

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

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, 2012

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List of Principal Officials





CITY OF

FAIRBANKS

May 03, 2013

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, 2012. 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, 2012, 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, 2012. Their opinion asserts that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Management's Discussion and Analysis

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

PROFILE OF THE CITY OF FAIRBANKS

The City, incorporated in 1903, is located in Alaska's interior. It is located some 365 road miles north of Anchorage and 120 miles south of the Arctic Circle. The City has a land area of 33.8 square miles and a population of approximately 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 2012. The Building Department issued 1023 construction permits with a construction value of approximately \$83.6 million. While this is more than the calendar year 2011 amount of \$64.1 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 increased in 2012 to \$2,452,798,320 from \$2,413,004,325 in 2011.

According to the Fairbanks North Star Borough's *Community Research Quarterly, Winter 2012 edition*, tourism revenue from hotel-motel receipts increased by 9.5 percent to an all-time annual high of \$58,692,260. Foreclosures increased from 102 in 2008 to 181 in 2009, fell to 165 in 2010 and 144 in 2011, and rose to 162 in 2012. 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 2012 fell to 6.3 percent from 6.6 percent in 2011. Mining and Logging increased from an average of 1,300 employees to 1,500 employees, resulting in the largest industry employment increase of 15.4 percent. Educational and Health Services employment increased 4.0 percent. Government was the only industry with reported declines in employment. The federal government reported the largest decline in employment of 5.7 percent followed by a local government decline of 3.0 percent and a state government decline of 1.8 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, 2012, the unassigned fund balance in the City's general fund was \$10,492,755. 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, 2012 the fund balance was \$105,954,571. 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 2012, \$3,922,848 was transferred from the permanent fund to the general fund and \$490,356 was transferred from the permanent fund to the capital fund. In 2013, it is estimated that \$3,894,684 and \$486,834 will be transferred to the general fund and capital fund respectively.

Relevant Financial Policies

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

Major Initiatives

- Ongoing reconstruction of City streets, funded by both grant and local revenues. In 2013, a major reconstruction of streets in the North Bentley area will provide much needed improved access to a major commercial center. Construction will begin in approximately May, with a target completion date in September. In addition, planning and design work is underway on the following projects in 2013 and 2014:

2013:

- Wickersham Street from 1st to 3rd Avenues and 2nd Avenue from Barnette to Cowles Streets.
- Repaving of 1st Avenue/Lower 2nd Avenue from Barnette Stewart Streets.
- LED Street Light Conversion Phase II. This project has dramatically reduced our street light electric consumption.
- Curb corner and sidewalk upgrades, Stage II.
- Illinois Street Completion.
- Kellum Street, 10th Avenue, McGown Street Pedestrian Upgrades.
- "Safe Routes to Schools" Improvements, Hamilton Avenue.
- Downtown Way-finding signage Project.
- Slaterville Subdivision street reconstruction.

2014:

- South Cushman, from 15th Avenue to the Mitchell Expressway.
 - Cushman Street, from Airport Way to 1st Avenue.
 - Lemeta subdivision street reconstruction.
 - Arctic Park subdivision street reconstruction.
- Continued development of a "continuity of operations plan" for City governmental functions in the event of any natural disaster or loss of utility services. Formal simulated event exercises have been held and a new generator has been installed at City Hall and proven effective during a recent power outage.
 - Installation of energy efficient windows at City Hall will replace the existing windows which are single pane and over 50 years old.
 - Construction of building additions to the Police Station and Public Works facility.


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, 2011. The City received this prestigious award for the past ten consecutive years (2002 - 2011). 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, 2011

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.



Christopher P. Morill

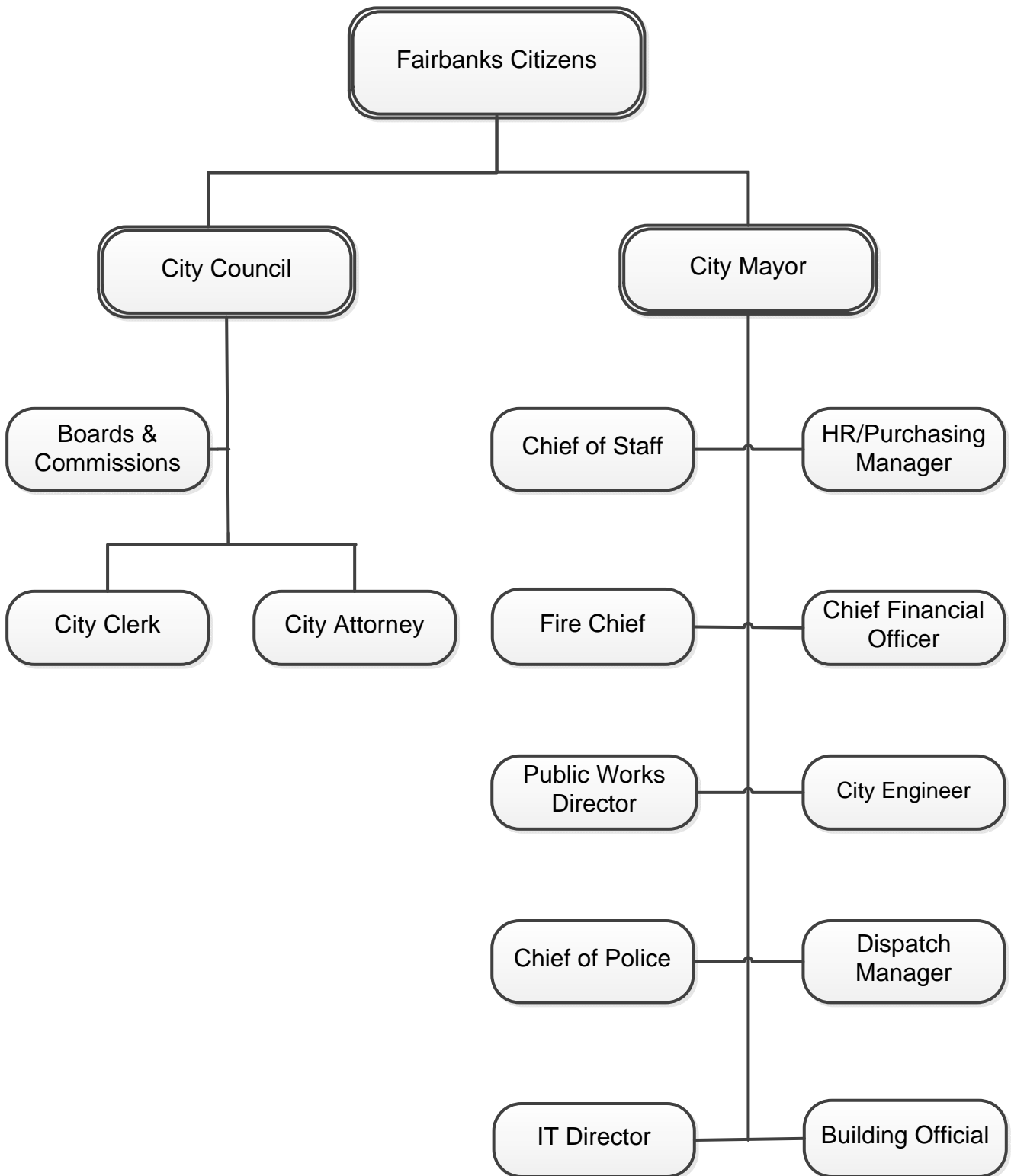
President

Jeffrey R. Emer

Executive Director



City of Fairbanks 2012



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2012

MAYOR

Jerry Cleworth

CITY COUNCIL MEMBERS

Renee Staley, Seat A
Perry Walley, 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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the City of Fairbanks, Alaska's 2011 financial statements and, in our report dated May 30, 2012, 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.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages M-1 through M-12 and 49 through 51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbanks, Alaska's financial statements. 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 basic financial statements. The schedule of expenditures of federal awards and the schedule of state financial assistance are presented for purposes of additional analysis as required by 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 03, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairbanks, Alaska's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Kohler, Robert & [unclear] PC".

May 03, 2013



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2012

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, 2012. 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, 2012 by \$246,484,672 (net position). Of this amount, \$23,083,794 is unrestricted and 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 \$123,830,205.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,492,755 or 31.46 percent of total general fund expenditures. The total unassigned fund balance at December 31, 2011 was \$9,515,887.
- During 2012, 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 \$2,247,507 and \$1,174,941, 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.
- On February 15, 2012 the City paid the remaining capital lease balance of \$1,870,000 in principal and \$48,431 in interest and the title of the Fairbanks Transportation Center transferred to the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

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

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

Proprietary funds

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

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

The proprietary fund financial statements can be found in the Basic Financial Statements 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 Position | | |
|-----------------------------------|------------------------------------|-------------------------------------|--------------------|
| | December 31, 2012 | | |
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Assets | | | |
| Current and other assets | \$ 133,565,184 | 591,578 | 134,156,762 |
| Capital assets | 109,154,353 | 9,111,148 | 118,265,501 |
| Total assets | <u>242,719,537</u> | <u>9,702,726</u> | <u>252,422,263</u> |
| Liabilities | | | |
| Long-term liabilities outstanding | 356,545 | 566,960 | 923,505 |
| Other liabilities | 4,958,956 | 55,130 | 5,014,086 |
| Total liabilities | <u>5,315,501</u> | <u>622,090</u> | <u>5,937,591</u> |
| Net position | | | |
| Net investment in capital assets | 108,299,354 | 9,080,636 | 117,379,990 |
| Restricted | 106,020,888 | - | 106,020,888 |
| Unrestricted | 23,083,794 | - | 23,083,794 |
| Total net position | <u>\$ 237,404,036</u> | <u>9,080,636</u> | <u>246,484,672</u> |

**Net Position
December 31, 2011**

| | Governmental Activities | Business-type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|--------------------|
| 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 position | | | |
| Net investment in capital assets | 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 position | <u>\$ 234,956,092</u> | <u>9,624,239</u> | <u>244,580,331</u> |

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$246,484,672 at December 31, 2012. The largest portion of the City's net position (47.62 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 position (43.01 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,083,794 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Changes in Net Position
for the year ended December 31, 2012**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|--------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 7,029,545 | 597,961 | 7,627,506 |
| Operating grants and contributions | 5,638,466 | - | 5,638,466 |
| Capital grants and contributions | 5,514,809 | - | 5,514,809 |
| General revenues: | | | |
| Property taxes | 14,109,307 | - | 14,109,307 |
| Other taxes | 5,565,175 | - | 5,565,175 |
| Investment gain (loss) | 10,179,570 | - | 10,179,570 |
| Other | 3,154,162 | 77 | 3,154,239 |
| Total revenues | <u>51,191,034</u> | <u>598,038</u> | <u>51,789,072</u> |
| Expenses: | | | |
| General government | 19,777,837 | - | 19,777,837 |
| Public safety | 17,473,736 | - | 17,473,736 |
| Public works | 11,179,444 | - | 11,179,444 |
| Building inspections | 653,783 | - | 653,783 |
| Interest on long-term debt | 55,190 | - | 55,190 |
| Fairbanks Transportation Center | - | 484,643 | 484,643 |
| Municipal Utilities System | - | 260,098 | 260,098 |
| Total expenses | <u>49,139,990</u> | <u>744,741</u> | <u>49,884,731</u> |
| Increase (decrease) in net position before transfers | 2,051,044 | (146,703) | 1,904,341 |
| Transfers | <u>396,900</u> | <u>(396,900)</u> | <u>-</u> |
| Increase (decrease) in net position | 2,447,944 | (543,603) | 1,904,341 |
| Net position - 12/31/2011 | <u>234,956,092</u> | <u>9,624,239</u> | <u>244,580,331</u> |
| Net position - 12/31/2012 | <u>\$ 237,404,036</u> | <u>9,080,636</u> | <u>246,484,672</u> |

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

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| 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 position 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 position | (7,103,536) | 1,496,339 | (5,607,197) |
| Net position - 12/31/2010 | <u>242,059,628</u> | <u>8,127,900</u> | <u>250,187,528</u> |
| Net position - 12/31/2011 | <u>\$ 234,956,092</u> | <u>9,624,239</u> | <u>244,580,331</u> |

Analysis of Changes in Net Position

Governmental activities

Governmental activities increased the City's net position by \$2,447,944. Key elements of the changes in net position are as follows:

- The \$4,413,204 annual transfer to the general and capital funds for operating and expenditures was less than the investment earnings and transfers in, increasing net position in the permanent fund by \$7,195,551
- The \$2,453,715 decrease in total liabilities is due to the early pay off of long-term debt.
- The JP Jones Community Center building was donated to the Interdenominational Ministerial Alliance of Fairbanks; resulting in an economic loss on disposal of \$2,372,871 and contributing to the \$6,140,070 decrease to net investment in capital assets.

Business-type activities

Business-type activities decreased the City's net position by \$543,603. Key elements of the decrease are as follows:

- The MUS Fund transferred \$396,900 in rental income to the Permanent Fund for investment.
- During 2012 the FTC Fund incurred an operating loss of \$283,505.

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 \$123,830,205, an increase of \$9,401,035 in comparison to the prior year. Of this amount, \$10,492,755 (8.5 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 \$10,492,755 while total fund balance is \$12,028,866. 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 (31.46 percent) of total general fund expenditures, while total fund balance represents (36.07 percent) of total general fund expenditures.

The general fund's fund balance increased by \$1,035,947 during the current fiscal year. The total general funds unassigned fund balance increased by \$976,868. The original budget approved by the City Council estimated revenues in excess of budgeted expenditures to increase the unassigned fund balance. City code Sec. 2-651 requires that in no case shall unassigned fund balance be less than the greater of 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 to the State's Public Employees Retirement System (PERS) in the amount of \$1,174,941 which was an increase of \$191,094 from 2011.
- During 2012, the City received \$2,247,507 in State revenue sharing compared to \$2,218,347 in 2011.
- Revenue from all taxes increased by \$96,250 over 2011.
- Revenue from charges for licenses and permits increased by \$150,323.
- In 2012 an increase of \$603,806 was received for fees charged for services over 2011. The increase is due to changes in reserve for losses, copy charges, garbage, alarm and ambulance billings, recovery from engineering projects, and dispatch services revenues.
- Salaries and wages with benefits increased by \$748,205. The increase was due to new labor contracts being ratified in 2012. 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 \$105,954,571 all of which is restricted for investments. Certain earnings from the investments are intended to replace the payments in lieu of taxes previously provided by the MUS to the general fund.

The permanent fund balance increased by \$7,195,551 during 2012. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$3,922,848 and \$490,356, respectively. Significant increases to fund balance were a \$396,900 transfer from the MUS fund from rental income, \$342,452 received from the sale of real property, and the fund's earnings were \$10,179,538. Detailed information about the permanent fund is located in Note 4 of the notes to the financial statements.

