial Trends ST-2

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity ST-12

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity ST-17

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information ST-21

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information ST-24

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

CITY OF FAIRBANKS, ALASKA

Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006 (Restated)</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 185,330,342	\$ 178,831,858	\$ 171,046,669	\$ 140,838,620
Restricted	97,724,623	100,954,066	100,230,420	106,549,909
Unrestricted	<u>12,695,076</u>	<u>13,589,688</u>	<u>7,874,113</u>	<u>4,163,917</u>
Total governmental activities net assets	<u>\$ 295,750,041</u>	<u>\$ 293,375,612</u>	<u>\$ 279,151,202</u>	<u>\$ 251,552,446</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 11,606,102	\$ 11,118,549	\$ 10,876,920	\$ 10,344,388
Restricted	369,917	336,088	34,089	625
Unrestricted	<u>32,000</u>	<u>48,000</u>	<u>64,000</u>	<u>80,000</u>
Total business-type activities net assets	<u>\$ 12,008,019</u>	<u>\$ 11,502,637</u>	<u>\$ 10,975,009</u>	<u>\$ 10,425,013</u>
Primary government				
Invested in capital assets, net of related debt	\$ 196,936,444	\$ 189,950,407	\$ 181,923,589	\$ 151,183,008
Restricted	98,094,540	101,290,154	100,264,509	106,550,534
Unrestricted	<u>12,727,076</u>	<u>13,637,688</u>	<u>7,938,113</u>	<u>4,243,917</u>
Total primary government net assets	<u>\$ 307,758,060</u>	<u>\$ 304,878,249</u>	<u>\$ 290,126,211</u>	<u>\$ 261,977,459</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 134,158,187	\$ 133,654,529	\$ 124,732,269	\$ 118,868,255	\$ 114,439,424
110,063,456	85,671,713	91,962,459	100,016,447	98,863,876
<u>2,964,919</u>	<u>18,751,881</u>	<u>21,196,951</u>	<u>23,174,926</u>	<u>21,652,792</u>
<u>\$ 247,186,562</u>	<u>\$ 238,078,123</u>	<u>\$ 237,891,679</u>	<u>\$ 242,059,628</u>	<u>\$ 234,956,092</u>
\$ 9,301,982	\$ 8,874,961	\$ 8,446,799	\$ 8,087,929	\$ 7,670,987
-	-	-	-	-
<u>92,000</u>	<u>78,687</u>	<u>79,419</u>	<u>39,971</u>	<u>1,953,252</u>
<u>\$ 9,393,982</u>	<u>\$ 8,953,648</u>	<u>\$ 8,526,218</u>	<u>\$ 8,127,900</u>	<u>\$ 9,624,239</u>
\$ 143,460,169	\$ 142,529,490	\$ 133,179,068	\$ 126,956,184	\$ 122,110,411
110,063,456	85,671,713	91,962,459	100,016,447	98,863,876
<u>3,056,919</u>	<u>18,830,568</u>	<u>21,276,370</u>	<u>23,214,897</u>	<u>23,606,044</u>
<u>\$ 256,580,544</u>	<u>\$ 247,031,771</u>	<u>\$ 246,417,897</u>	<u>\$ 250,187,528</u>	<u>\$ 244,580,331</u>

CITY OF FAIRBANKS, ALASKA

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
EXPENSES	2003	2004	2005	2006 (Restated)
<i>Governmental activities</i>				
General government	\$ 22,352,151	\$ 21,607,618	\$ 25,432,150	\$ 18,930,255
Public safety	11,127,483	12,819,286	18,403,800	20,036,926
Public works	5,303,510	5,655,076	6,438,550	7,855,135
Building inspections	528,406	539,777	627,487	625,166
Interest on long-term debt	337,153	505,700	500,746	438,158
Total governmental activities expenses	<u>39,648,703</u>	<u>41,127,457</u>	<u>51,402,733</u>	<u>47,885,640</u>
<i>Business-type activities</i>				
Municipal Utilities	386,793	386,793	386,793	386,793
Fairbanks Transportation Center	507,584	502,497	465,600	496,328
Total business-type activities expenses	<u>894,377</u>	<u>889,290</u>	<u>852,393</u>	<u>883,121</u>
Total primary government expenses	<u>\$ 40,543,080</u>	<u>\$ 42,016,747</u>	<u>\$ 52,255,126</u>	<u>\$ 48,768,761</u>
 PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 462,551	\$ 283,202	\$ 242,893	\$ 53,736
Public safety	1,274,725	1,679,917	1,560,566	2,361,200
Public works	1,842,760	1,588,551	1,312,188	1,658,738
Building inspections	783,935	1,341,826	1,063,542	870,285
Operating grants and contributions	912,725	1,261,114	2,685,621	1,288,890
Capital grants and contributions	1,746,901	6,705,519	10,453,690	7,375,534
Total governmental activities program revenues	<u>7,023,597</u>	<u>12,860,129</u>	<u>17,318,500</u>	<u>13,608,383</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	176,319	150,314	123,812	165,365
Operating grants and contributions	14,842	-	-	-
Total business-type activities program revenues	<u>588,061</u>	<u>547,214</u>	<u>520,712</u>	<u>562,265</u>
Total primary government program revenues	<u>\$ 7,611,658</u>	<u>\$ 13,407,343</u>	<u>\$ 17,839,212</u>	<u>\$ 14,170,648</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 22,594,438	\$ 23,273,670	\$ 20,321,564	\$ 17,744,737	\$ 18,119,261
17,030,460	16,276,165	16,875,480	17,079,301	17,230,789
7,602,159	8,874,555	9,277,145	12,001,873	11,484,960
607,066	623,616	580,013	618,059	641,468
393,395	346,645	297,620	246,320	195,570
<u>48,227,518</u>	<u>49,394,651</u>	<u>47,351,822</u>	<u>47,690,290</u>	<u>47,672,048</u>
385,442	312,607	312,607	295,803	295,803
<u>531,759</u>	<u>557,147</u>	<u>520,108</u>	<u>593,308</u>	<u>523,742</u>
<u>917,201</u>	<u>869,754</u>	<u>832,715</u>	<u>889,111</u>	<u>819,545</u>
<u>\$ 49,144,719</u>	<u>\$ 50,264,405</u>	<u>\$ 48,184,537</u>	<u>\$ 48,579,401</u>	<u>\$ 48,491,593</u>
\$ 209,694	\$ 1,863,445	\$ 1,705,629	\$ 1,949,147	\$ 1,920,916
2,490,598	2,902,062	2,790,139	2,928,498	2,947,032
1,472,602	1,527,349	1,678,645	1,490,336	1,599,410
1,174,600	765,310	810,814	596,717	871,644
5,372,484	6,398,067	3,336,122	1,939,065	7,297,799
<u>5,590,651</u>	<u>12,521,293</u>	<u>6,165,773</u>	<u>8,471,559</u>	<u>2,169,152</u>
<u>16,310,629</u>	<u>25,977,526</u>	<u>16,487,122</u>	<u>17,375,322</u>	<u>16,805,953</u>
396,900	396,900	396,900	396,900	396,900
221,440	228,858	204,977	218,717	197,345
<u>-</u>	<u>-</u>	<u>159</u>	<u>-</u>	<u>-</u>
<u>618,340</u>	<u>625,758</u>	<u>602,036</u>	<u>615,617</u>	<u>594,245</u>
<u>\$ 16,928,969</u>	<u>\$ 26,603,284</u>	<u>\$ 17,089,158</u>	<u>\$ 17,990,939</u>	<u>\$ 17,400,198</u>