Proprietary Funds

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

The net position of the MUS and the FTC at the end of the fiscal year was \$1,277,356 and \$7,803,280 respectively, all of which is invested in capital assets. The total decrease in net position was \$260,098 for the MUS fund and a decrease of \$283,505 for the FTC fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Differences between the original budget for total revenues and the final amended budget, excluding inter-fund transfers, increased budgeted revenues by \$1,522,034. Significant differences are briefly summarized as follows:

- \$ 50,981 decrease in tax revenue.
- \$ 433,355 increase in charges for services.
- \$ 150,292 increase in licenses and permits.
- \$ 591,894 increase in Intergovernmental revenue.
- \$ 72,358 increase in fines and forfeitures.
- \$ 18,893 increase in interest and penalties.
- \$ 306,023 increase in other revenues.

Differences between the original budget for total expenditures and the final amended budget increased appropriations by \$ 946,809. Significant differences are briefly summarized as follows:

- \$ 171,123 increase in general government activities.
- \$ 517,458 increase allocated to public safety.
- \$ 244,524 increase allocated to public works.
- \$ 13,704 increase allocated to building inspections.

During the year revenues exceeded budgetary estimates by \$564,472. Expenditures and encumbrances were less than budgetary estimates by \$904,742.

The most significant differences were as follows:

- Overall tax revenue increased \$248,493 and revenue from charges for services was \$182,003 higher than anticipated.
- Public Safety expenditures were \$732,016 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, 2012 is \$118,265,501 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure.

The total decrease in the City's investment in capital assets for the current fiscal year was \$7,399,909 (a 5.55 percent decrease for governmental activities and .34 percent decrease for business-type activities).

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

- \$11.9 million for Noble Street from First Avenue to Gaffney Road. This project will reconstruct Noble Street, including new pavement, storm water drainage system, curb and gutter, sidewalks, striping, and illumination. 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.
- \$8.0 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, curb and gutter, sidewalks, striping, and illumination. The design and construction phase is expected to be completed in 2013.
- \$9.1 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 2013.
- \$6.4 million Cushman and Barnette Upgrade, funded by state dollars is in the design phase and is scheduled to begin major construction in 2014. 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, Gaffney Road on the South and First Avenue to Airport Way.
- \$4.8 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 2016. 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 2013, it is anticipated another 1.8 million in state funding will be added for utility relocations.

Capital Assets
December 31, 2012
(net of depreciation)

| | Governmental Activities | Business-type Activities | Total |
|----------------------------|----------------------------|-----------------------------|--------------------|
| Land and land improvements | \$ 8,834,325 | 454,356 | 9,288,681 |
| Construction in progress | 5,092,058 | - | 5,092,058 |
| Buildings | 21,036,264 | 7,506,217 | 28,542,481 |
| Equipment | 7,356,970 | 58,575 | 7,415,545 |
| Infrastructure | 66,834,736 | 1,092,000 | 67,926,736 |
| Total | \$ 109,154,353 | 9,111,148 | 118,265,501 |

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> |

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$3,945,383. Additional information on the City's long-term liabilities can be found in Note 3 to the basic financial statements.

Outstanding Debt
December 31, 2012

| | Governmental Activities | Business-type Activities | Total |
|--------------------------|----------------------------|-----------------------------|------------------|
| General obligation bonds | \$ 855,000 | - | 855,000 |
| Capital leases | - | - | - |
| Compensated absences | 1,847,200 | - | 1,847,200 |
| Alaska clean water loan | - | 602,395 | 602,395 |
| Self-Insurance losses | 640,788 | - | 640,788 |
| Total | <u>\$ 3,342,988</u> | <u>602,395</u> | <u>3,945,383</u> |

Outstanding Debt
December 31, 2011

| | Governmental Activities | Business-type Activities | Total |
|--------------------------|----------------------------|-----------------------------|------------------|
| 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 | <u>\$ 4,026,042</u> | <u>2,507,830</u> | <u>6,533,872</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On December 10, 2012 the City Council passed Ordinance No. 5907 adopting the 2013 budget for the general fund. The original budget projects revenues and other financing sources to be \$33,590,368 and expenditures in the amount of \$33,358,252 increasing fund balance by \$232,116.
- The original budget was amended on March 25, 2013. The amended budget estimates a \$88,780 increase to fund balance.
- Total fund balance in the general fund is projected to be \$12,106,888 with an unassigned balance of \$10,821,366. The significant adjustments to the budget were due to:
 1. The encumbrances carrying forward from 2012 increased total expected expenditures to be paid in 2013 by \$250,589.
 2. Sales tax revenues were increased by \$75,000, Revenue Sharing and PERS on behalf payments from the State of Alaska were increased by \$1,213,004. Transfers from the Permanent Fund were increased by \$37,518.
- 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 2013, the mill levy estimate projects the maximum revenue allowed from all taxes will be \$19,977,507. The calculation allows \$14,754,199 for property taxes, but is limited to \$14,446,545 by the 4.9 mill cap. The cap leaves \$307,654 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 \$1.6 million in shared revenue to the City

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information (RSI)

Budgetary Comparisons

Notes to Required Supplementary Information



BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

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

Fund Financial Statements

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

Notes to Financial Statements

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



CITY OF FAIRBANKS, ALASKA

Statement of Net Position

December 31, 2012

(With comparative totals for 2011)

| | Governmental Activities | Business-type Activities | Totals | |
|---|----------------------------|-----------------------------|--------------------|--------------------|
| | | | 2012 | 2011 |
| ASSETS | | | | |
| Equity in central treasury | \$ 18,061,746 | 171,962 | 18,233,708 | 18,269,334 |
| Restricted cash and cash equivalents | 626,230 | - | 626,230 | 1,419,443 |
| Investments, restricted | 104,997,877 | - | 104,997,877 | 97,214,540 |
| Accounts receivable (net) | 3,608,334 | 66,246 | 3,674,580 | 3,433,359 |
| Internal balances | 249,025 | (249,025) | - | - |
| Inventory | 1,077,894 | - | 1,077,894 | 854,883 |
| Prepaid expenses | 394,735 | - | 394,735 | 428,051 |
| Noncurrent receivables | 4,549,343 | 602,395 | 5,151,738 | 5,686,616 |
| Capital assets | | | | |
| Non-depreciable | 8,834,325 | 454,356 | 9,288,681 | 9,433,681 |
| Construction in progress | 5,092,058 | - | 5,092,058 | 3,466,563 |
| Depreciable, net of accumulated depreciation | 95,227,970 | 8,656,792 | 103,884,762 | 112,765,167 |
| Total assets | <u>242,719,537</u> | <u>9,702,726</u> | <u>252,422,263</u> | <u>252,971,637</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | 1,734,735 | - | 1,734,735 | 1,831,154 |
| Unearned revenue | 237,778 | 19,695 | 257,473 | 26,280 |
| Noncurrent liabilities | | | | |
| Due within one year | 2,986,443 | 35,435 | 3,021,878 | 4,861,506 |
| Due in more than one year | 356,545 | 566,960 | 923,505 | 1,672,366 |
| Total liabilities | <u>5,315,501</u> | <u>622,090</u> | <u>5,937,591</u> | <u>8,391,306</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 108,299,354 | 9,080,636 | 117,379,990 | 122,110,411 |
| Restricted | | | | |
| Federal asset forfeiture | 66,317 | - | 66,317 | 104,856 |
| Permanent fund - expendable | 4,381,518 | - | 4,381,518 | 4,413,204 |
| Permanent fund - nonexpendable | 101,573,053 | - | 101,573,053 | 94,345,816 |
| Unrestricted | <u>23,083,794</u> | <u>-</u> | <u>23,083,794</u> | <u>23,606,044</u> |
| Total net position | <u>\$ 237,404,036</u> | <u>9,080,636</u> | <u>246,484,672</u> | <u>244,580,331</u> |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Statement of Activities
For the Year Ended December 31, 2012
(With comparative totals for 2011)

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Totals | |
|--------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|---------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | 2012 | 2011 | |
| | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| General government | \$ 19,777,837 | 1,222,012 | 130,814 | 193,391 | (18,231,620) | - | (18,231,620) | (16,098,442) | |
| Public safety | 17,473,736 | 3,085,975 | 3,038,645 | 1,958,250 | (9,390,866) | - | (9,390,866) | (9,907,340) | |
| Public works | 11,179,444 | 1,804,586 | 2,469,007 | 3,353,168 | (3,552,683) | - | (3,552,683) | (4,894,919) | |
| Building inspections | 653,783 | 916,972 | - | 10,000 | 273,189 | - | 273,189 | 230,176 | |
| Interest on long-term debt | 55,190 | - | - | - | (55,190) | - | (55,190) | (195,570) | |
| Total governmental activities | 49,139,990 | 7,029,545 | 5,638,466 | 5,514,809 | (30,957,170) | - | (30,957,170) | (30,866,095) | |
| Business-type activities: | | | | | | | | | |
| Municipal Utilities System | 260,098 | 396,900 | - | - | - | 136,802 | 136,802 | 101,097 | |
| Fairbanks Transportation Center | 484,643 | 201,061 | - | - | - | (283,582) | (283,582) | (326,397) | |
| Total business-type activities | 744,741 | 597,961 | - | - | - | (146,780) | (146,780) | (225,300) | |
| Total | \$ 49,884,731 | 7,627,506 | 5,638,466 | 5,514,809 | (30,957,170) | (146,780) | (31,103,950) | (31,091,395) | |
| General Revenues: | | | | | | | | | |
| Property tax | | | | | 14,109,307 | - | 14,109,307 | 14,047,318 | |
| Hotel motel tax | | | | | 2,504,130 | - | 2,504,130 | 2,476,320 | |
| Alcohol beverage tax | | | | | 2,126,694 | - | 2,126,694 | 2,117,465 | |
| Tobacco tax | | | | | 934,351 | - | 934,351 | 937,129 | |
| Unrestricted shared revenue | | | | | 2,935,794 | - | 2,935,794 | 2,908,426 | |
| Investment income | | | | | 10,179,570 | - | 10,179,570 | 2,431,203 | |
| Interest income | | | | | 195,278 | 77 | 195,355 | 147,797 | |
| Miscellaneous | | | | | 23,090 | - | 23,090 | 418,540 | |
| Transfers - internal activity | | | | | 396,900 | (396,900) | - | - | |
| Total general revenues and transfers | | | | | 33,405,114 | (396,823) | 33,008,291 | 25,484,198 | |
| Change in net position | | | | | 2,447,944 | (543,603) | 1,904,341 | (5,607,197) | |
| Net position - beginning | | | | | 234,956,092 | 9,624,239 | 244,580,331 | 250,187,528 | |
| Net position- ending | | | | | \$ 237,404,036 | 9,080,636 | 246,484,672 | 244,580,331 | |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2012

| | <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 | \$ 10,467,274 | - | - | 5,782,621 | 16,249,895 |
| Restricted cash and cash equivalents | 100 | 559,813 | - | 66,317 | 626,230 |
| Restricted investments | - | 104,997,877 | - | - | 104,997,877 |
| Receivables (net of allowance for uncollectibles) | 5,211,014 | 1,323,190 | 1,623,452 | - | 8,157,656 |
| Prepaid assets | 394,735 | - | - | - | 394,735 |
| Due from other funds | 1,872,448 | - | - | - | 1,872,448 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 17,945,571 | 106,880,880 | 1,623,452 | 5,848,938 | 132,298,841 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| LIABILITIES | | | | | |
| Accounts payable | 1,686,923 | 10,347 | 30 | 2,170 | 1,699,470 |
| Deposits | 35,265 | - | - | - | 35,265 |
| Unearned revenue | 237,778 | - | - | - | 237,778 |
| Deferred revenue | 3,921,411 | 915,962 | - | - | 4,837,373 |
| Due to other funds | 35,328 | - | 1,623,422 | - | 1,658,750 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities | 5,916,705 | 926,309 | 1,623,452 | 2,170 | 8,468,636 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| FUND BALANCES | | | | | |
| Nonspendable | 394,735 | - | - | - | 394,735 |
| Restricted | - | 105,954,571 | - | 66,317 | 106,020,888 |
| Committed | 250,000 | - | - | - | 250,000 |
| Assigned | 891,376 | - | - | 5,780,451 | 6,671,827 |
| Unassigned | 10,492,755 | - | - | - | 10,492,755 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total fund balances | 12,028,866 | 105,954,571 | - | 5,846,768 | 123,830,205 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total liabilities and fund balances | \$ 17,945,571 | 106,880,880 | 1,623,452 | 5,848,938 | 132,298,841 |
| | <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 Position
 December 31, 2012

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

| | |
|---|------------------------------|
| Total fund balances of governmental funds (page 9) | <u>\$ 123,830,205</u> |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Infrastructure | 481,643,692 |
| Land and land improvements | 8,834,325 |
| Construction in progress | 5,092,058 |
| Buildings | 31,425,787 |
| Equipment | 21,462,476 |
| Accumulated depreciation | <u>(439,303,985)</u> |
| | <u>109,154,353</u> |
| Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements. | |
| | <u>1,077,894</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 | (855,000) |
| Self-insurance losses | <u>(640,788)</u> |
| | <u>(1,495,788)</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 | 69,677 |
| Deferred sales tax, penalties and interest | 51,735 |
| Deferred Tract I and Tract II note receivable | 253,021 |
| Deferred Weeks Field note receivable | 416,499 |
| Deferred NR Community Development note receivable | 177,523 |
| Deferred Breadline note receivable | 53,777 |
| Deferred Korean Community of Fairbanks note receivable | 15,140 |
| Deferred Techite note receivable | <u>3,800,000</u> |
| | <u>4,837,372</u> |
| Net position of governmental activities page 5) | <u><u>\$ 237,404,036</u></u> |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2012

| | <u>General</u> | <u>Permanent</u> | <u>Grants and Contracts</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--------------------|---------------------------------|---|---|
| Revenues | | | | | |
| Taxes | \$ 19,674,483 | - | - | - | 19,674,483 |
| Charges for services | 4,739,263 | - | - | - | 4,739,263 |
| Intergovernmental | 4,996,552 | - | 6,875,157 | 11,359 | 11,883,068 |
| Licenses and permits | 1,985,385 | - | - | - | 1,985,385 |
| Fines and forfeitures | 1,061,959 | - | - | - | 1,061,959 |
| Special assessments | 4,416 | - | - | - | 4,416 |
| Investment earnings | - | 10,179,538 | - | 31 | 10,179,569 |
| Other revenues | 861,327 | - | 188,189 | 995,000 | 2,044,516 |
| Total revenues | <u>33,323,385</u> | <u>10,179,538</u> | <u>7,063,346</u> | <u>1,006,390</u> | <u>51,572,659</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 9,898,922 | 166,510 | 93,442 | 350,090 | 10,508,964 |
| Public safety | 14,318,750 | - | 1,834,218 | 77,700 | 16,230,668 |
| Public works | 7,529,588 | - | 2,469,007 | 656,053 | 10,654,648 |
| Building inspections | 643,830 | - | - | - | 643,830 |
| Debt service | | | | | |
| Principal | 830,000 | - | - | - | 830,000 |
| Interest | 55,190 | - | - | - | 55,190 |
| Capital outlay | | | | | |
| General government | - | - | 188,975 | 41,881 | 230,856 |
| Public safety | 27,276 | - | 600,560 | 53,023 | 680,859 |
| Public works | 47,438 | - | 1,877,144 | 1,360,518 | 3,285,100 |
| Total expenditures | <u>33,350,994</u> | <u>166,510</u> | <u>7,063,346</u> | <u>2,539,265</u> | <u>43,120,115</u> |
| Excess (deficiency) of revenues over expenditures | <u>(27,609)</u> | <u>10,013,028</u> | <u>-</u> | <u>(1,532,875)</u> | <u>8,452,544</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 3,922,848 | 1,253,274 | - | 2,702,412 | 7,878,534 |
| Transfers out | (3,068,430) | (4,413,204) | - | - | (7,481,634) |
| Sale of capital assets | 209,138 | 342,453 | - | - | 551,591 |
| Total other financing sources (uses) | <u>1,063,556</u> | <u>(2,817,477)</u> | <u>-</u> | <u>2,702,412</u> | <u>948,491</u> |
| Net change in fund balances | <u>1,035,947</u> | <u>7,195,551</u> | <u>-</u> | <u>1,169,537</u> | <u>9,401,035</u> |
| Fund balances - beginning | <u>10,992,919</u> | <u>98,759,020</u> | <u>-</u> | <u>4,677,231</u> | <u>114,429,170</u> |
| Fund balances - ending | <u>\$ 12,028,866</u> | <u>105,954,571</u> | <u>-</u> | <u>5,846,768</u> | <u>123,830,205</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, 2012