CITY OF FAIRBANKS, ALASKA

Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006 (Restated)
NET (EXPENSE) REVENUE				
<i>Governmental activities</i>	\$ (32,625,106)	\$ (28,267,328)	\$ (34,084,233)	\$ (34,277,257)
<i>Business-type activities</i>	(306,316)	(342,076)	(331,681)	(320,856)
Total primary government net expense	<u>\$ (32,931,422)</u>	<u>\$ (28,609,404)</u>	<u>\$ (34,415,914)</u>	<u>\$ (34,598,113)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
<i>Governmental activities</i>				
Property tax	\$ 8,602,553	\$ 10,382,723	\$ 10,810,781	\$ 11,633,056
Hotel motel tax	1,786,027	2,142,759	2,328,060	2,606,629
Alcohol beverage tax	1,162,928	1,269,195	1,343,132	1,427,579
Tobacco tax	799,567	838,666	640,319	595,906
Shared revenue	904,061	200,666	209,563	2,520,920
Investment income	10,618,815	6,210,659	3,295,037	10,286,754
Interest income	471,514	176,798	210,576	158,916
Gain on sale of capital assets	-	323,674	181,190	208,985
Miscellaneous	502,702	481,430	644,265	155,759
Special item-Write off of NPO/OPEB	-	-	-	-
Transfers - internal activity	184,257	163,825	196,900	229,990
Total governmental activities	<u>25,032,424</u>	<u>22,190,395</u>	<u>19,859,823</u>	<u>29,824,494</u>
<i>Business-type activities</i>				
Interest income	-	505	874	754
Miscellaneous	-	14	79	96
Transfers - internal activity	(184,257)	(163,825)	(196,900)	(229,990)
Total business-type activities	<u>(184,257)</u>	<u>(163,306)</u>	<u>(195,947)</u>	<u>(229,140)</u>
Total primary government	<u>\$ 24,848,167</u>	<u>\$ 22,027,089</u>	<u>\$ 19,663,876</u>	<u>\$ 29,595,354</u>
CHANGE IN NET ASSETS				
<i>Governmental activities</i>	\$ (7,592,682)	\$ (6,076,933)	\$ (14,224,410)	\$ (4,452,763)
<i>Business-type activities</i>	(490,573)	(505,382)	(527,628)	(549,996)
Total primary government	<u>\$ (8,083,255)</u>	<u>\$ (6,582,315)</u>	<u>\$ (14,752,038)</u>	<u>\$ (5,002,759)</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ (31,916,889)	\$ (23,417,125)	\$ (30,864,700)	\$ (30,314,968)	\$ (30,866,095)
<u>(298,861)</u>	<u>(243,996)</u>	<u>(230,679)</u>	<u>(273,494)</u>	<u>(225,300)</u>
<u>\$ (32,215,750)</u>	<u>\$ (23,661,121)</u>	<u>\$ (31,095,379)</u>	<u>\$ (30,588,462)</u>	<u>\$ (31,091,395)</u>
\$ 12,606,799	\$ 12,316,767	\$ 12,724,692	\$ 14,107,284	\$ 14,047,318
2,685,417	2,750,491	2,364,118	2,518,545	2,476,320
1,534,542	1,542,355	1,657,726	1,919,076	2,117,465
625,209	620,617	748,492	917,461	937,129
1,716,251	1,938,769	1,850,338	1,938,054	2,908,426
6,591,339	(20,549,751)	10,710,219	10,756,324	2,431,203
182,885	479,648	223,240	181,612	147,689
807,699	-	-	-	-
220,072	203,820	202,531	1,947,661	418,540
-	14,809,070	-	-	-
580,792	196,900	196,900	196,900	(1,721,531)
<u>27,551,005</u>	<u>14,308,686</u>	<u>30,678,256</u>	<u>34,482,917</u>	<u>23,762,559</u>
-	562	149	-	108
(151,378)	-	-	72,076	-
<u>(580,792)</u>	<u>(196,900)</u>	<u>(196,900)</u>	<u>(196,900)</u>	<u>1,721,531</u>
<u>(732,170)</u>	<u>(196,338)</u>	<u>(196,751)</u>	<u>(124,824)</u>	<u>1,721,639</u>
<u>\$ 26,818,835</u>	<u>\$ 14,112,348</u>	<u>\$ 30,481,505</u>	<u>\$ 34,358,093</u>	<u>\$ 25,484,198</u>
\$ (4,365,884)	\$ (9,108,439)	\$ (186,444)	\$ 4,167,949	\$ (7,103,536)
<u>(1,031,031)</u>	<u>(440,334)</u>	<u>(427,430)</u>	<u>(398,318)</u>	<u>1,496,339</u>
<u>\$ (5,396,915)</u>	<u>\$ (9,548,773)</u>	<u>\$ (613,874)</u>	<u>\$ 3,769,631</u>	<u>\$ (5,607,197)</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 3,938,990	\$ 765,938	\$ 725,904	\$ 1,328,071
Unreserved	2,843,465	4,152,444	4,194,413	4,486,602
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 6,782,455</u>	<u>\$ 4,918,382</u>	<u>\$ 4,920,317</u>	<u>\$ 5,814,673</u>
All other governmental funds				
Reserved	\$ 99,514,319	\$ 108,203,523	\$ 101,137,755	\$ 108,475,292
Unreserved, reported in:				
Grants and Contracts fund	-	-	-	-
Special revenue funds	(900,860)	608,967	1,227,162	2,002,808
Capital projects funds	(212,245)	(3,011,410)	142,700	(542,242)
Restricted				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Assigned				
Capital	-	-	-	-
JP Jones	-	-	-	-
Total all other governmental funds	<u>\$ 98,401,214</u>	<u>\$ 105,801,080</u>	<u>\$ 102,507,617</u>	<u>\$ 109,935,858</u>