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

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds (page 13) | <u>\$ 9,401,035</u> |
| <p>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.</p> | |
| Capital outlays and expenditures | 4,196,815 |
| Depreciation expense | <u>(8,785,315)</u> |
| | <u>(4,588,500)</u> |
| <p>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.</p> | |
| Loss on Disposal | <u>(2,381,571)</u> |
| | <u>(2,381,571)</u> |
| <p>Inventories are reported under the purchases method in the governmental funds, and under the consumption method in the statement of activities.</p> | |
| | <u>223,011</u> |
| <p>Repayment of long-term debt is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities. Repayments consisted of:</p> | |
| Fire station general obligation bond | <u>830,000</u> |
| <p>Collections on receivables provide current financial resources to governmental funds. However, the collection on notes receivable decreases the notes receivable balance in the statement of net position. In the current period, proceeds were received from:</p> | |
| Breadline note receivable | (4,813) |
| Tract I and Tract II receivable | (12,412) |
| Techite note receivable | (200,000) |
| NR-Community Development receivable | <u>(308,860)</u> |
| | <u>(526,085)</u> |
| <p>Accrued interest is deferred in the governmental fund statements though reported as earned in the statement of activities.</p> | |
| | <u>39,336</u> |
| <p>Collections on special assessments receivable</p> | |
| | <u>(4,415)</u> |
| <p>Collections on sales tax, garbage fees, penalties and interest</p> | |
| | <u>(433,352)</u> |
| <p>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:</p> | |
| Increase in reserve for self-insurance losses | <u>(111,515)</u> |
| | <u>(111,515)</u> |
| Change in net position of governmental activities (page 7) | <u><u>\$ 2,447,944</u></u> |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds Statement of Net Position December 31, 2012

| | Business-type Activities Enterprise Funds | | Total | Governmental |
|------------------------------------|--|-------------|--------------|---|
| | MUS | FTC | | Activities- Internal Service Fund |
| ASSETS | | | | |
| Current assets | | | | |
| Cash | \$ - | 171,962 | 171,962 | 1,811,851 |
| Accounts receivable | - | 66,246 | 66,246 | 21 |
| Due from other funds | - | - | - | 35,328 |
| Total current assets | - | 238,208 | 238,208 | 1,847,200 |
| Noncurrent assets | | | | |
| GHU Clean Water loan receivable | 602,395 | - | 602,395 | - |
| Capital assets | | | | |
| Land | 185,356 | 269,000 | 454,356 | - |
| Plant in service | 22,488,506 | - | 22,488,506 | - |
| Buildings | - | 9,550,693 | 9,550,693 | - |
| Infrastructure | 1,560,000 | - | 1,560,000 | - |
| Less accumulated depreciation | (22,956,506) | (1,985,901) | (24,942,407) | - |
| Total noncurrent assets | 1,879,751 | 7,833,792 | 9,713,543 | - |
| Total assets | \$ 1,879,751 | 8,072,000 | 9,951,751 | 1,847,200 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Alaska Clean Water loan payable | 35,435 | - | 35,435 | - |
| Due to general fund | - | 249,025 | 249,025 | - |
| Compensated absences | - | - | - | 1,784,297 |
| Unearned revenue | - | 19,695 | 19,695 | - |
| Total current liabilities | 35,435 | 268,720 | 304,155 | 1,784,297 |
| Noncurrent liabilities | | | | |
| Alaska Clean Water loan payable | 566,960 | - | 566,960 | - |
| Compensated absences | - | - | - | 62,903 |
| Total noncurrent liabilities | 566,960 | - | 566,960 | 62,903 |
| Total liabilities | 602,395 | 268,720 | 871,115 | 1,847,200 |
| NET POSITION | | | | |
| Net investment in capital assets | 1,277,356 | 7,803,280 | 9,080,636 | - |
| Total net position | 1,277,356 | 7,803,280 | 9,080,636 | - |
| Total liabilities and net position | \$ 1,879,751 | 8,072,000 | 9,951,751 | 1,847,200 |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2012

| | Business-type Activities Enterprise Funds | | | Governmental Activities- Internal Service Fund |
|---|--|------------------|------------------|---|
| | MUS | FTC | Total | |
| Operating revenues | | | | |
| Rental income | \$ 396,900 | 181,355 | 578,255 | - |
| Other revenue | - | 19,706 | 19,706 | 1,850,459 |
| | <u>396,900</u> | <u>201,061</u> | <u>597,961</u> | <u>1,850,459</u> |
| Operating expenses | | | | |
| Employee benefits | - | - | - | 1,850,459 |
| Management fees | - | 212,336 | 212,336 | - |
| Other | - | 10,178 | 10,178 | - |
| Depreciation | - | 213,698 | 213,698 | - |
| Total operating expenses | <u>-</u> | <u>436,212</u> | <u>436,212</u> | <u>1,850,459</u> |
| Operating income (loss) | <u>396,900</u> | <u>(235,151)</u> | <u>161,749</u> | <u>-</u> |
| Nonoperating revenues (expenses) | | | | |
| Interest income | - | 77 | 77 | - |
| Rental depreciation | (260,098) | - | (260,098) | - |
| Interest expense | - | (48,431) | (48,431) | - |
| Total nonoperating revenue (expenses) | <u>(260,098)</u> | <u>(48,354)</u> | <u>(308,452)</u> | <u>-</u> |
| Income (loss) before contributions and transfers | 136,802 | (283,505) | (146,703) | - |
| Transfers in | - | - | - | - |
| Transfers out | <u>(396,900)</u> | <u>-</u> | <u>(396,900)</u> | <u>-</u> |
| Change in net position | (260,098) | (283,505) | (543,603) | - |
| Total net position - beginning | <u>1,537,454</u> | <u>8,086,785</u> | <u>9,624,239</u> | <u>-</u> |
| Total net position - ending | <u>\$ 1,277,356</u> | <u>7,803,280</u> | <u>9,080,636</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, 2012

| | Business-type Activities Enterprise Funds | | Total | Governmental Activities- Internal Service Fund |
|--|--|-----------------|------------------|---|
| | MUS | FTC | | |
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 396,900 | 175,711 | 572,611 | - |
| Receipts for interfund services provided | - | - | - | 1,885,869 |
| Payments for interfund services provided | - | - | - | (1,885,787) |
| Payments to management | - | (212,336) | (212,336) | - |
| Payments for operating expenses | - | (10,178) | (10,178) | - |
| Net cash provided (used) by operating activities | <u>396,900</u> | <u>(46,803)</u> | <u>350,097</u> | <u>82</u> |
| Cash flows from noncapital financing activities | | | | |
| Transfer to permanent fund | (396,900) | - | (396,900) | - |
| Net cash provided (used) by noncapital financing activities | <u>(396,900)</u> | <u>-</u> | <u>(396,900)</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 | - |
| Payment for leasehold improvements | - | (43,958) | (43,958) | - |
| Capital lease payment | - | (1,918,431) | (1,918,431) | - |
| Contribution for capital lease payment | - | 2,179,903 | 2,179,903 | - |
| Net cash provided (used) by capital and other related financing activities | <u>-</u> | <u>217,514</u> | <u>217,514</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Interest received | - | 77 | 77 | - |
| Net cash provided by investing activities | <u>-</u> | <u>77</u> | <u>77</u> | <u>-</u> |
| Net increase (decrease) in cash | - | 170,788 | 170,788 | 82 |
| Cash at beginning of the year | - | 1,174 | 1,174 | 1,811,769 |
| Cash at end of the year | <u>\$ -</u> | <u>171,962</u> | <u>171,962</u> | <u>1,811,851</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | 396,900 | (235,151) | 161,749 | - |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation expense | - | 213,698 | 213,698 | - |
| (Increase) decrease in assets | | | | |
| Accounts receivable | - | (184) | (184) | (21) |
| Due from other funds | - | - | - | (35,328) |
| General fund donation | - | (19,706) | (19,706) | - |
| (Decrease) increase in liabilities | | | | |
| Prepaid rent | - | (5,460) | (5,460) | - |
| Compensated absences | - | - | - | 35,431 |
| Net cash provided (used) by operating activities | <u>\$ 396,900</u> | <u>(46,803)</u> | <u>350,097</u> | <u>82</u> |

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity
- B. Government-wide and Fund Financial Statements
- C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
- D. Assets, Liabilities, and Net Position – Fund Balance
 - 1. Equity in central treasury, cash, and investments
 - 2. Statement of cash flows
 - 3. Receivables and payables
 - 4. 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

The City reports deferred 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the FTC enterprise fund are charges to customers for parking services. The MUS enterprise fund charges customers for rental of the facility. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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 Position – Fund Balance

1. Equity in central treasury, cash, and investments

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

2. Statement of cash flows

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

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

5. Restricted assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

6. Capital assets

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

7. Compensated absences

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

8. Long-term obligations

In government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 position". 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, 2012:

| General Fund | Grants and Contracts Fund * | Other Governmental Funds | Total |
|--------------|--------------------------------|-----------------------------|-----------|
| \$ 250,588 | 2,012,187 | 715,116 | 2,977,891 |

* 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, 2012, 20 percent of annual budgeted expenditures were \$6,607,484. The unassigned fund balance in the City's general fund was \$10,492,755.

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 3, 2013.

C. Deficit Fund Equity

There were no funds with deficit fund balances at December 31, 2012.

D. Excess of Expenditures and Encumbrances over Appropriations

| <u>General Fund</u> | <u>Budget</u> | <u>Actual on Budgetary Basis</u> | <u>Variance</u> |
|----------------------|---------------|--------------------------------------|-----------------|
| City Clerk | \$ 300,758 | 302,672 | (1,914) |
| General Account | 5,000,223 | 5,009,460 | (9,237) |
| Engineering | 611,316 | 658,826 | (47,510) |
| Building Inspections | 640,741 | 643,830 | (3,089) |

Budget variances are reviewed by the Finance Committee. The committee recommends amendments to the budget for the City Council's consideration. Excess expenditures were funded by greater than anticipated revenues 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 | \$ 394,735 | - | - | 394,735 |
| Restricted | | | | |
| Investment | - | 105,954,571 | - | 105,954,571 |
| Federal Asset Forfeitures | - | - | 66,317 | 66,317 |
| Total Restricted | - | 105,954,571 | 66,317 | 106,020,888 |
| Committed | | | | |
| Snow Removal | 250,000 | - | - | 250,000 |
| Assigned | | | | |
| Encumbrances | 250,588 | - | 715,116 | 965,704 |
| Self Insurance | 640,788 | - | - | 640,788 |
| Capital | - | - | 5,065,335 | 5,065,335 |
| | 891,376 | - | 5,780,451 | 6,671,827 |
| Unassigned | 10,492,755 | - | - | 10,492,755 |
| Total Fund Balance | \$ 12,028,866 | 105,954,571 | 5,846,768 | 123,830,205 |

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

At December 31, 2012, the carrying amount of the City's cash and deposits was \$3,555,258 and the bank balances totaled \$4,215,132. 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 FTSE Developed ex North American Index, including both mutual funds and ETF's;
- H. Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts, including both mutual funds and ETF's;
- I. Domestic equities, which taken as a whole, attempt to replicate the S & P 400 MidCap Index, including both mutual funds and ETF's;
- J. Commodities, which taken as a whole, attempt to replicate a broad based commodity index, such as the Dow-Jones UBS Commodity Index, including mutual funds, ETF's, and exchange traded notes (ETNs);
- K. Emerging markets equity index funds, which taken as a whole, attempt to replicate the FTSE Emerging Market Index, 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, 2012, 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 | \$ 28,030,698 | 506,075 | 14,126,316 | 8,693,886 | 4,704,421 |
| U.S. treasuries and agencies | 18,142,904 | 2,263,112 | 3,646,508 | 2,955,581 | 9,277,703 |
| External investment pool | 15,304,681 | 15,304,681 | - | - | - |
| Foreign bonds | 4,760,717 | 768,687 | 3,992,030 | - | - |
| | <u>\$ 66,239,000</u> | <u>18,842,555</u> | <u>21,764,854</u> | <u>11,649,467</u> | <u>13,982,124</u> |

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

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, 2012, 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, 2012 the City’s exposure to credit and concentration risk is as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Rating^(A)</u> | <u>Percentage of total Investments</u> |
|--------------------------------------|-------------------|------------------------------------|--|
| Equity mutual funds | \$ 51,471,548 | N/A | 42.80% |
| U.S. treasuries and agencies | 18,142,904 | N/A | 15.08% |
| Fixed income mutual fund | 2,592,010 | N/A | 2.15% |
| Corporate bonds | 2,747,598 | AAA/Aaa | |
| Corporate bonds | 589,752 | A/Aaa | |
| Corporate bonds | 1,178,141 | AAA/Unrated | |
| Corporate bonds | 1,770,894 | Unrated/Aaa | |
| Corporate bonds | 1,312,712 | AA/Aa | |
| Corporate bonds | 1,187,530 | AA/A | |
| Corporate bonds | 1,895,699 | A/Aa | |
| Corporate bonds | 8,133,653 | A/A | |
| Corporate bonds | 560,705 | A/Unrated | |
| Corporate bonds ^(C) | 3,078,116 | A/Baa | |
| Corporate bonds | 540,555 | BBB/A | |
| Corporate bonds ^(C) | 5,035,342 | BBB/Baa | |
| Total Corporate Bonds ^(B) | 28,030,697 | | 23.30% |
| Foreign bonds | 2,851,015 | Unrated/Aaa | |
| Foreign bonds | 508,535 | AA/Aa | |
| Foreign bonds | 1,401,168 | A/A | |
| Total Foreign Bonds ^(B) | 4,760,718 | | 3.96% |
| External investment pool | 15,304,681 | AAA/Unrated | 12.72% |
| | \$ 120,302,558 | | 100.00% |

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

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

^(C) At year end the 10% limitation for Baa securities was exceeded by 5.16%. During December 2012, the City Council passed an Ordinance reducing investments in fixed income by 5% and increased equities 5%. The overage occurred while rebalancing the account and was corrected in January 2013.

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 102 percent of the invested amount for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Corporation (FSLIC) coverage. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

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, 2012, 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, 2012 was as follows:

| | | | |
|-----------------------------|---------------------------------|----|-----------|
| General fund | Grants and contracts fund | \$ | 1,623,422 |
| | Fairbanks Transportation Center | | 249,026 |
| Nonmajor governmental funds | General fund | | 35,328 |
| | | | 1,907,776 |
| Total | | \$ | 1,907,776 |

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 Out: | | | |
|-----------------------------|----------------|----------------|---------------------|-----------|
| Transfers In: | General Fund | Permanent Fund | MUS Enterprise Fund | Total |
| General fund | \$ - | 3,922,848 | - | 3,922,848 |
| Permanent fund | 856,374 | - | 396,900 | 1,253,274 |
| Nonmajor governmental funds | 2,212,056 | 490,356 | - | 2,702,412 |
| Total | \$ 3,068,430 | 4,413,204 | 396,900 | 7,878,534 |

The \$3,068,430 transfers from the general fund include \$856,374 transferred to the permanent fund, of which \$270,088 was from the sale of capital assets, \$336,286 was from State Revenue Sharing funds, and \$250,000 were general funds. Also included are general fund transfers to the capital fund consisting of \$336,285 of State Revenue Sharing and \$1,875,771 for capital projects, equipment, property replacement, and facilities maintenance.

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 \$4,413,204 transferred from the permanent fund is authorized annually in accordance with the City Charter. The amount transferred to the general fund for operations was \$3,922,848 and \$490,356 was transferred to the capital fund to fund capital acquisitions.

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

D. Leases

Lessor operating leases

The MUS enterprise fund contains the proceeds from the lease of the wastewater treatment plant to Golden Heart Utilities Inc. (GHU) under the terms of a non-cancelable operating lease signed October 6, 1997. The lease provides for monthly rental payments to the City in the amount of \$33,075 for 30 years. A comprehensive lease security agreement was signed by the City with GHU for the plant and all subsequent additions and replacements. GHU has the option to purchase the plant for \$5,000,000 prior to the 20th year of the lease less a credit against the purchase price for prior lease payments discounted at seven percent. In the last 10 years of the lease, GHU may purchase the plant for the fair market value, less improvements made by the lessee. The option purchase price will be, at a minimum, the discounted present value of the remaining lease payments at a seven percent discount rate. Rental income of \$396,900 was recognized in 2012.

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

The assets being leased as lessor are as follows:

| | <u>Governmental Activities</u> | <u>Business Activities</u> |
|---------------------------------------|------------------------------------|--------------------------------|
| Asset: | | |
| Land | \$ 5,066,718 | 185,356 |
| Buildings | 766,677 | - |
| Plant in service (includes equipment) | - | 24,048,506 |
| Less: Accumulated depreciation | <u>(335,469)</u> | <u>(22,956,506)</u> |
| Total | <u>\$ 5,497,926</u> | <u>1,277,356</u> |

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Leases, Continued

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 |
|-------------------------------|----------------------------|------------------------|------------------|
| 2013 | \$ 120,960 | 396,900 | 517,860 |
| 2014 | 98,670 | 396,900 | 495,570 |
| 2015 | 91,895 | 396,900 | 488,795 |
| 2016 | 82,410 | 396,900 | 479,310 |
| 2017 | 82,410 | 396,900 | 479,310 |
| Total minimum rental receipts | <u>\$ 476,345</u> | <u>1,984,500</u> | <u>2,460,845</u> |

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

\$ 855,000

The annual requirements to amortize the General Obligation Bond at December 31, 2012 are as follows:

| Fiscal Years Ending December 31 | General Obligation Bond | |
|------------------------------------|-------------------------|----------|
| | Principal | Interest |
| 2013 | \$ 855,000 | 28,215 |

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, 2012 the receivable balance remaining is \$602,395. 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 | | | | | | |
| Fire station | \$ 1,685,000 | - | 830,000 | 855,000 | 855,000 | - |
| Compensated absences | 1,811,769 | 1,850,459 | 1,815,028 | 1,847,200 | 1,784,297 | 62,903 |
| Self-Insurance losses | 529,273 | 426,503 | 314,988 | 640,788 | 347,146 | 293,642 |
| Governmental activity | | | | | | |
| Long-term liabilities | <u>\$ 4,026,042</u> | <u>2,276,962</u> | <u>2,960,016</u> | <u>3,342,988</u> | <u>2,986,443</u> | <u>356,545</u> |
| Business-type activities: | | | | | | |
| Capital lease | \$ 1,870,000 | - | 1,870,000 | - | - | - |
| Alaska clean water loan | 637,830 | - | 35,435 | 602,395 | 35,435 | 566,960 |
| Business-type activities | | | | | | |
| Long-term liabilities | <u>\$ 2,507,830</u> | <u>-</u> | <u>1,905,435</u> | <u>602,395</u> | <u>35,435</u> | <u>566,960</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 \$1,847,200 of ISF compensated absences are included in the above amounts. Compensated absences are liquidated by the ISF. Claims and judgments are liquidated by the general fund.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|--------------------|--------------------|----------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land improvements | \$ 8,979,325 | - | (145,000) | 8,834,325 |
| Construction in progress | 3,466,563 | 1,625,495 | - | 5,092,058 |
| Total capital assets, not being depreciated | <u>12,445,888</u> | <u>1,625,495</u> | <u>(145,000)</u> | <u>13,926,383</u> |
| Capital assets, being depreciated | | | | |
| Infrastructure | 481,910,290 | - | (266,598) | 481,643,692 |
| Buildings | 33,791,647 | - | (2,365,860) | 31,425,787 |
| Equipment | 19,957,129 | 2,571,320 | (1,065,973) | 21,462,476 |
| Total capital assets, being depreciated | <u>535,659,066</u> | <u>2,571,320</u> | <u>(3,698,431)</u> | <u>534,531,955</u> |
| Less accumulated depreciation | | | | |
| Infrastructure | (408,535,942) | (6,527,763) | 254,750 | (414,808,955) |
| Buildings | (9,859,017) | (680,344) | 149,838 | (10,389,523) |
| Equipment | (13,585,571) | (1,577,208) | 1,057,272 | (14,105,507) |
| Total accumulated depreciation | <u>(431,980,530)</u> | <u>(8,785,315)</u> | <u>1,461,860</u> | <u>(439,303,985)</u> |
| Total capital assets being depreciated, net | <u>103,678,536</u> | <u>(6,213,995)</u> | <u>(2,236,571)</u> | <u>95,227,970</u> |
| Governmental activities capital assets, net | <u>\$ 116,124,424</u> | <u>(4,588,500)</u> | <u>(2,381,571)</u> | <u>109,154,353</u> |
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land improvements | \$ 454,356 | - | - | 454,356 |
| Total capital assets, not being depreciated | <u>454,356</u> | <u>-</u> | <u>-</u> | <u>454,356</u> |
| Capital assets, being depreciated | | | | |
| Infrastructure | 1,560,000 | - | - | 1,560,000 |
| Buildings* | 19,101,501 | - | - | 19,101,501 |
| Equipment* | 12,893,740 | 43,958 | - | 12,937,698 |
| Total capital assets being depreciated | <u>33,555,241</u> | <u>43,958</u> | <u>-</u> | <u>33,599,199</u> |
| Less accumulated depreciation | | | | |
| Infrastructure | (436,800) | (31,200) | - | (468,000) |
| Buildings* | (11,177,550) | (417,734) | - | (11,595,284) |
| Equipment* | (12,854,261) | (24,862) | - | (12,879,123) |
| Total accumulated depreciation | <u>(24,468,611)</u> | <u>(473,796)</u> | <u>-</u> | <u>(24,942,407)</u> |
| Total capital assets being depreciated, net | <u>9,086,630</u> | <u>(429,838)</u> | <u>-</u> | <u>8,656,792</u> |
| Business-type activities capital assets, net | <u>\$ 9,540,986</u> | <u>(429,838)</u> | <u>-</u> | <u>9,111,148</u> |

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

| | |
|--|---------------------|
| Governmental activities | |
| General government | \$ 6,784,487 |
| Public safety | 1,243,068 |
| Public works | 747,807 |
| Building Inspections | 9,953 |
| Total depreciation expense - governmental activities | <u>\$ 8,785,315</u> |

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

| | |
|---|-------------------|
| Fairbanks Transportation Center | \$ 213,698 |
| Municipal Utility System | 260,098 |
| Total depreciation expense - business type activities | <u>\$ 473,796</u> |

*Beginning balances have been reclassified for comparability purposes.

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 \$640,788 at December 31, 2012. 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 \$640,788 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 2012 and 2011 follow:

| | <u>Claims Liability</u> <u>December 31, 2012</u> | <u>Claims Liability</u> <u>December 31, 2011</u> |
|---|---|---|
| January 1 | \$ 529,273 | 577,896 |
| Current year claims | 253,914 | 260,042 |
| Changes in estimates for claims of the prior period | 172,589 | 19,091 |
| Claims payments | <u>(314,988)</u> | <u>(327,756)</u> |
| December 31 | <u>\$ 640,788</u> | <u>529,273</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, 2012, approximately 70 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 2012, the City contributed between \$5.50 and \$11.89 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 2012 was \$671,886 and \$752,528, 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 2012 were 33.49 percent (8.28 percent normal cost rate plus 22.48 percent past service rate, plus a 2.73 percent defined contribution retirement rate), an increase of 19.8 percent from the states prior fiscal year. The PERS average employer contribution rates for July through December 2012 were 35.84 percent (8.67 percent normal cost rate plus 24.16 percent past service rate, plus a 3.01 percent defined contribution retirement rate), an increase of 7.01 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 \$1,698,360, \$1,704,463, and \$1,692,617 in 2012, 2011, and 2010, 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 2012, 2011, and 2010 were \$1,174,941, \$983,846, and \$487,812, 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 2012 employer contribution rates are 22 percent, the same as the defined benefit tiers.

January through June 2012 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 0.97 percent for occupational death and disability benefits for peace officers and firefighters and 0.20 percent for all others.

For July through December 2012 the employers are required to contribute 5 percent to each member's individual pension account, 0.48 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 0.99 percent for occupational death and disability benefits for peace officers and firefighters and 0.14 percent for all others.

Plan Contributions

City contributions to the PERS defined contribution plan for years ended 2012, 2011, and 2010 was \$116,564, \$102,813, and \$82,564, respectively, and employee contributions to the plan were \$103,747, \$91,069, and \$68,318, respectively.

The employer residual contributions for fiscal years 2012, 2011, and 2010 to pay down the unfunded liability of the defined benefit plan unfunded liability, were \$168,759, \$147,694, and \$105,530, respectively.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

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 and they all expire on December 31, 2013. The current IFFA contract expires on May 1, 2015.

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 to replacing the payments in lieu of taxes (PILOT) previously appropriated from the MUS enterprise fund to the general fund.

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

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:

| | 2012 | 2011 |
|-------------------------------|---------------|-------------|
| Interest income | \$ 2,071,454 | 2,018,942 |
| Dividends | 1,214,029 | 1,338,278 |
| Net realized (losses) gains | 1,629,294 | 1,533,016 |
| Net unrealized (losses) gains | 5,264,761 | (2,459,068) |
| | \$ 10,179,538 | 2,431,168 |

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 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 | | (16,164) |
| Total average fund value | \$ | 98,071,202 |
| Available for general operations | \$ | 3,922,848 |
| Available for capital expenditures | \$ | 490,356 |

For 2012 the entire amount available for appropriation for general operations and capital expenditures during the year was transferred to the general and capital funds.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund, Continued

The amount available for appropriation for general operations and capital expenditures in 2013 is calculated as follows (based on an average of 2008 - 2012 amounts):

| | | |
|---|--------|------------------------------|
| Total average investments held in trust | \$ | 96,453,003 |
| Total average other assets | | 928,529 |
| Total average liabilities | | <u>(14,433)</u> |
| Total average fund value | \$ | <u><u>97,367,099</u></u> |
| Available for general operations | \$ | 3,894,684 |
| Available for capital expenditures | \$ | 486,834 |

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, 2012

| | <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 | \$ 19,476,971 | 19,425,990 | 19,674,483 | 248,493 |
| Charges for services | 4,123,905 | 4,557,260 | 4,739,263 | 182,003 |
| Intergovernmental | 3,213,390 | 3,805,284 | 3,821,611 | 16,327 |
| Licenses and permits | 1,796,078 | 1,946,370 | 1,985,385 | 39,015 |
| Fines and forfeitures | 959,175 | 1,031,533 | 1,061,959 | 30,426 |
| Rental | 157,919 | 158,119 | 152,093 | (6,026) |
| Interest and penalties | 122,000 | 140,893 | 195,278 | 54,385 |
| Other | 212,500 | 518,523 | 518,372 | (151) |
| Total revenues | <u>30,061,938</u> | <u>31,583,972</u> | <u>32,148,444</u> | <u>564,472</u> |
| Expenditures | | | | |
| General government | | | | |
| Mayor and city council | 480,919 | 483,403 | 469,962 | 13,441 |
| City attorney | 164,771 | 166,857 | 164,425 | 2,432 |
| City clerk | 291,943 | 300,758 | 302,672 | (1,914) |
| Finance | 863,867 | 882,600 | 862,235 | 20,365 |
| Information systems | 1,401,750 | 1,447,837 | 1,412,633 | 35,204 |
| Risk management | 1,371,112 | 1,410,927 | 1,394,335 | 16,592 |
| General account | 4,947,120 | 5,000,223 | 5,009,460 | (9,237) |
| Total general government | <u>9,521,482</u> | <u>9,692,605</u> | <u>9,615,722</u> | <u>76,883</u> |
| Public safety | | | | |
| Police | 6,552,634 | 6,770,347 | 6,426,690 | 343,657 |
| Dispatch | 1,933,941 | 1,971,025 | 1,844,828 | 126,197 |
| Fire | 6,098,719 | 6,361,380 | 6,099,218 | 262,162 |
| Total public safety | <u>14,585,294</u> | <u>15,102,752</u> | <u>14,370,736</u> | <u>732,016</u> |
| Public works | | | | |
| Works | 6,774,611 | 6,990,010 | 6,843,568 | 146,442 |
| Engineering | 582,191 | 611,316 | 658,826 | (47,510) |
| Total public works | <u>7,356,802</u> | <u>7,601,326</u> | <u>7,502,394</u> | <u>98,932</u> |
| Building inspections | <u>627,037</u> | <u>640,741</u> | <u>643,830</u> | <u>(3,089)</u> |
| Total expenditures | <u>32,090,615</u> | <u>33,037,424</u> | <u>32,132,682</u> | <u>904,742</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (2,028,677)</u> | <u>(1,453,452)</u> | <u>15,762</u> | <u>1,469,214</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, 2012

| | <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 | \$ 3,892,929 | 3,922,848 | 3,922,848 | - |
| Transfers out | (967,800) | (3,109,186) | (3,068,430) | 40,756 |
| Sale of capital assets | - | 209,138 | 209,138 | - |
| Total other financing sources (uses) | <u>2,925,129</u> | <u>1,022,800</u> | <u>1,063,556</u> | <u>40,756</u> |
| Net change in fund balances | <u>\$ 896,452</u> | <u>(430,652)</u> | 1,079,318 | <u>1,509,970</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.