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

Fiscal Year				
2007	2008	2009	2010	2011
\$ 611,282	\$ 534,862	\$ 845,087	\$ 752,332	\$ -
7,477,759	8,814,262	10,404,015	12,032,831	-
-	-	-	-	403,799
-	-	-	-	-
-	-	-	-	250,000
-	-	-	-	823,233
-	-	-	-	9,515,887
<u>\$ 8,089,041</u>	<u>\$ 9,349,124</u>	<u>\$ 11,249,102</u>	<u>\$ 12,785,163</u>	<u>\$ 10,992,919</u>
\$ 110,921,017	\$ 86,859,978	\$ 95,375,460	\$ 101,486,558	\$ -
-	(619,571)	(1,893,375)	(612,049)	-
2,638,293	3,114,178	2,306,017	3,457,955	-
(97,377)	17,886	-	-	-
-	-	-	-	98,759,020
-	-	-	-	104,856
-	-	-	-	4,435,077
-	-	-	-	137,298
<u>\$ 113,461,933</u>	<u>\$ 89,372,471</u>	<u>\$ 95,788,102</u>	<u>\$ 104,332,464</u>	<u>\$ 103,436,251</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 12,351,075	\$ 14,633,343	\$ 15,122,291	\$ 16,285,463
Charges for services	2,167,218	2,456,291	6,888,270	3,973,409
Intergovernmental	3,228,047	7,671,075	8,124,487	8,542,445
Licenses and permits	846,946	1,453,465	1,212,201	975,117
Fines and forfeitures	586,163	620,562	529,902	998,236
Special assessments	173,056	48,482	136,291	95,758
Investment earnings	10,594,339	6,252,738	3,241,679	10,044,318
Other revenues	1,516,676	1,465,844	1,543,830	2,343,657
Total revenues	<u>31,463,520</u>	<u>34,601,800</u>	<u>36,798,951</u>	<u>43,258,403</u>
Expenditures				
Current				
General government	5,700,909	5,829,048	7,025,918	7,982,040
Public safety	10,169,620	10,616,789	11,895,356	13,219,842
Public works	4,955,689	5,141,096	5,853,668	6,018,677
Building inspections	565,741	539,777	592,315	620,551
Capital outlay	2,224,692	11,457,594	14,202,067	6,328,739
Debt service - principal	370,000	1,040,000	1,160,000	1,130,000
Debt service - interest	337,153	505,700	413,661	438,158
Debt service - legal defeasance	-	-	-	-
Total expenditures	<u>24,323,804</u>	<u>35,130,004</u>	<u>41,142,985</u>	<u>35,738,007</u>
Other financing sources (uses)				
Transfers in	4,856,583	7,019,341	5,937,038	6,776,657
Transfers out	(4,672,326)	(9,113,738)	(5,740,138)	(6,546,667)
Sale of capital assets	4,054,979	644,749	531,911	572,211
Refunding bonds issued	-	-	5,435,000	-
Payment to refund bond	-	-	(5,427,085)	-
Bonds issued	-	7,482,966	-	-
Capital leases	-	-	469,177	-
Total other financing sources (uses)	<u>4,239,236</u>	<u>6,033,318</u>	<u>1,205,903</u>	<u>802,201</u>
Net change in fund balances	<u>\$ 11,378,952</u>	<u>\$ 5,505,114</u>	<u>\$ (3,138,131)</u>	<u>\$ 8,322,597</u>
Capitalized expenditures	<u>\$ 1,531,395</u>	<u>\$ 10,107,575</u>	<u>\$ 12,071,710</u>	<u>\$ 4,197,548</u>
Debt service as a percentage of noncapital expenditures	3.10%	6.18%	5.41%	4.97%