(43,371)

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

| | |
|-------------|--------------------|
| Revenue | 1,174,941 |
| Expenditure | <u>(1,174,941)</u> |
| | <u>-</u> |

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

\$ 1,035,947

See accompanying notes to RSI

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 2012 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 12, 2011 or as amended by ordinances during 2012.

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
Capital Projects Fund Statements



MAJOR GOVERNMENTAL FUNDS

General Fund

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

Permanent Fund

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

Special Revenue Funds

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

Grants and Contracts Special Revenue Fund

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



CITY OF FAIRBANKS, ALASKA
Major Governmental Fund
General Fund
Balance Sheet
December 31, 2012
(With comparative totals for 2011)

| | Totals | |
|--|---------------|---------------|
| | 2012 | 2011 |
| ASSETS | | |
| Equity in central treasury | \$ 10,467,274 | \$ 11,979,980 |
| Restricted cash and cash equivalents | 100 | 13,249 |
| | 10,467,374 | 11,993,229 |
| Receivables | | |
| Taxes | 1,117,610 | 1,107,626 |
| Accounts | 1,647,735 | 1,747,431 |
| Special assessments | 69,677 | 74,092 |
| Interest and penalties | 121,752 | 128,603 |
| Notes | - | 456 |
| Techite | 3,800,000 | 4,000,000 |
| Less allowance for uncollectible receivables | (1,545,760) | (1,237,212) |
| | 5,211,014 | 5,820,996 |
| Prepaid assets | 394,735 | 403,799 |
| Due from other funds | 1,872,448 | 995,447 |
| | 1,872,448 | 995,447 |
| Total assets | \$ 17,945,571 | \$ 19,213,471 |
| LIABILITIES | | |
| Accounts payable | 1,686,923 | 1,754,328 |
| Deposits | 35,265 | 19,000 |
| Unearned revenue | 237,778 | 1,125 |
| Deferred revenue | 3,921,411 | 4,559,179 |
| Due to other funds | 35,328 | 1,886,920 |
| | 35,328 | 1,886,920 |
| Total liabilities | 5,916,705 | 8,220,552 |
| FUND BALANCE | | |
| Nonspendable | 394,735 | 403,799 |
| Committed | 250,000 | 250,000 |
| Assigned | 891,376 | 823,233 |
| Unassigned | 10,492,755 | 9,515,887 |
| | 10,492,755 | 9,515,887 |
| Total fund balance | 12,028,866 | 10,992,919 |
| Total liabilities and fund balance | \$ 17,945,571 | \$ 19,213,471 |

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2012

(With comparative totals for 2011)

| | Totals | |
|------------------------------|-------------------|-------------------|
| | 2012 | 2011 |
| Revenues | | |
| Taxes | | |
| Real property | \$ 14,109,307 | \$ 14,047,318 |
| Hotel / motel | 2,504,130 | 2,476,320 |
| Alcoholic beverages | 2,126,694 | 2,117,465 |
| Tobacco distribution | 934,352 | 937,130 |
| Charges for services | 4,739,263 | 4,135,457 |
| Intergovernmental | | |
| PERS relief payments | 1,174,941 | 983,847 |
| Other | 3,821,611 | 3,804,840 |
| Licenses and permits | 1,985,385 | 1,835,062 |
| Fines and forfeitures | 1,061,959 | 1,076,167 |
| Special assessments | 4,416 | 6,975 |
| Other revenues | | |
| Interest and penalties | 195,278 | 147,689 |
| Rental | 152,093 | 212,198 |
| Techite settlement | 200,000 | 200,000 |
| Other | 313,956 | 7,359 |
| Total revenues | <u>33,323,385</u> | <u>31,987,827</u> |
| Expenditures | | |
| Current | | |
| General government | | |
| Mayor and city council | | |
| Salaries and wages | 407,874 | 421,847 |
| Employee benefits | 129,588 | 122,781 |
| Other services | 13,951 | 10,772 |
| Inter-departmental | (81,451) | (79,849) |
| Total mayor and city council | <u>469,962</u> | <u>475,551</u> |
| City attorney | | |
| Salaries and wages | 221,900 | 219,701 |
| Employee benefits | 71,343 | 67,749 |
| Other services | 24,340 | 23,401 |
| Inter-departmental | (153,158) | (151,818) |
| Total city attorney | <u>164,425</u> | <u>159,033</u> |
| City clerk | | |
| Salaries and wages | 186,245 | 176,449 |
| Employee benefits | 74,674 | 70,906 |
| Other services | 41,753 | 27,283 |
| Total city clerk | <u>302,672</u> | <u>274,638</u> |
| Finance | | |
| Salaries and wages | 564,840 | 557,111 |
| Employee benefits | 195,326 | 197,375 |
| Other services | 102,069 | 106,710 |
| Total finance | <u>862,235</u> | <u>861,196</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, 2012

(With comparative totals for 2011)

| | <u>Totals</u> | |
|---------------------------------|-------------------|-------------------|
| | <u>2012</u> | <u>2011</u> |
| Expenditures - continued | | |
| General government, continued | | |
| Information technology | | |
| Salaries and wages | \$ 464,614 | \$ 450,417 |
| Employee benefits | 155,205 | 154,646 |
| Other services | 753,160 | 675,694 |
| Total information technology | <u>1,372,979</u> | <u>1,280,757</u> |
| Non-departmental | | |
| Community services | 2,196,961 | 1,917,252 |
| PERS relief payments | 1,174,941 | 983,847 |
| Hotel / motel distributions | 1,960,412 | 1,972,059 |
| Property management | - | 26,620 |
| Risk management | 1,394,335 | 1,398,814 |
| Total non-departmental | <u>6,726,649</u> | <u>6,298,592</u> |
| Total general government | <u>9,898,922</u> | <u>9,349,767</u> |
| Public safety | | |
| Police | | |
| Salaries and wages | 4,237,466 | 4,024,825 |
| Employee benefits | 1,558,398 | 1,452,671 |
| Other services | 581,507 | 578,676 |
| Total police | <u>6,377,371</u> | <u>6,056,172</u> |
| Dispatch | | |
| Salaries and wages | 1,185,256 | 1,193,853 |
| Employee benefits | 490,255 | 505,227 |
| Other services | 171,592 | 162,475 |
| Total dispatch | <u>1,847,103</u> | <u>1,861,555</u> |
| Fire | | |
| Salaries and wages | 3,933,659 | 3,684,936 |
| Employee benefits | 1,453,092 | 1,439,365 |
| Other services | 707,525 | 694,388 |
| Total fire | <u>6,094,276</u> | <u>5,818,689</u> |
| Total public safety | <u>14,318,750</u> | <u>13,736,416</u> |
| Public works | | |
| Works | | |
| Salaries and wages | 2,738,743 | 2,688,265 |
| Employee benefits | 1,420,795 | 1,339,990 |
| Other services | 2,711,478 | 2,415,586 |
| Total works | <u>6,871,016</u> | <u>6,443,841</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, 2012

(With comparative totals for 2011)

| | Totals | |
|---|-------------------|--------------------|
| | 2012 | 2011 |
| Expenditures - continued | | |
| Public works, continued | | |
| Engineering | | |
| Salaries and wages | \$ 411,649 | \$ 409,919 |
| Employee benefits | 166,742 | 159,634 |
| Other services | 80,181 | 28,958 |
| Total engineering | <u>658,572</u> | <u>598,511</u> |
| Total public works | <u>7,529,588</u> | <u>7,042,352</u> |
| | | |
| Building inspections | | |
| Salaries and wages | 462,145 | 448,624 |
| Employee benefits | 158,519 | 153,832 |
| Other services | 23,166 | 35,000 |
| Total building inspections | <u>643,830</u> | <u>637,456</u> |
| | | |
| Debt service | | |
| Principal | 830,000 | 1,380,000 |
| Interest | 55,190 | 195,570 |
| Legal defeasance | - | 2,083,137 |
| Total debt service | <u>885,190</u> | <u>3,658,707</u> |
| | | |
| Capital outlay | | |
| General government | | |
| City clerk | - | 8,448 |
| Information technology | - | 12,000 |
| Nondepartmental | - | 8,933 |
| Total general government | <u>-</u> | <u>29,381</u> |
| | | |
| Public safety | | |
| Police | 19,575 | 14,000 |
| Fire | 7,701 | - |
| Total public safety | <u>27,276</u> | <u>14,000</u> |
| | | |
| Public works | | |
| Works | 47,438 | 51,743 |
| Engineering | - | 7,000 |
| Total public works | <u>47,438</u> | <u>58,743</u> |
| | | |
| Total capital outlay | <u>74,714</u> | <u>102,124</u> |
| | | |
| Total expenditures | <u>33,350,994</u> | <u>34,526,822</u> |
| | | |
| Excess (deficiency) of revenues over expenditures | <u>(27,609)</u> | <u>(2,538,995)</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, 2012

(With comparative totals for 2011)

| | Totals | |
|---------------------------------------|---------------|---------------|
| | 2012 | 2011 |
| Other financing sources (uses) | | |
| Transfers in | \$ 3,922,848 | 3,982,286 |
| Transfers out | (3,068,430) | (3,709,874) |
| Sale of capital assets | 209,138 | 474,339 |
| Total other financing sources (uses) | 1,063,556 | 746,751 |
| Net change in fund balances | 1,035,947 | (1,792,244) |
| Fund balance - beginning | 10,992,919 | 12,785,163 |
| Fund balance - ending | \$ 12,028,866 | \$ 10,992,919 |

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2012

(With comparative totals for 2011)

| | Totals | |
|--------------------------------------|-----------------------|----------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Restricted cash and cash investments | | |
| Cash and cash equivalents | \$ 559,813 | \$ 1,164,042 |
| Investments | 104,997,877 | 97,214,540 |
| Receivables | | |
| Interest | 443,332 | 408,686 |
| Notes | 879,858 | 1,190,942 |
| | | |
| Total assets | <u>\$ 106,880,880</u> | <u>\$ 99,978,210</u> |
| LIABILITIES | | |
| Accounts payable | 10,347 | 12,593 |
| Deferred revenue | 915,962 | 1,206,597 |
| | | |
| Total liabilities | <u>926,309</u> | <u>1,219,190</u> |
| FUND BALANCE | | |
| Restricted for investments | <u>105,954,571</u> | <u>98,759,020</u> |
| | | |
| Total liabilities and fund balance | <u>\$ 106,880,880</u> | <u>\$ 99,978,210</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, 2012
(With comparative totals for 2011)

| | Totals | |
|---|----------------|---------------|
| | 2012 | 2011 |
| Revenues | | |
| Investment earnings | \$ 10,179,538 | \$ 2,431,168 |
| Expenditures | | |
| Current | | |
| General government | 166,510 | 166,057 |
| Excess (deficiency) of revenues over expenditures | 10,013,028 | 2,265,111 |
| Other financing sources (uses) | | |
| Transfers in | 1,253,274 | 950,300 |
| Transfers out | (4,413,204) | (4,480,072) |
| Sale of capital assets | 342,453 | 17,175 |
| Total other financing sources (uses) | (2,817,477) | (3,512,597) |
| Net change in fund balance | 7,195,551 | (1,247,486) |
| Fund balance - beginning | 98,759,020 | 100,006,506 |
| Fund balance - ending | \$ 105,954,571 | \$ 98,759,020 |

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2012

(With comparative totals for 2011)

| | Totals | |
|-------------------------------------|---------------------|-------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Receivables | | |
| Accounts | \$ 1,293 | \$ - |
| Intergovernmental | 1,622,159 | 993,934 |
| | <hr/> | <hr/> |
| Total assets | <u>\$ 1,623,452</u> | <u>\$ 993,934</u> |
| | | |
| LIABILITIES | | |
| Accounts payable | 30 | 11 |
| Due to general fund | 1,623,422 | 993,923 |
| | <hr/> | <hr/> |
| Total liabilities | <u>1,623,452</u> | <u>993,934</u> |
| | | |
| FUND BALANCE | <hr/> | <hr/> |
| | - | - |
| | <hr/> | <hr/> |
| Total liabilities and fund balances | <u>\$ 1,623,452</u> | <u>\$ 993,934</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, 2012
(With comparative totals for 2011)

| | Totals | |
|---|---------------|--------------|
| | 2012 | 2011 |
| Revenues | | |
| Intergovernmental | \$ 6,875,157 | \$ 6,704,287 |
| Other | 188,189 | 44,988 |
| | 7,063,346 | 6,749,275 |
| Expenditures | | |
| Current | | |
| General government | 93,442 | 27,489 |
| Public safety | 1,834,218 | 2,281,475 |
| Public works | 2,469,007 | 3,865,649 |
| Capital outlay | | |
| General government | 188,975 | 50,600 |
| Public safety | 600,560 | 119,780 |
| Public works | 1,877,144 | 404,282 |
| | 7,063,346 | 6,749,275 |
| 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, 2012

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Other Governmental Funds</u> |
|--------------------------------------|----------------------------|-----------------------------|---|
| ASSETS | | | |
| Equity in central treasury | \$ - | 5,782,621 | 5,782,621 |
| Restricted cash and cash equivalents | <u>66,317</u> | <u>-</u> | <u>66,317</u> |
| Total assets | <u>\$ 66,317</u> | <u>5,782,621</u> | <u>5,848,938</u> |
| LIABILITIES | | | |
| Accounts payable | - | 2,170 | 2,170 |
| FUND BALANCES | | | |
| Restricted | 66,317 | - | 66,317 |
| Assigned | <u>-</u> | <u>5,780,451</u> | <u>5,780,451</u> |
| Total fund balances | <u>66,317</u> | <u>5,780,451</u> | <u>5,846,768</u> |
| Total liabilities and fund balances | <u>\$ 66,317</u> | <u>5,782,621</u> | <u>5,848,938</u> |

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2012

| | Special Revenue | Capital Projects | Total Other Governmental Funds |
|---|----------------------------|-----------------------------|---|
| Revenues | | | |
| Intergovernmental | \$ 11,359 | - | 11,359 |
| Investment earnings | 31 | - | 31 |
| Asset replacement and repair charges | - | 995,000 | 995,000 |
| Total revenues | 11,390 | 995,000 | 1,006,390 |
| Expenditures | | | |
| Current | | | |
| General government | 137,308 | 212,782 | 350,090 |
| Public safety | 49,919 | 27,781 | 77,700 |
| Public works | - | 656,053 | 656,053 |
| Capital outlay | | | |
| General government | - | 41,881 | 41,881 |
| Public safety | - | 53,023 | 53,023 |
| Public works | - | 1,360,518 | 1,360,518 |
| Total expenditures | 187,227 | 2,352,038 | 2,539,265 |
| Excess (deficiency) of revenues over expenditures | <u>(175,837)</u> | <u>(1,357,038)</u> | <u>(1,532,875)</u> |
| Other financing sources | | | |
| Transfers in | - | 2,702,412 | 2,702,412 |
| Total other financing sources (uses) | <u>-</u> | <u>2,702,412</u> | <u>2,702,412</u> |
| Net change in fund balances | (175,837) | 1,345,374 | 1,169,537 |
| Fund balances - beginning | 242,154 | 4,435,077 | 4,677,231 |
| Fund balances - ending | <u>\$ 66,317</u> | <u>5,780,451</u> | <u>5,846,768</u> |



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 held investments to help finance the operations of the community development center. During 2012, all funds held were transferred to the Interdenominational Ministerial Alliance of Fairbanks in accordance with Ordinance 5850, as Amended.