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	17,440,429	\$	17,259,751	\$	17,502,079	\$	19,463,078	\$	19,578,233
	4,079,347		5,328,989		5,783,500		3,968,793		4,135,457
	10,652,776		14,361,608		8,741,524		11,675,023		11,603,423
	1,550,998		1,571,840		1,767,207		1,469,761		1,835,062
	878,889		990,800		854,260		895,650		1,076,167
	17,917		12,162		64,382		4,878		6,975
	6,194,223		(20,549,751)		10,710,958		10,756,343		2,431,202
	1,870,313		2,161,822		1,781,787		1,806,320		1,598,932
	<u>42,684,892</u>		<u>21,137,221</u>		<u>47,205,697</u>		<u>50,039,846</u>		<u>42,265,451</u>
	12,853,392		13,020,533		8,997,667		9,998,624		10,580,853
	12,694,343		14,437,113		14,519,135		15,801,264		16,055,925
	6,381,213		7,636,407		7,739,414		11,287,376		10,911,650
	607,066		623,616		580,013		618,059		637,456
	4,712,401		7,614,509		5,701,742		2,532,930		1,879,300
	1,175,000		1,230,000		1,280,000		1,325,000		1,380,000
	393,395		346,645		297,620		246,320		195,570
	-		-		-		-		2,083,137
	<u>38,816,810</u>		<u>44,908,823</u>		<u>39,115,591</u>		<u>41,809,573</u>		<u>43,723,891</u>
	6,976,461		8,505,516		6,047,025		8,535,857		6,468,415
	(6,395,669)		(8,308,616)		(5,850,125)		(8,338,957)		(8,189,946)
	1,351,569		745,323		28,603		1,653,250		491,514
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	<u>1,932,361</u>		<u>942,223</u>		<u>225,503</u>		<u>1,850,150</u>		<u>(1,230,017)</u>
\$	<u>5,800,443</u>	\$	<u>(22,829,379)</u>	\$	<u>8,315,609</u>	\$	<u>10,080,423</u>	\$	<u>(2,688,457)</u>
\$	<u>3,739,895</u>	\$	<u>10,067,611</u>	\$	<u>4,559,859</u>	\$	<u>2,532,930</u>	\$	<u>1,879,300</u>
	4.47%		4.53%		4.57%		4.00%		8.74%

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
2002					
2003					
2004					
2005					
2006	\$ 1,003,762,843	\$ 626,130,097	\$ 211,671,428	\$ 488,332	\$ 84,669,312
2007	1,097,996,461	662,033,922	231,384,922	482,127	104,128,954
2008	1,145,147,798	741,815,852	256,130,154	473,286	92,876,340
2009	1,132,741,671	764,912,210	348,466,609	961,540	86,039,692
2010	1,241,717,930	800,615,660	457,948,675	1,464,302	89,411,683
2011	1,152,896,581	877,760,066	474,208,349	1,452,866	87,150,747

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

Notes: Property taxes are assessed on a calendar year basis. Alaska statutes require property to be assessed at its full and true value as of January 1 of the assessment year; therefore, the assessed values are equal to actual values. Farm use land included in a farm unit is assessed on the basis of full and true value for farm use. Property values by category for years 2000-2005 are not readily available. Prior year totals are comparable to the current year. Tax rates are per \$1,000 of assessed value.

<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>
		\$ 1,361,917,721	\$ 122,142,418	\$ 1,239,775,303	6.511
		1,449,755,340	131,207,918	1,318,547,422	6.516
		1,583,848,525	140,385,967	1,443,462,558	7.171
		1,746,439,420	152,106,969	1,594,332,451	6.804
	\$ 12,121,996	1,938,844,008	188,285,678	1,750,558,330	6.700
	5,457,207	2,101,483,593	193,564,582	1,907,919,011	6.594
\$ 20,844,390	6,809,558	2,264,097,378	198,894,447	2,065,202,931	5.991
29,545,680	7,386,880	2,370,054,282	202,861,221	2,167,193,061	5.927
28,367,570	5,453,670	2,624,979,490	204,738,495	2,420,240,995	5.803
26,754,310	3,339,335	2,623,562,254	210,557,929	2,413,004,325	5.843

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

Tax Rates-Millage						
Direct City Rates					Overlapping Rates	
Fiscal Year	Debt Service	Claims & Judgments	Operations	Total Direct	Fairbanks North Star Borough *	Total
2002	0.567	0.482	5.462	6.511	13.693	20.204
2003	0.536	0.289	5.691	6.516	13.693	20.209
2004	0.994	0.377	5.800	7.171	13.606	20.777
2005	0.442	0.475	5.887	6.804	13.219	20.023
2006	0.393	0.484	5.823	6.700	12.923	19.623
2007	0.361	0.733	5.500	6.594	12.209	18.803
2008	0.336	0.755	4.900	5.991	11.287	17.278
2009	0.321	0.706	4.900	5.927	11.186	17.113
2010	0.286	0.617	4.900	5.803	11.432	17.235
2011	0.288	0.655	4.900	5.843	11.294	17.137

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

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

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

CITY OF FAIRBANKS, ALASKA
Principal Taxable Properties
December 31, 2011
Current Year and Nine Years Ago

Taxpayer	2011 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(a)	2002 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(b)
Doyon Utilities	\$ 220,152,076	1	8.39%			
Fred Meyer Stores	50,053,119	2	1.91%			
Wal-Mart Stores Inc.	33,578,595	3	1.28%			
Westmark Hotel	33,251,338	4	1.27%			
Bentley Mall	23,216,929	5	0.88%	\$ 15,146,780	3	1.11%
Jillian Square Apartments LLC	21,827,395	6	0.83%	14,168,416	5	1.04%
Walmart- Sam's Club	19,501,203	7	0.74%	13,937,083	6	1.02%
Sportsmans Warehouse	19,280,028	8	0.73%			
Safeway	19,224,284	9	0.73%			
Sophie Plaza	19,082,457	10	0.73%	12,040,835	8	0.88%
Alaska Communication Systems				16,588,676	2	1.22%
North Star Alaska Housing Corp. - Wainwright				25,754,651	1	1.89%
Home Depot				14,287,494	4	1.05%
K Mart Corporation				13,546,320	7	0.99%
Medical and Dental Arts Bldg.				11,764,482	9	0.86%
Marriot Hotel				11,700,000	10	0.85%
	<u>\$ 459,167,424</u>		<u>17.49%</u>	<u>\$ 148,934,737</u>		<u>10.91%</u>

Source: Fairbanks North Star Borough Assessing Department.

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

^(a) \$2,623,562,254

^(b) \$1,361,971,721

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
2002	\$ 8,072,177	\$ 7,803,655	96.67%	\$ 261,155	\$ 8,064,810	99.91%
2003	8,591,655	8,349,717	97.18%	233,314	8,583,031	99.90%
2004	10,351,070	10,128,137	97.85%	210,700	10,338,837	99.88%
2005	10,847,838	10,592,086	97.64%	239,052	10,831,138	99.85%
2006	11,728,741	11,432,623	97.48%	274,523	11,707,146	99.82%
2007	12,580,818	12,238,969	97.28%	337,073	12,576,042	99.96%
2008	12,372,632	11,844,752	95.73%	395,344	12,240,096	98.93%
2009	12,849,334	12,385,454	96.39%	229,244	12,614,698	98.17%
2010	14,035,430	13,696,885	97.59%	162,095	13,858,980	98.74%
2011	14,098,558	13,668,914	96.95%	N/A	13,668,914	96.95%

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

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

CITY OF FAIRBANKS, ALASKA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Alaska Clean Water Loan	Capital Leases			
2002	\$ 6,100,000	\$ 62,517	\$ -	\$ 2,435,000	\$ 8,597,517	0.97%	\$ 289
2003	5,730,000	36,891	-	2,435,000	8,201,891	0.93%	284
2004	12,160,000	19,528	-	2,380,000	14,559,528	1.53%	484
2005	11,095,000	100,302	-	2,315,000	13,510,302	1.29%	434
2006	9,965,000	10,345	-	2,250,000	12,225,345	1.17%	405
2007	8,790,000	-	-	2,180,000	10,970,000	1.00%	347
2008	7,560,000	-	-	2,105,000	9,665,000	0.88%	306
2009	6,280,000	-	577,873	2,030,000	8,887,873	0.78%	273
2010	4,955,000	-	673,265	1,950,000	7,578,265	0.63%	240
2011	1,685,000	-	637,830	1,870,000	4,192,830	0.34%	137

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. Personal income data for 2008 and 2009 is not readily available. The calculations for 2008 and 2009 are estimates using personal income and population from the most recent year available.

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

<u>General Bonded Debt Outstanding</u>							
Fiscal Year	General Obligation Bonds	Cash With Fiscal Agents	Net General Bonded Debt	Assessed Value ^(a)	Population ^(b)	Net Bonded Debt to Assesed Value	Net Debt Per Capita
2002	\$ 6,100,000	\$ 111,667	\$ 5,988,333	\$1,361,917,721	29,773	0.44%	\$ 201
2003	5,730,000	111,667	5,618,333	1,449,755,340	28,924	0.39%	194
2004	12,160,000	478	12,159,522	1,583,848,525	30,101	0.77%	404
2005	11,095,000	1,197	11,093,803	1,746,439,420	31,104	0.64%	357
2006	9,965,000	1,620	9,963,380	1,938,844,008	30,179	0.51%	330
2007	8,790,000	-	8,790,000	2,101,483,593	31,627	0.42%	278
2008	7,560,000	-	7,560,000	2,264,097,378	31,627	0.33%	239
2009	6,280,000	-	6,280,000	2,370,054,282	32,506	0.26%	193
2010	4,955,000	-	4,955,000	2,624,979,490	31,535	0.19%	157
2011	1,685,000	-	1,685,000	2,623,562,254	30,547	0.06%	55

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

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

^(b) Source : Fairbanks North Star Borough (FNSB) Community Research Quarterly.
Population data is not available for 2010. Statistics for calendar year 2010 have been estimated using the most recent data available.

CITY OF FAIRBANKS, ALASKA
 Computation of Direct and Overlapping Debt
 December 31, 2010

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Fairbanks ^(a)	Amount Applicable to the City of Fairbanks
City of Fairbanks	\$ 1,685,000	100.00%	\$ 1,685,000
Fairbanks North Star Borough	115,900,000	32.01%	<u>37,099,590</u>
			<u>\$ 38,784,590</u>

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

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

CITY OF FAIRBANKS, ALASKA
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt limit	\$ 195,114,749	\$ 204,747,291	\$ 219,776,079	\$ 239,002,164	\$ 263,456,598
Total debt applicable to limit	<u>6,100,000</u>	<u>5,730,000</u>	<u>12,160,000</u>	<u>11,095,000</u>	<u>9,965,000</u>
Legal debt margin	<u>\$ 189,014,749</u>	<u>\$ 199,017,291</u>	<u>\$ 207,616,079</u>	<u>\$ 227,907,164</u>	<u>\$ 253,491,598</u>
Total debt applicable to limit as a percentage of debt limit	3.13%	2.80%	5.53%	4.64%	3.78%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 289,338,351	\$ 315,221,249	\$ 336,781,763	\$ 362,956,558	\$ 380,929,801
Total debt applicable to limit	<u>8,790,000</u>	<u>7,560,000</u>	<u>6,280,000</u>	<u>4,955,000</u>	<u>1,685,000</u>
Legal debt margin	<u>\$ 280,548,351</u>	<u>\$ 307,661,249</u>	<u>\$ 330,501,763</u>	<u>\$ 358,001,558</u>	<u>\$ 379,244,801</u>
Total debt applicable to limit as a percentage of debt limit	3.04%	2.40%	1.86%	1.37%	0.44%