Asset Forfeiture Fund

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

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Funds
 Balance Sheet
 December 31, 2012

| | JP Jones Investment | Asset Forfeiture | Total |
|--------------------------------------|--------------------------------|-------------------------|--------------|
| ASSETS | | | |
| Restricted cash and cash equivalents | \$ - | 66,317 | 66,317 |
| FUND BALANCES | | | |
| Restricted | \$ - | 66,317 | 66,317 |

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2012

| | <u>JP Jones Investment</u> | <u>Asset Forfeiture</u> | <u>Total</u> |
|---|--------------------------------|-------------------------|------------------|
| Revenues | | | |
| Intergovernmental | \$ - | 11,359 | 11,359 |
| Interest | 10 | 21 | 31 |
| | <u>10</u> | <u>11,380</u> | <u>11,390</u> |
| Total revenues | | | |
| Expenditures | | | |
| Current | | | |
| Interest earnings paid to JP Jones | 137,308 | - | 137,308 |
| Public safety | - | 49,919 | 49,919 |
| Total expenditures | <u>137,308</u> | <u>49,919</u> | <u>187,227</u> |
| Excess (deficiency) of revenues over expenditures | <u>(137,298)</u> | <u>(38,539)</u> | <u>(175,837)</u> |
| Net change in fund balances | (137,298) | (38,539) | (175,837) |
| Fund balances - beginning | <u>137,298</u> | <u>104,856</u> | <u>242,154</u> |
| Fund balances - ending | <u>\$ -</u> | <u>66,317</u> | <u>66,317</u> |



NONMAJOR CAPITAL PROJECTS FUND

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

Capital Fund

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

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Balance Sheet

December 31, 2012

ASSETS

Equity in central treasury \$ 5,782,621

LIABILITIES

Accounts payable 2,170

FUND BALANCE

Assigned 5,780,451

Total liabilities and fund balance \$ 5,782,621

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2012

Revenues

Asset replacement and repair charges \$ 995,000

Expenditures

Current

General government 212,782

Public safety 27,781

Public works 656,053

Capital outlay

General government 41,881

Public safety 53,023

Public works 1,360,518

Total expenditures 2,352,038

Excess (deficiency) of revenues over expenditures (1,357,038)

Other financing sources (uses)

Transfers in 2,702,412

Total other financing sources (uses) 2,702,412

Net change in fund balance 1,345,374

Fund balance - beginning 4,435,077

Fund balance - ending \$ 5,780,451

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, 2012

| | <u>Final Budgeted Amounts</u> | <u>Actual on Budgetary Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------------------|--|---|
| Revenues | | | |
| Inter-departmental charges | \$ 1,045,000 | 995,000 | (50,000) |
| Expenditures | | | |
| Capital outlay | | | |
| General government | 394,838 | 39,746 | 355,092 |
| Public safety | 479,876 | 317,942 | 161,934 |
| Public works | 2,379,603 | 1,996,737 | 382,866 |
| Total expenditures | <u>3,254,317</u> | <u>2,354,425</u> | <u>899,892</u> |
| Deficiency of revenues over expenditures | <u>(2,209,317)</u> | <u>(1,359,425)</u> | <u>949,892</u> |
| Other financing sources (uses) | | | |
| Transfers in | <u>2,678,168</u> | <u>2,702,412</u> | <u>24,244</u> |
| Total other financing sources (uses) | <u>2,678,168</u> | <u>2,702,412</u> | <u>24,244</u> |
| Net change in fund balances | <u>\$ 468,851</u> | <u>1,342,987</u> | <u>874,136</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

2,387

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

\$ 1,345,374

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, 2012

| | Fair Value of Cash Invested | Deposits and Cash on Hand | Total |
|---|-----------------------------------|---------------------------------|--------------------|
| Change and petty cash funds | \$ - | \$ 11,250 | \$ 11,250 |
| KeyBank | - | 2,221,060 | 2,221,060 |
| Mt. McKinley Bank | - | 1,263,477 | 1,263,477 |
| Northrim Bank | - | 59,471 | 59,471 |
| Key Trust | | | |
| U.S. securities and agencies | 18,142,904 | - | 18,142,904 |
| Equity mutual funds | 51,471,548 | - | 51,471,548 |
| Fixed income mutual fund | 2,592,010 | - | 2,592,010 |
| Corporate bonds | 28,030,697 | - | 28,030,697 |
| Foreign bonds | 4,760,717 | - | 4,760,717 |
| Alaska Municipal League Investment Pool | 15,304,681 | - | 15,304,681 |
| Total cash and investments | \$ 120,302,557 | \$ 3,555,258 | \$ 123,857,815 |
| Reconciliation of cash and investments to governmental and proprietary funds | | | |
| Governmental funds | | | |
| Equity in central treasury | | | \$ 16,249,895 |
| Restricted cash and cash equivalents | | | 626,230 |
| Restricted investments | | | 104,997,877 |
| Total governmental funds | | | 121,874,002 |
| Proprietary funds | | | |
| Enterprise funds | | | |
| Equity in central treasury | | | 171,962 |
| Internal service fund | | | |
| Equity in central treasury | | | 1,811,851 |
| Total proprietary funds | | | 1,983,813 |
| Total cash and investments | | | \$ 123,857,815 |

CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Bonded Debt - All Funds
 December 31, 2012

| | <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>2012 Outstanding</u> | <u>2012 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 | \$ 6,615,000 | \$ 855,000 | \$ 55,190 |

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2012

Equity Securities

| | |
|--|---------------------|
| Fair value at December 31, 2012 | \$ 51,471,548 |
| Add cost of investments sold in 2012 | 12,658,240 |
| Less cost of investments purchased in 2012 | (9,509,457) |
| Less fair value at December 31, 2011 | <u>(48,306,738)</u> |
| Change in fair value of equity investments | <u>6,313,593</u> |

Fixed-Income Securities

| | |
|--|---------------------|
| Fair value at December 31, 2012 | 53,526,329 |
| Add cost of investments sold in 2012 | 15,626,281 |
| Less cost of investments purchased in 2012 | (19,664,346) |
| Less fair value at December 31, 2011 | <u>(48,907,802)</u> |
| Change in fair value of fixed-income investments | <u>580,462</u> |

| | |
|---|---------------------|
| Total change in fair value of investments | <u>\$ 6,894,055</u> |
|---|---------------------|

STATISTICAL SECTION

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

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 Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

| | Fiscal Year | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Governmental activities | | | | |
| Net investment in capital assets | \$ 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 position | <u>\$ 295,750,041</u> | <u>\$ 293,375,612</u> | <u>\$ 279,151,202</u> | <u>\$ 251,552,446</u> |
| Business-type activities | | | | |
| Net investment in capital assets | \$ 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 position | <u>\$ 12,008,019</u> | <u>\$ 11,502,637</u> | <u>\$ 10,975,009</u> | <u>\$ 10,425,013</u> |
| Primary government | | | | |
| Net investment in capital assets | \$ 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 position | <u>\$ 307,758,060</u> | <u>\$ 304,878,249</u> | <u>\$ 290,126,211</u> | <u>\$ 261,977,459</u> |

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 134,158,187 | \$ 133,654,529 | \$ 124,732,269 | \$ 118,868,255 | \$ 114,439,424 | \$ 108,299,354 |
| 110,063,456 | 85,671,713 | 91,962,459 | 100,016,447 | 98,863,876 | 106,020,888 |
| <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>23,083,794</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> | <u>\$ 237,404,036</u> |
| | | | | | |
| \$ 9,301,982 | \$ 8,874,961 | \$ 8,446,799 | \$ 8,087,929 | \$ 7,670,987 | \$ 9,080,636 |
| - | - | - | - | - | - |
| <u>92,000</u> | <u>78,687</u> | <u>79,419</u> | <u>39,971</u> | <u>1,953,252</u> | <u>-</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> | <u>\$ 9,080,636</u> |
| | | | | | |
| \$ 143,460,169 | \$ 142,529,490 | \$ 133,179,068 | \$ 126,956,184 | \$ 122,110,411 | \$ 117,379,990 |
| 110,063,456 | 85,671,713 | 91,962,459 | 100,016,447 | 98,863,876 | 106,020,888 |
| <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>23,083,794</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> | <u>\$ 246,484,672</u> |

CITY OF FAIRBANKS, ALASKA

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

| EXPENSES | Fiscal Year | | | |
|---|---------------|---------------|---------------|--------------------|
| | 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 | 39,648,703 | 41,127,457 | 51,402,733 | 47,885,640 |
| <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 | 894,377 | 889,290 | 852,393 | 883,121 |
| Total primary government expenses | \$ 40,543,080 | \$ 42,016,747 | \$ 52,255,126 | \$ 48,768,761 |
| 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 | 7,023,597 | 12,860,129 | 17,318,500 | 13,608,383 |
| <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 | 588,061 | 547,214 | 520,712 | 562,265 |
| Total primary government | \$ 7,611,658 | \$ 13,407,343 | \$ 17,839,212 | \$ 14,170,648 |

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 22,594,438 | \$ 23,273,670 | \$ 20,321,564 | \$ 17,744,737 | \$ 18,119,261 | \$ 19,777,837 |
| 17,030,460 | 16,276,165 | 16,875,480 | 17,079,301 | 17,230,789 | 17,473,736 |
| 7,602,159 | 8,874,555 | 9,277,145 | 12,001,873 | 11,484,960 | 11,179,444 |
| 607,066 | 623,616 | 580,013 | 618,059 | 641,468 | 653,783 |
| 393,395 | 346,645 | 297,620 | 246,320 | 195,570 | 55,190 |
| <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> | <u>49,139,990</u> |
| 385,442 | 312,607 | 312,607 | 295,803 | 295,803 | 260,098 |
| 531,759 | 557,147 | 520,108 | 593,308 | 523,742 | 484,643 |
| <u>917,201</u> | <u>869,754</u> | <u>832,715</u> | <u>889,111</u> | <u>819,545</u> | <u>744,741</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> | <u>\$ 49,884,731</u> |
| | | | | | |
| \$ 209,694 | \$ 1,863,445 | \$ 1,705,629 | \$ 1,949,147 | \$ 1,920,916 | \$ 1,222,012 |
| 2,490,598 | 2,902,062 | 2,790,139 | 2,928,498 | 2,947,032 | 3,085,975 |
| 1,472,602 | 1,527,349 | 1,678,645 | 1,490,336 | 1,599,410 | 1,804,586 |
| 1,174,600 | 765,310 | 810,814 | 596,717 | 871,644 | 916,972 |
| 5,372,484 | 6,398,067 | 3,336,122 | 1,939,065 | 7,297,799 | 5,638,466 |
| 5,590,651 | 12,521,293 | 6,165,773 | 8,471,559 | 2,169,152 | 5,514,809 |
| <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> | <u>18,182,820</u> |
| 396,900 | 396,900 | 396,900 | 396,900 | 396,900 | 396,900 |
| 221,440 | 228,858 | 204,977 | 218,717 | 197,345 | 201,061 |
| - | - | 159 | - | - | - |
| <u>618,340</u> | <u>625,758</u> | <u>602,036</u> | <u>615,617</u> | <u>594,245</u> | <u>597,961</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> | <u>\$ 18,780,781</u> |

CITY OF FAIRBANKS, ALASKA

Changes in Net Position
Last Ten 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 POSITION | | | | |
| <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 POSITION | | | | |
| <i>Governmental activities</i> | \$ (7,592,682) - | \$ (6,076,933) | \$ (14,224,410) | \$ (4,452,763) |
| <i>Business-type activities</i> | <u>(490,573) -</u> | <u>(505,382)</u> | <u>(527,628)</u> | <u>(549,996)</u> |
| Total primary government | <u>\$ (8,083,255) -</u> | <u>\$ (6,582,315)</u> | <u>\$ (14,752,038)</u> | <u>\$ (5,002,759)</u> |

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ (31,916,889) | \$ (23,417,125) | \$ (30,864,700) | \$ (30,314,968) | \$ (30,866,095) | \$ (30,957,170) |
| <u>(298,861)</u> | <u>(243,996)</u> | <u>(230,679)</u> | <u>(273,494)</u> | <u>(225,300)</u> | <u>(146,780)</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> | <u>\$ (31,103,950)</u> |
| | | | | | |
| \$ 12,606,799 | \$ 12,316,767 | \$ 12,724,692 | \$ 14,107,284 | \$ 14,047,318 | \$ 14,109,307 |
| 2,685,417 | 2,750,491 | 2,364,118 | 2,518,545 | 2,476,320 | 2,504,130 |
| 1,534,542 | 1,542,355 | 1,657,726 | 1,919,076 | 2,117,465 | 2,126,694 |
| 625,209 | 620,617 | 748,492 | 917,461 | 937,129 | 934,351 |
| 1,716,251 | 1,938,769 | 1,850,338 | 1,938,054 | 2,908,426 | 2,935,794 |
| 6,591,339 | (20,549,751) | 10,710,219 | 10,756,324 | 2,431,203 | 10,179,570 |
| 182,885 | 479,648 | 223,240 | 181,612 | 147,689 | 195,278 |
| 807,699 | - | - | - | - | - |
| 220,072 | 203,820 | 202,531 | 1,947,661 | 418,540 | 23,090 |
| - | 14,809,070 | - | - | - | - |
| 580,792 | 196,900 | 196,900 | 196,900 | (1,721,531) | 396,900 |
| <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> | <u>33,405,114</u> |
| | | | | | |
| - | 562 | 149 | - | 108 | 77 |
| (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>(396,900)</u> |
| <u>(732,170)</u> | <u>(196,338)</u> | <u>(196,751)</u> | <u>(124,824)</u> | <u>1,721,639</u> | <u>(396,823)</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> | <u>\$ 33,008,291</u> |
| | | | | | |
| \$ (4,365,884) | \$ (9,108,439) | \$ (186,444) | \$ 4,167,949 | \$ (7,103,536) | \$ 2,447,944 |
| <u>(1,031,031)</u> | <u>(440,334)</u> | <u>(427,430)</u> | <u>(398,318)</u> | <u>1,496,339</u> | <u>(543,603)</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> | <u>\$ 1,904,341</u> |