Computation of current year debt limit

Assessed valuation 2009	\$2,370,054,282
Assessed valuation 2010	2,624,979,490
Assessed valuation 2011	<u>2,623,562,254</u>
Total three year assessed valuation	<u>\$7,618,596,026</u>
Divided by three; average assessed value	<u>\$2,539,532,009</u>
15% of average assessed value; Debt limit	\$ 380,929,801
General obligation bonds outstanding	<u>1,685,000</u>
Legal debt margin	<u>\$ 379,244,801</u>

Notes:

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

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

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

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

Year	Population ^(a)	Per Capita Personal Income ^(b)	Personal Income ^(c)	Unemployment Rate ^(a)
2002	29,773	\$ 29,763	\$ 886,133,799	6.4%
2003	28,924	30,339	877,525,236	6.9%
2004	30,101	31,641	952,425,741	6.4%
2005	31,104	33,568	1,044,099,072	5.8%
2006	30,179	34,960	1,055,057,840	5.6%
2007	31,627	34,960	1,105,679,920	5.2%
2008	31,450	34,960	1,099,492,000	6.0%
2009	32,506	34,960	1,136,409,760	7.3%
2010	31,535	38,200	1,204,637,000	7.2%
2011	30,547	40,504	1,237,275,688	6.6%

Sources:

- (a) Fairbanks North Star Borough (FNSB) Community Research Quarterly. Statistics for calendar year 2009 and 2011 have been estimated using the most recent data available. 2010 data provided by the U.S. Census 2010.
- (b) FNSB Comprehensive Annual Financial Report. Data for calendar years 2008 and 2009 is not readily available. Statistics for calendar years 2008 and 2009 have been estimated using the most recent data available.
- (c) Calculated based on FNSB and U.S. Department of Commerce Bureau of Economic Analysis.

CITY OF FAIRBANKS, ALASKA

Principal Employers

December 31, 2011

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

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

Notes: The above information has not been published for 2011. The data displayed is from 2010. Employer information for 9 years prior is not readily available.

^(a) With the adoption of Senate Bill 120 by the Alaska Legislature on May 30, 2008, the Alaska Department of Labor is not able to provide the number of employees employed by a specific employer. However, the Department does report the ranking based on the specific number of employees. Therefore, we are only able to provide the top ten employer range with their associated ranking for 2011. Total City employment numbers are not available and thus a percentage of total City employment is not available.



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

Function/Program	Full-time Equivalent Employees as of December 31		
	2004	2005	2006
General Government			
Mayor	5.00	5.00	6.00
City attorney	4.00	3.00	2.50
City clerk	2.00	2.00	2.00
Finance	6.00	6.00	7.00
Information systems	4.75	4.00	5.00
Public Safety			
Police			
Administration	5.50	5.50	5.50
Investigations	5.00	5.00	5.00
Patrol	34.00	34.00	36.00
Dispatch	12.00	13.00	15.00
Fire			
Administration	4.00	4.00	4.00
Suppression	35.00	36.00	36.00
Police Corp	2.00	1.00	0.00
Homeland Security	1.00	0.00	0.00
Public Works			
Works	32.50	32.50	32.50
Engineering	9.00	9.00	9.00
FMATS	0.00	0.00	0.00
Building Inspections	<u>6.25</u>	<u>6.25</u>	<u>6.75</u>
Total	<u><u>168.00</u></u>	<u><u>166.25</u></u>	<u><u>172.25</u></u>

Source: City Finance Department.

Full-time Equivalent Employees as of December 31

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5.00	6.00	5.00	5.00	5.00
2.50	2.50	2.50	2.50	2.50
3.00	3.00	3.00	3.00	3.00
7.50	8.00	8.00	8.00	8.00
5.00	5.00	6.00	6.00	6.00
5.50	5.50	5.50	6.00	5.50
3.00	6.00	6.00	6.00	6.00
39.00	40.00	40.00	43.00	41.38
16.00	18.00	18.00	18.00	18.00
4.00	4.00	5.00	5.00	5.00
37.00	36.00	39.00	39.00	39.00
0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00
33.50	33.20	33.50	32.20	33.70
11.00	12.30	10.30	10.30	12.05
0.00	0.00	2.00	2.00	2.00
<u>6.50</u>	<u>6.50</u>	<u>6.00</u>	<u>6.00</u>	<u>6.08</u>
<u>178.50</u>	<u>186.00</u>	<u>189.80</u>	<u>192.00</u>	<u>193.21</u>

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

Function/Program	Fiscal Year		
	2004	2005	2006
General Government			
Annual final operating budget	\$ 23,313,804	\$ 25,307,801	\$ 27,991,203
Public Safety			
Police and Dispatch			
Number of law enforcement calls	28,777	26,564	29,058
Number of E-911 calls ^{(c) (d)}	33,746	35,005	36,070
Number of Dispatch Service calls ^(e)	-	-	-
Number of major crimes ^(f)	3,163	3,313	2,796
Number of physical arrests	1,394	1,903	2,217
Number of traffic citations	1,838	3,342	5,762
Fire			
Number of fire calls	846	773	803
Number of emergency medical service calls	2,982	2,931	2,938
Public Works			
Works			
Refuse collected (tons)	5,999	6,210	5,990
Patching (tons) ^(a)	-	3,428	2,462
Snow removal (cubic yards) ^(b)	484,091	209,615	169,067
Sand (tons spread) ^(b)	6,237	8,884	3,232
Building Inspections			
Number of permits issued	1,145	1,156	1,272

Sources: Various City departments.