CITY OF FAIRBANKS, ALASKA
Fund Balances, Governmental Funds
Last Ten 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 | | | | |
| Permenanent funds | - | - | - | - |
| Special revenue funds | - | - | - | - |
| Assigned | | | | |
| Capital projects funds | - | - | - | - |
| 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 | 2012 |
|-----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| \$ 611,282 | \$ 534,862 | \$ 845,087 | \$ 752,332 | \$ - | \$ - |
| 7,477,759 | 8,814,262 | 10,404,015 | 12,032,831 | - | - |
| - | - | - | - | 403,799 | 394,735 |
| - | - | - | - | - | - |
| - | - | - | - | 250,000 | 250,000 |
| - | - | - | - | 823,233 | 891,376 |
| - | - | - | - | 9,515,887 | 10,492,755 |
| <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> | <u>\$ 12,028,866</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 | 105,954,571 |
| - | - | - | - | 104,856 | 66,317 |
| - | - | - | - | 4,435,077 | 5,780,451 |
| - | - | - | - | 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> | <u>\$ 111,801,339</u> |

CITY OF FAIRBANKS, ALASKA
Changes in Fund Balances, Governmental Funds
Last Ten 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 | 31,463,520 | 34,601,800 | 36,798,951 | 43,258,403 |
| 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 | 24,323,804 | 35,130,004 | 41,142,985 | 35,738,007 |
| 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) | 4,239,236 | 6,033,318 | 1,205,903 | 802,201 |
| Net change in fund balances | \$ 11,378,952 | \$ 5,505,114 | \$ (3,138,131) | \$ 8,322,597 |
| Capitalized expenditures | \$ 1,531,395 | \$ 10,107,575 | \$ 12,071,710 | \$ 4,197,548 |
| Debt service as a percentage of noncapital expenditures | 3.10% | 6.18% | 5.41% | 4.97% |

| | | Fiscal Year | | | | | | | | | |
|----|-------------------|-------------|---------------------|------|-------------------|------|-------------------|----|--------------------|----|-------------------|
| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | | | | |
| \$ | 17,440,429 | \$ | 17,259,751 | \$ | 17,502,079 | \$ | 19,463,078 | \$ | 19,578,233 | \$ | 19,674,483 |
| | 4,079,347 | | 5,328,989 | | 5,783,500 | | 3,968,793 | | 4,135,457 | | 4,739,263 |
| | 10,652,776 | | 14,361,608 | | 8,741,524 | | 11,675,023 | | 11,603,423 | | 11,883,068 |
| | 1,550,998 | | 1,571,840 | | 1,767,207 | | 1,469,761 | | 1,835,062 | | 1,985,385 |
| | 878,889 | | 990,800 | | 854,260 | | 895,650 | | 1,076,167 | | 1,061,959 |
| | 17,917 | | 12,162 | | 64,382 | | 4,878 | | 6,975 | | 4,416 |
| | 6,194,223 | | (20,549,751) | | 10,710,958 | | 10,756,343 | | 2,431,202 | | 10,179,569 |
| | 1,870,313 | | 2,161,822 | | 1,781,787 | | 1,806,320 | | 1,598,932 | | 2,044,516 |
| | <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> | | <u>51,572,659</u> |
| | 12,853,392 | | 13,020,533 | | 8,997,667 | | 9,998,624 | | 10,580,853 | | 10,508,964 |
| | 12,694,343 | | 14,437,113 | | 14,519,135 | | 15,801,264 | | 16,055,925 | | 16,230,668 |
| | 6,381,213 | | 7,636,407 | | 7,739,414 | | 11,287,376 | | 10,911,650 | | 10,654,648 |
| | 607,066 | | 623,616 | | 580,013 | | 618,059 | | 637,456 | | 643,830 |
| | 4,712,401 | | 7,614,509 | | 5,701,742 | | 2,532,930 | | 1,879,300 | | 4,196,815 |
| | 1,175,000 | | 1,230,000 | | 1,280,000 | | 1,325,000 | | 1,380,000 | | 830,000 |
| | 393,395 | | 346,645 | | 297,620 | | 246,320 | | 195,570 | | 55,190 |
| | - | | - | | - | | - | | 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> | | <u>43,120,115</u> |
| | 6,976,461 | | 8,505,516 | | 6,047,025 | | 8,535,857 | | 6,468,415 | | 7,878,534 |
| | (6,395,669) | | (8,308,616) | | (5,850,125) | | (8,338,957) | | (8,189,946) | | (7,481,634) |
| | 1,351,569 | | 745,323 | | 28,603 | | 1,653,250 | | 491,514 | | 551,591 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - | | - |
| | <u>1,932,361</u> | | <u>942,223</u> | | <u>225,503</u> | | <u>1,850,150</u> | | <u>(1,230,017)</u> | | <u>948,491</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>9,401,035</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> | \$ | <u>4,196,815</u> |
| | 4.47% | | 4.53% | | 4.57% | | 4.00% | | 8.74% | | 2.27% |

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 |
|----------------|-------------------------|------------------------|------------------------|--------------|----------------|
| 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 |
| 2012 | 1,154,537,084 | 910,205,860 | 495,876,175 | 1,429,270 | 78,835,765 |

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 2003-2005 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> |
|-----------------|---------------|----------------------------|---------------------------------|-------------------------------|------------------------------|
| | | \$ 1,449,755,340 | \$ 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 |
| 18,582,830 | 7,652,000 | 2,667,118,984 | 214,320,664 | 2,452,798,320 | 5.734 |

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

| Fiscal Year | Direct City Rates | | | | Overlapping Rates | Total |
|-------------|-------------------|--------------------|------------|--------------|--------------------------------|--------|
| | Debt Service | Claims & Judgments | Operations | Total Direct | Fairbanks North Star Borough * | |
| 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 |
| 2012 | 0.284 | 0.550 | 4.900 | 5.734 | 11.216 | 16.950 |

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, 2012
Current Year and Ten Years Ago

| Taxpayer | 2012 Assessed Valuation | Rank | Percentage of Total Assessed Valuation ^(a) | 2003 Assessed Valuation | Rank | Percentage of Total Assessed Valuation ^(b) |
|---|----------------------------|------|---|----------------------------|------|---|
| Doyon Utilities | \$ 244,314,732 | 1 | 9.16% | | | |
| Fred Meyer Stores | 51,729,682 | 2 | 1.94% | | | |
| Wal-Mart Stores Inc. | 33,523,184 | 3 | 1.26% | | | |
| Westmark Hotel | 33,251,338 | 4 | 1.25% | | | |
| Bentley Mall | 24,566,602 | 5 | 0.92% | \$ 21,098,310 | 4 | 1.46% |
| Jillian Square Apartments LLC | 21,813,917 | 6 | 0.82% | 17,875,887 | 5 | 1.23% |
| Wal-Mart - Sam's Club | 19,583,840 | 7 | 0.73% | 14,147,466 | 8 | 0.98% |
| Sophie Plaza | 19,062,810 | 8 | 0.71% | 12,040,835 | 10 | 0.83% |
| Tanana Clinic | 19,061,569 | 9 | 0.71% | | | |
| Lowe's | 15,762,723 | 10 | 0.59% | | | |
| Alaska Communication Systems | | | | 17,672,269 | 6 | 1.22% |
| North Star Alaska Housing Corp. - Wainwright | | | | 24,394,131 | 2 | 1.68% |
| Home Depot | | | | 15,051,678 | 7 | 1.04% |
| Fountainhead Development Inc. | | | | 45,529,153 | 1 | 3.14% |
| Doyon Limited | | | | 22,298,716 | 3 | 1.54% |
| Gavora Incorporated | | | | 12,751,592 | 9 | 0.88% |
| | \$ 482,670,397 | | 18.11% | \$ 202,860,037 | | 14.00% |

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) \$2,667,118,984

^(b) \$1,449,755,340

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 |
| 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% | 210,857 | 10,338,994 | 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% | 334,915 | 12,573,884 | 99.94% |
| 2008 | 12,372,632 | 11,844,752 | 95.73% | 397,436 | 12,242,188 | 98.95% |
| 2009 | 12,849,334 | 12,385,454 | 96.39% | 301,694 | 12,687,148 | 98.74% |
| 2010 | 14,035,430 | 13,696,885 | 97.59% | 230,184 | 13,927,069 | 99.23% |
| 2011 | 14,098,558 | 13,668,914 | 96.95% | 240,348 | 13,909,262 | 98.66% |
| 2012 | 14,063,990 | 13,585,718 | 96.60% | N/A | 13,585,718 | 96.60% |

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 | | | |
| 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% | 248 |
| 2011 | 1,685,000 | - | 637,830 | 1,870,000 | 4,192,830 | 0.34% | 137 |
| 2012 | 855,000 | - | 602,395 | - | 1,457,395 | 0.11% | 45 |

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

General Bonded Debt Outstanding

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Cash With Fiscal Agents</u> | <u>Net General Bonded Debt</u> | <u>Assessed Value^(a)</u> | <u>Population^(b)</u> | <u>Net Bonded Debt to Assessed Value</u> | <u>Net Debt Per Capita</u> |
|--------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------------|---------------------------------|--|----------------------------|
| 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 | 31,450 | 0.33% | 239 |
| 2009 | 6,280,000 | - | 6,280,000 | 2,370,054,282 | 32,506 | 0.26% | 193 |
| 2010 | 4,955,000 | - | 4,955,000 | 2,624,979,490 | 31,535 | 0.19% | 157 |
| 2011 | 1,685,000 | - | 1,685,000 | 2,623,562,254 | 30,547 | 0.06% | 55 |
| 2012 | 855,000 | - | 855,000 | 2,667,118,984 | 32,070 | 0.03% | 27 |

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, 2012

| Jurisdiction | Net Debt Outstanding | Percentage Applicable to the City of Fairbanks ^(a) | Amount Applicable to the City of Fairbanks |
|------------------------------|-------------------------|--|---|
| City of Fairbanks | \$ 855,000 | 100.00% | \$ 855,000 |
| Fairbanks North Star Borough | 115,995,000 | 31.07% | <u>36,037,525</u> |
| | | | <u>\$ 36,892,525</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 | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Debt limit | \$ 204,747,291 | \$ 219,776,079 | \$ 239,002,164 | \$ 263,456,598 | \$ 289,338,351 |
| Total debt applicable to limit | <u>5,730,000</u> | <u>12,160,000</u> | <u>11,095,000</u> | <u>9,965,000</u> | <u>8,790,000</u> |
| Legal debt margin | <u>\$ 199,017,291</u> | <u>\$ 207,616,079</u> | <u>\$ 227,907,164</u> | <u>\$ 253,491,598</u> | <u>\$ 280,548,351</u> |
| Total debt applicable to limit as a percentage of debt limit | 2.80% | 5.53% | 4.64% | 3.78% | 3.04% |

| | Fiscal Year | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Debt limit | \$ 315,221,249 | \$ 336,781,763 | \$ 362,956,558 | \$ 380,929,801 | \$ 364,302,182 |
| Total debt applicable to limit | <u>7,560,000</u> | <u>6,280,000</u> | <u>4,955,000</u> | <u>1,685,000</u> | <u>855,000</u> |
| Legal debt margin | <u>\$ 307,661,249</u> | <u>\$ 330,501,763</u> | <u>\$ 358,001,558</u> | <u>\$ 379,244,801</u> | <u>\$ 363,447,182</u> |
| Total debt applicable to limit as a percentage of debt limit | 2.40% | 1.86% | 1.37% | 0.44% | 0.23% |

Computation of current year debt limit

| | |
|---|-------------------------|
| Assessed valuation 2010 | \$ 2,420,240,995 |
| Assessed valuation 2011 | 2,413,004,325 |
| Assessed valuation 2012 | <u>2,452,798,320</u> |
| Total three year assessed valuation | <u>\$ 7,286,043,640</u> |
| Divided by three; average assessed value | <u>\$ 2,428,681,213</u> |
| 15% of average assessed value; Debt limit | \$ 364,302,182 |
| General obligation bonds outstanding | <u>855,000</u> |
| Legal debt margin | <u>\$ 363,447,182</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) |
|------|---------------------------|--|-----------------------------------|-------------------------------------|
| 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% |
| 2012 | 32,070 | 42,626 | 1,367,015,820 | 6.3% |

Sources:

- ^(a) Fairbanks North Star Borough (FNSB) Community Research Quarterly Winter 2012 Edition.
- ^(b) U.S. Department of Commerce Bureau of Economic Analysis. Data for calendar years 2012 is not readily available. Statistics for calendar year 2012 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, 2012

| 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 2012. 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 2012. 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 Ten Fiscal Years

| Function/Program | Full-time Equivalent Employees as of December 31 | | | |
|-----------------------------|--|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 |
| General Government | | | | |
| Mayor | 5.00 | 5.00 | 5.00 | 6.00 |
| City attorney | 4.00 | 4.00 | 3.00 | 2.50 |
| City clerk | 3.00 | 2.00 | 2.00 | 2.00 |
| Finance | 6.50 | 6.00 | 6.00 | 7.00 |
| Information systems | 5.00 | 4.75 | 4.00 | 5.00 |
| Public Safety | | | | |
| Police | | | | |
| Administration | 4.00 | 5.50 | 5.50 | 5.50 |
| Investigations | 4.00 | 5.00 | 5.00 | 5.00 |
| Patrol | 38.00 | 34.00 | 34.00 | 36.00 |
| Dispatch | 12.00 | 12.00 | 13.00 | 15.00 |
| Fire | | | | |
| Administration | 4.00 | 4.00 | 4.00 | 4.00 |
| Suppression | 37.00 | 35.00 | 36.00 | 36.00 |
| Police Corp | 2.00 | 2.00 | 1.00 | 0.00 |
| Homeland Security | 1.00 | 1.00 | 0.00 | 0.00 |
| Public Works | | | | |
| Works | 35.00 | 32.50 | 32.50 | 32.50 |
| Engineering | 8.50 | 9.00 | 9.00 | 9.00 |
| FMATS | 0.00 | 0.00 | 0.00 | 0.00 |
| Building Inspections | <u>6.25</u> | <u>6.25</u> | <u>6.25</u> | <u>6.75</u> |
| Total | <u>175.25</u> | <u>168.00</u> | <u>166.25</u> | <u>172.25</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> | <u>2012</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 5.00 | 6.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 7.50 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| 5.00 | 5.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| 5.50 | 5.50 | 5.50 | 6.00 | 5.50 | 6.50 |
| 3.00 | 6.00 | 6.00 | 6.00 | 6.00 | 7.00 |
| 39.00 | 40.00 | 40.00 | 43.00 | 41.38 | 38.00 |
| 16.00 | 18.00 | 18.00 | 18.00 | 18.00 | 18.00 |
| 4.00 | 4.00 | 5.00 | 5.00 | 5.00 | 4.00 |
| 37.00 | 36.00 | 39.00 | 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 | 0.00 | 0.00 |
| 33.50 | 33.20 | 33.50 | 32.20 | 33.70 | 38.00 |
| 11.00 | 12.30 | 10.30 | 10.30 | 12.05 | 12.00 |
| 0.00 | 0.00 | 2.00 | 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>7.00</u> |
| <u>178.50</u> | <u>186.00</u> | <u>189.80</u> | <u>192.00</u> | <u>193.21</u> | <u>196.00</u> |