- (a) Patching is not readily available for periods prior to 2005.
- (b) Amounts are available by season only i.e. 2004 numbers are for the 2004/2005 snow season. Sand is not readily available for periods prior to the 2004/2005 season.
- (c) Dispatch center became a regional dispatch center for the Fairbanks area in 2007.
- (d) Statistics for calendar year 2010 have been estimated using the most recent data available.
- (e) During 2011 the E-911 calls were segregated from other Dispatch Service calls for tracking purposes.
- (f) The 2011 Major Crimes number was calculated using a 6 month average (following software conversion).

Fiscal Year				
2007	2008	2009	2010	2011
\$ 29,821,840	\$ 32,011,673	\$ 32,428,579	\$ 31,134,677	\$ 34,747,137
29,581	27,974	30,569	31,541	41,734
115,900	117,078	121,194	121,194	43,626
-	-	-	-	53,508
2,411	2,138	2,346	2,622	2,124
1,791	2,060	2,217	3,307	2,549
4,315	4,130	4,295	3,919	4,303
838	834	907	846	730
3,251	3,352	3,323	3,535	3,222
6,243	6,087	5,893	5,776	5,100
2,677	4,132	3,299	2,260	3,110
224,525	410,480	375,305	172,393	275,310
2,704	2,756	2,839	2,005	3,049
1,032	891	917	868	990

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

Function/Program	Fiscal Year		
	2004	2005	2006
General Government			
Administration square footage	64,000	64,000	64,000
Public Safety			
Police			
Stations	1	1	1
Vehicles	57	62	57
Fire			
Stations			
Manned	2	2	2
Unmanned	1	1	1
Emergency response vehicles	22	25	20
Public Works			
Works			
Refuse trucks	6	6	7

Sources: Various City departments.

Fiscal Year				
2007	2008	2009	2010	2011
64,000	64,000	64,000	64,000	64,000
1 58	1 62	1 68	1 68	1 66
2 - 16	2 - 17	2 - 17	2 - 17	2 - 19
8	8	8	8	10



SINGLE AUDIT SECTION

Reports on Federal and State Single Audit Requirements



FEDERAL SINGLE AUDIT





KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

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

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

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

We have audited 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, 2011, which collectively comprise the City of Fairbanks, Alaska's basic financial statements and have issued our report thereon dated May 30, 2012. 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.

Internal Control over Financial Reporting

Management of City of Fairbanks, Alaska is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Fairbanks, Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairbanks, Alaska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairbanks, Alaska's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grants 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*.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kobler, Robert & H. R. K." with a stylized flourish at the end.

May 30, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Fairbanks, Alaska with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Fairbanks, Alaska's management. Our responsibility is to express an opinion on the City of Fairbanks, Alaska's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City of Fairbanks, Alaska's compliance with those requirements.

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

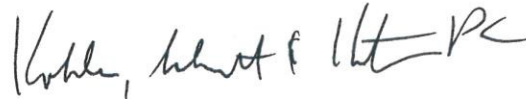
The management of the City of Fairbanks, Alaska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairbanks, Alaska's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Internal Control Over Compliance, continued

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kubler, Robert & HTPK".

May 30, 2012



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE			
Passed through Program from:			
Alaska Department of Military and Veterans Affairs 2007 Public Safety Interoperable Communications Grant	11.555	2007-GS-H7-0025	\$ 135,750
Total U.S. Department of Commerce			135,750
U.S. DEPARTMENT OF JUSTICE			
JAG Program Cluster			
Direct Programs			
Bureau of Justice Assistance			
FY2010 Edward Byrne Memorial Justice Assistance Grant	16.738		48,112
Recovery Act Edward Byrne Memorial Justice Assistance Grant	16.804		36,095
Passed through Programs from:			
Alaska Department of Public Safety			
FY2011 Edward Byrne Memorial Justice Assistance Grant	16.738		41,954
FY2012 Edward Byrne Memorial Justice Assistance Grant	16.738		24,048
Total JAG Program Cluster			150,209
Direct Programs			
Office on Violence Against Women			
Offender Accountability Grant #2008WEAX0032	16.590		44,016
Office of Justice Programs			
Bulletproof Vest Program	16.607		2,190
Community Oriented Policing Services			
COPS Technology Grant # 2007CKWX0022	16.710		10,864
Recovery Act COPS Hiring Recovery Program	16.710		167,961
Passed through Program from:			
United Way of the Tanana Valley			
Weed and Seed Grant	16.595	2009-WS-QX-0102	27,386
Total U.S. Department of Justice			402,626
U. S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Programs from:			
Alaska Department of Transportation and Public Facilities			
23rd Avenue Improvement Project	20.205	HPRM-0608(11)	29,912
Cowles Street Project	20.205	STP-0641(2)	9,982
Curb Upgrade Project	20.205	CM-0002(234)	74,491
Curb Upgrade Construction Project	20.205	CM-0002(254)	13,118
Gillam Way Upgrade	20.205	STP-0655 (12)	22,506
Illinois Street Reconstruction Project	20.205	STP-F-M-0663(4)	483,742
Lacey & Noble Street Upgrade	20.205	STP-000S(413)	21,784
Leasure Subdivision Improvement Project	20.205	HPRL-0002(220)	18,939
LED Street Light Conversion Phase I	20.205	EBE-0002(235)	7,620
LED Street Light Conversion Phase II	20.205	STP-000S(736)	119,529
Sign Replacement Project	20.205	STP-0002(237)	48,411
South Cushman Project	20.205	STP-0663(11)	4,260
Third St Widening Project	20.205		56
Wendell Street ADA Improvements	20.205	TEA-000S(212)	37,752
Safe Routes to School Grant	20.205	LU-20-10-0002	87,440
10/11 FMATS Program	20.205		171,538
11/12 FMATS Program	20.205		53,301
Total Highway Planning and Construction Cluster			\$ 1,204,381

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office			
10/11 ASTEP CIOT	20.600	402PT-11-06-01	\$ 11,856
10/11 Law Enforcement Liaison (Operation Glow)	20.600	402PT-11-06-03	268
11/12 Law Enforcement Liaison (Operation Glow)	20.600	402PT-12-06-05	23,784
10/11 Law Enforcement Liaison	20.601	410K8-11-01-04	4,965
11/12 Law Enforcement Liaison	20.601	410K8-12-01-04	231
Total Highway Safety Cluster			41,104
Passed through Programs from:			
Alaska Highway Safety Office			
10/11 DUI Traffic Enforcement	20.607	154AL-11-01-14	150,171
10/11 ASTEP DUI	20.607	154AL-11-01-03	22,973
10/11 ASTEP Conference	20.607	154AL-11-01-02	935
11/12 DUI Traffic Enforcement	20.607	154AL-12-01-13	56,011
11/12 ASTEP DUI	20.607	154AL-12-01-03	12,783
Alaska Department of Public Safety			
Bureau of Highway Patrol Grant	20.607		92,661
Bureau of Highway Patrol Grant	20.608		5,026
Total U.S. Department of Transportation			1,586,045
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Program			
Division of Preservation and Access			
Fairbanks Historical Records Preservation Grant	45.149		6,000
Total National Endowment for the Humanities			6,000
U. S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2009 Citizen Corps Program	97.053	2009-SS-T9-0007	12,006
2008 State Homeland Security Program	97.067	2008-GE-T8-0005	264,805
2009 State Homeland Security Program	97.067	2009-SS-T9-0007	283,860
2010 Citizen Corps Program	97.067	2010-SS-T0-0023	22,037
2010 State Homeland Security Program	97.067	2010-SS-T0-0023	713,748
Total Homeland Security Cluster			1,296,456
Direct Programs			
Federal Emergency Management Agency			
Assistance to Firefighter EMW-2009-FR-00208	97.044		13,203
Assistance to Firefighter EMW-2009-FO-06409	97.044		92,287
Assistance to Firefighter EMW-2009-FP-00575	97.044		4,355
Assistance to Firefighter EMW-2010-FO-05876	97.044		30,989
SAFER Grant EMW-2008-FF-00922	97.083		69,346
Total U. S. Department of Homeland Security			1,506,636
Grand Total - Federal Financial Assistance			\$ 3,637,057

See accompanying notes to schedule of expenditures of federal awards.

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fairbanks, Alaska, under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Fairbanks, Alaska, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Fairbanks, Alaska.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards

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

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
20.607	Alcohol Open Container Requirements
97.053	Citizens Corps
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2011

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

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



STATE SINGLE AUDIT





KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

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

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

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

We have audited 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, 2011, which collectively comprise the City of Fairbanks, Alaska's basic financial statements and have issued our report thereon dated May 30, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Fairbanks, Alaska's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairbanks, Alaska's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kobler, Robert & HT PC".

May 30, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE
SUPPLEMENT FOR STATE SINGLE AUDITS

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

Compliance

We have audited the compliance of the City of Fairbanks, Alaska with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Fairbanks, Alaska's major state programs for the year ended December 31, 2011. The City of Fairbanks, Alaska's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City of Fairbanks, Alaska's management. Our responsibility is to express an opinion on the City of Fairbanks, Alaska's compliance based on our audit.

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 *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. Our audit does not provide a legal determination of the City of Fairbanks, Alaska's compliance with those requirements.

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the 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, 2011.

Internal Control over Compliance

The management of the City of Fairbanks, Alaska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City of Fairbanks, Alaska's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Internal Control over Compliance, continued

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Kubler, Robert & HTPK".

May 30, 2012

CITY OF FAIRBANKS, ALASKA
Schedule of State Financial Assistance
For the Year Ended December 31, 2011

<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	\$ 983,847
Total Alaska Department of Administration		<u>983,847</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
FY11 Community Revenue Sharing Program*	N/A	2,218,347
Aurora Street Reconstruction*	11-DC-212	2,250,140
City Wide Road Improvements & Upgrades*	07-DC-496	148,853
JP Jones Center Building Improvements	07-DC-218	15,520
Road Improvements Surrounding Illinois Street	09-DC-203	1,114
Traffic Calming Island Homes Project*	11-DC-211	251,365
Total Alaska Department of Commerce, Community & Economic Development		<u>4,885,339</u>
<u>Alaska Department of Public Safety</u>		
SART Reimbursement	N/A	29,600
Total Alaska Department of Public Safety		<u>29,600</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
GO 2004 Series Bond Reimbursement*	N/A	866,815
AHSO DDACTS Conference	N/A	1,723
Barnette Upgrade	62161	51,322
Cushman/Gaffney Upgrade	77194	92,202
Helmericks Avenue Extension*	63624	241,240
Wickersham Street Upgrade	62049	5,567
10/11 FMATS Program	77198	278
Total Alaska Department of Transportation and Public Facilities		<u>1,259,147</u>
<u>Alaska Department of Revenue</u>		
Liquor License (11)	N/A	84,100
Electric and Telephone (11)*	N/A	122,192
Total Alaska Department of Revenue		<u>206,292</u>
<u>Alaska Department of Military & Veterans Affairs</u>		
Local Emergency Planning Committee	11LEPC-AR35602	18,277
Local Emergency Planning Committee	12LEPC-GR35602	5,179
Total Alaska Department of Military & Veterans Affairs		<u>23,456</u>
Total State Financial Assistance		<u>\$ 7,387,681</u>

Note: The basis of presentation for this schedule is the modified accrual basis of accounting.

*Major Program

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2011

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

State Financial Assistance

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

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported

Dollar threshold used to distinguish a state major program: \$100,000

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

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