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

| Function/Program | Fiscal Year | | | |
|---|---------------|---------------|---------------|---------------|
| | 2003 | 2004 | 2005 | 2006 |
| General Government | | | | |
| Annual final operating budget | \$ 24,512,475 | \$ 23,313,804 | \$ 25,307,801 | \$ 27,991,203 |
| Public Safety | | | | |
| Police and Dispatch | | | | |
| Number of law enforcement calls | 25,002 | 28,777 | 26,564 | 29,058 |
| Number of E-911 calls ^{(c) (d)} | 32,219 | 33,746 | 35,005 | 36,070 |
| Number of Dispatch Service calls ^(e) | - | - | - | - |
| Number of major crimes ^(f) | 3,502 | 3,163 | 3,313 | 2,796 |
| Number of physical arrests | 1,622 | 1,394 | 1,903 | 2,217 |
| Number of traffic citations | 3,983 | 1,838 | 3,342 | 5,762 |
| Fire | | | | |
| Number of fire calls | 796 | 846 | 773 | 803 |
| Number of emergency medical service calls | 2,717 | 2,982 | 2,931 | 2,938 |
| Public Works | | | | |
| Works | | | | |
| Refuse collected (tons) | 5,838 | 5,999 | 6,210 | 5,990 |
| Patching (tons) ^(a) | - | - | 3,428 | 2,462 |
| Snow removal (cubic yards) ^(b) | 235,183 | 484,091 | 209,615 | 169,067 |
| Sand (tons spread) ^(b) | - | 6,237 | 8,884 | 3,232 |
| Building Inspections | | | | |
| Number of permits issued | 1,053 | 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. 2003 numbers are for the 2003/2004 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 | 2012 |
| \$ 29,821,840 | \$ 32,011,673 | \$ 32,428,579 | \$ 31,134,677 | \$ 34,747,137 | \$ 33,037,424 |
| 29,581 | 27,974 | 30,569 | 31,541 | 41,734 | 30,907 |
| 115,900 | 117,078 | 121,194 | 121,194 | 43,626 | 46,165 |
| - | - | - | - | 53,508 | 65,068 |
| 2,411 | 2,138 | 2,346 | 2,622 | 2,124 | 2,093 |
| 1,791 | 2,060 | 2,217 | 3,307 | 2,549 | 1,619 |
| 4,315 | 4,130 | 4,295 | 3,919 | 4,303 | 4,060 |
| 838 | 834 | 907 | 846 | 730 | 807 |
| 3,251 | 3,352 | 3,323 | 3,535 | 3,222 | 3,223 |
| 6,243 | 6,087 | 5,893 | 5,776 | 5,100 | 5,510 |
| 2,677 | 4,132 | 3,299 | 2,260 | 3,110 | 1,520 |
| 224,525 | 410,480 | 375,305 | 172,393 | 275,310 | 528,640 |
| 2,704 | 2,756 | 2,839 | 2,005 | 3,049 | 2,481 |
| 1,032 | 891 | 917 | 868 | 990 | 1,023 |

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

| Function/Program | Fiscal Year | | | |
|-------------------------------|-------------|--------|--------|--------|
| | 2003 | 2004 | 2005 | 2006 |
| General Government | | | | |
| Administration square footage | 64,000 | 64,000 | 64,000 | 64,000 |
| Public Safety | | | | |
| Police | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Vehicles | 53 | 57 | 62 | 57 |
| Fire | | | | |
| Stations | | | | |
| Manned | 2 | 2 | 2 | 2 |
| Unmanned | 1 | 1 | 1 | 1 |
| Emergency response vehicles | 21 | 22 | 25 | 20 |
| Public Works | | | | |
| Works | | | | |
| Refuse trucks | 4 | 6 | 6 | 7 |

Sources: Various City departments.

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 64,000 | 64,000 | 64,000 | 64,000 | 64,000 | 65,000 |
| 1 58 | 1 62 | 1 68 | 1 68 | 1 66 | 1 59 |
| 2 - 16 | 2 - 17 | 2 - 17 | 2 - 17 | 2 - 19 | 2 - 22 |
| 8 | 8 | 8 | 8 | 10 | 9 |



SINGLE AUDIT SECTION

Reports on Federal and State Single Audit Requirements



FEDERAL SINGLE AUDIT





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements and have issued our report thereon dated May 03, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fairbanks, Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairbanks, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairbanks, Alaska's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

May 03, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *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, 2012. The City of Fairbanks, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fairbanks, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Fairbanks, Alaska's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Fairbanks, Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Fairbanks, Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



May 03, 2013



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| U.S. DEPARTMENT OF INTERIOR | | | |
| Passed through Program from: | | | |
| Alaska Department of Natural Resources FFY11 Historic Preservation Fund | 15.904 | 02-11-31908 | \$ 15,667 |
| Total U.S. Department of Interior | | | 15,667 |
| U.S. DEPARTMENT OF JUSTICE | | | |
| JAG Program Cluster | | | |
| Direct Programs | | | |
| Bureau of Justice Assistance | | | |
| FY2010 Edward Byrne Memorial Justice Assistance Grant | 16.738 | | 13,552 |
| FY2011 Edward Byrne Memorial Justice Assistance Grant | 16.738 | | 53,858 |
| FY2012 Edward Byrne Memorial Justice Assistance Grant | 16.738 | | 25,152 |
| Recovery Act Edward Byrne Memorial Justice Assistance Grant | 16.804 | | 21,882 |
| Passed through Programs from: | | | |
| Alaska Department of Public Safety FY2011 Edward Byrne Memorial Justice Assistance Grant | 16.738 | | 26,952 |
| Total JAG Program Cluster | | | 141,396 |
| Direct Programs | | | |
| Office of Justice Programs | | | |
| Bulletproof Vest Program | 16.607 | | 3,412 |
| Community Oriented Policing Services | | | |
| COPS Technology Grant # 2007CKWX0022 | 16.710 | | 359,835 |
| Recovery Act COPS Hiring Recovery Program | 16.710 | | 184,233 |
| Department of Justice | | | |
| Equitable Sharing Program | 16.922 | | 49,919 |
| Passed through Program from: | | | |
| Alaska Department of Public Safety FY2012 Edward Byrne Memorial Justice Assistance Grant | 16.579 | | 20,400 |
| Total U.S. Department of Justice | | | 759,195 |
| U. S. DEPARTMENT OF TRANSPORTATION | | | |
| Highway Planning and Construction Cluster | | | |
| Passed through Programs from: | | | |
| Alaska Department of Transportation and Public Facilities | | | |
| Curb Upgrade Project | 20.205 | CM-0002(234) | 24,401 |
| Gillam Way Upgrade | 20.205 | STP-0655 (12) | 273 |
| Illinois Street Reconstruction Project | 20.205 | STP-F-M-0663(4) | 269,620 |
| Illinois Street Gateway Project | 20.205 | STP-F-M-0663(4) | 19,483 |
| Lacey & Noble Street Upgrade | 20.205 | STP-000S(413) | 2,119 |
| LED Street Light Conversion Phase II | 20.205 | STP-000S(736) | 129,969 |
| South Cushman Project | 20.205 | STP-0663(11) | 1,602 |
| Safe Routes to School Grant Planning | 20.205 | LU-20-10-0002 | 6,560 |
| Safe Routes to School Grant Barnette | 20.205 | LU-20-12-0003 | 40,000 |
| Articulated Tractor | 20.205 | | 115,189 |
| 11/12 FMATS Program | 20.205 | | 173,975 |
| 12/13 FMATS Program | 20.205 | | 52,924 |
| Total Highway Planning and Construction Cluster | | | \$ 836,115 |

| <u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| Highway Safety Cluster | | | |
| Passed through Programs from: | | | |
| Alaska Highway Safety Office | | | |
| 11/12 ASTEP CIOT | 20.600 | 402PT-12-06-01-D | \$ 2,880 |
| 11/12 Law Enforcement Liaison | 20.601 | 410K8-12-01-04 | 4,245 |
| Total Highway Safety Cluster | | | <u>7,125</u> |
| Passed through Programs from: | | | |
| Alaska Highway Safety Office | | | |
| 11/12 DUI Traffic Enforcement | 20.607 | 154AL-12-01-13 | 134,762 |
| 11/12 ASTEP DUI | 20.607 | 154AL-12-01-03 | 11,427 |
| 12/13 DUI Traffic Enforcement | 20.607 | 154AL-13-01-00-E | 28,104 |
| 12/13 ASTEP DUI | 20.607 | 154AL-13-01-00-B | 6,461 |
| Total U.S. Department of Transportation | | | <u><u>1,023,994</u></u> |
| ENVIRONMENTAL PROTECTION AGENCY | | | |
| Direct Program | | | |
| Office of the Chief Financial Officer | | | |
| Wickersham Stormwater Upgrade | 66.202 | | 4,320 |
| Total Environmental Protection Agency | | | <u><u>4,320</u></u> |
| U. S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Homeland Security Cluster | | | |
| Passed through Programs from: | | | |
| Alaska Department of Military and Veterans Affairs | | | |
| 2009 State Homeland Security Program | 97.067 | 2009-SS-T9-0007 | 289,879 |
| 2010 Citizen Corps Program | 97.067 | 2010-SS-T0-0023 | 963 |
| 2010 State Homeland Security Program | 97.067 | 2010-SS-T0-0023 | 243,010 |
| 2011 Citizen Corps Program | 97.067 | 2011-SS-00053 | 22,243 |
| 2011 State Homeland Security Program | 97.067 | 2011-SS-00053 | 554,485 |
| Total Homeland Security Cluster | | | <u>1,110,580</u> |
| Direct Programs | | | |
| Federal Emergency Management Agency | | | |
| Assistance to Firefighter EMW-2010-FO-05876 | 97.044 | | 17,592 |
| Assistance to Firefighter EMW-2011-FO-06024 | 97.044 | | 29,445 |
| SAFER Grant EMW-2008-FF-00922 | 97.083 | | 50,965 |
| Total U. S. Department of Homeland Security | | | <u><u>1,208,582</u></u> |
| Grand Total - Federal Financial Assistance | | | <u><u>\$ 3,011,758</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fairbanks, Alaska, under programs of the federal government for the year ended December 31, 2012. 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, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: _____ Yes X No

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 16.710 | Public Safety Partnership and Community Policing |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant |
| 16.804 | Recovery Act- Edward Byrne Memorial Justice Assistance Grant |
| 16.922 | Equitable Sharing Program |
| 97.044 | Assistance to Firefighters Grant |

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

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2012

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, 2012

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



STATE SINGLE AUDIT





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH 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, 2012, which collectively comprise the City of Fairbanks, Alaska's basic financial statements and have issued our report thereon dated May 03, 2013. 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 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 indentify 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 "Kubler, Robert & HT PC".

May 03, 2013



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, 2012. 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, 2012.

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.

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of City of Fairbanks, Alaska's major state programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on City of Fairbanks, Alaska's compliance but not to provide an opinion on the effectiveness of City of Fairbanks, Alaska's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fairbanks, Alaska's compliance with requirements applicable to each major state program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kuhle, Robert & [unclear]".

May 03, 2013

CITY OF FAIRBANKS, ALASKA

Schedule of State Financial Assistance

For the Year Ended December 31, 2012

| <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 | \$ 1,174,941 |
| Total Alaska Department of Administration | | <u>1,174,941</u> |
| <u>Alaska Department of Commerce, Community & Economic Development</u> | | |
| FY11 Community Revenue Sharing Program* | N/A | 2,247,507 |
| Arctic Park & Council Subdivision | 13-DC-461 | 8,977 |
| Aurora Street Reconstruction* | 11-DC-212 | 720,897 |
| City Hall Window Upgrade | 13-DC-372 | 37 |
| City Wide Road Improvements & Upgrades* | 07-DC-496 | 186,775 |
| JP Jones Center Building Improvements* | 07-DC-218 | 85,963 |
| Lemeta Subdivision Streets | 13-DC-505 | 73,277 |
| Road Improvements City of Fairbanks* | 13-DC-587 | 451,814 |
| Road Improvements Surrounding Illinois Street | 09-DC-203 | 4,461 |
| Self Contained Breathing Apparatus* | 12-DC-345 | 300,000 |
| Slaterville Subdivision Streets | 13-DC-500 | 16,836 |
| Traffic Calming Island Homes Project | 11-DC-211 | 28,635 |
| Warm Storage Additions | 13-DC-504 | 1,505 |
| Total Alaska Department of Commerce, Community & Economic Development | | <u>4,126,684</u> |
| <u>Alaska Department of Public Safety</u> | | |
| SART Reimbursement | N/A | 18,127 |
| Total Alaska Department of Public Safety | | <u>18,127</u> |
| <u>Alaska Department of Transportation and Public Facilities</u> | | |
| GO 2004 Series Bond Reimbursement* | N/A | 867,690 |
| Barnette Upgrade | 62161 | 70,618 |
| Cushman/Gaffney Upgrade* | 77194 | 104,238 |
| Downtown Wayfinding Project | 62037 | 2,924 |
| Graehl Subdivision Improvements* | 61702 | 603,616 |
| Helmericks Avenue Extension* | 63624 | 1,119,173 |
| Pedestrian Improvement II | 61690 | 57,454 |
| Wickersham Street Upgrade | 62049 | 35,813 |
| Total Alaska Department of Transportation and Public Facilities | | <u>2,861,526</u> |
| <u>Alaska Department of Revenue</u> | | |
| Liquor License (10)* | N/A | 81,950 |
| Electric and Telephone (10)* | N/A | 121,852 |
| Total Alaska Department of Revenue | | <u>203,802</u> |
| <u>Alaska Department of Military & Veterans Affairs</u> | | |
| Local Emergency Planning Committee | 12LEPC-GR35602 | 18,514 |
| Local Emergency Planning Committee | 13LEPC-GR35602 | 3,873 |
| Total Alaska Department of Military & Veterans Affairs | | <u>22,387</u> |
| Total State Financial Assistance | | <u>\$ 8,407,467</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, 2012

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

State Financial Assistance

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

Internal control over major programs:

| | | |
|--|-----------|-----------------------|
| Material weaknesses identified? | _____ Yes | ___X___ No |
| Significant deficiencies identified that are not considered to be material weaknesses? | _____ Yes | ___X___ None reported |

Dollar threshold used to distinguish a state major program: \$75,000

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

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