

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

John Eberhart
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, 2013

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INTRODUCTORY SECTION

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Organizational Chart
List of Principal Officials





CITY OF

FAIRBANKS

May 8, 2014

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, 2013. 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, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unmodified opinion on the City's financial statements for the fiscal year ended December 31, 2013. Their opinion asserts that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Management's Discussion and Analysis

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

PROFILE OF THE CITY OF FAIRBANKS

The City, incorporated in 1903, is located in Alaska's interior. It is located some 365 road miles north of Anchorage and 120 miles south of the Arctic Circle. The City has a land area of 33.8 square miles and a population of approximately 32,204. 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 99,632, 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

According to the Fairbanks North Star Borough's (FNSB) *Community Research Quarterly, Winter 2013 edition*, tourism revenue from hotel-motel receipts decreased by 1.5 percent to \$57,796,929. Foreclosures decreased from 181 in 2009 to 165 in 2010 and 144 in 2011, rose to 162 in 2012 and 193 in 2013. The average annual unemployment rate in 2013 fell to 5.5 percent from 6.3 percent in 2012. Mining and Logging increased from an average of 1,500 employees to 1,800 employees, resulting in the largest industry employment increase of 20 percent. Construction employment increased 8 percent and Trade, Transportation, and Utilities increased 3.9 percent. Manufacturing employment declined 16.7 percent and Federal Government employment fell 15.2 percent. There was no change in State and local government employment.

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, 2013, the unassigned fund balance in the City's general fund was \$11,628,256. 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, 2013 the fund balance was \$113,495,958. 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 2013, \$3,894,684 was transferred from the permanent fund to the general fund and \$486,834 was transferred from the permanent fund to the capital fund. In 2014, it is estimated that \$4,119,676 and \$514,960 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

Projects of priority for the City of Fairbanks include funding the Emergency Services Patrol (ESP). This service is currently being administered by the Downtown Association under the auspices of the "Community Service Patrol." The ESP provides chronic inebriates/incapacitated persons with safe medical assessment and transport without tying up the time of spread-thin police officers and firefighters. Also along this vein, we will fund three new Public Safety Aide positions, which have been created to free-up police officer time by assisting with the more administrative and "errand" tasks.

Other initiatives will have a strong impact on the direction the City takes, and simultaneously create more public involvement. First is the creation of the Fairbanks Diversity Council. This will provide a citizens' forum to make recommendations to promote equal opportunity for all members of the public, serve as a diversity advisory board, and recommend adoption of a Diversity Action Plan. Second, the City will develop a strategic plan to include performance reporting of departments and city operations.

Ongoing reconstruction of City streets, funded by both grant and local revenues will keep the Engineering and Public Works departments busy in the upcoming years:

2014

- Wickersham and 2nd/3rd Streets between Barnette and Cowles Streets: Project started in 2013 and will be completed by September 2014.
- Slaterville Subdivision, located north and south of Minnie Street between Illinois and Old Steese Streets: Project started last year; remaining work to be completed by August 2014.
- Helmericks Extension/Bentley Trust Road/Roundabouts: Project started last year; remaining work to be completed by August 2014.
- South Cushman Street, Airport Way to Mitchell Expressway: May through September 2014.
- Brandt Subdivision, located north of FNSB Building, including Pioneer Avenue, Driveway and Terminal Streets: May through September 2014.
- Lemeta Subdivision, located off College Road, north and south sides, near Wedgewood complex, Joy Elementary, and Margaret/Antoinette intersections: June through September 2014.
- Arctic Park/Council Subdivision, behind Shoppers Forum Mall, complete reconstruction: June through September 2014.
- 30th Avenue between Peger Road and Lathrop Street: Designed and cost estimate obtained, tentatively scheduled for construction in 2014.
- FMATS Pedestrian Improvements Stage II, sidewalks on the north side of Kellum Street between Lathrop Street and 10th Avenue: Project started in 2013 and will be completed by August 2014.
- COF Pedestrian Facilities Upgrades, sidewalks along Aurora Drive: Design in 2014 and Construction in 2015.

2015

- Cushman Street, Airport Way to 1st Avenue, including 3rd and 5th Avenues from Cushman Street to Lacey Street, complete reconstruction to Cushman 2-lane, 3rd Avenue bulb-out removal, 5th Avenue reconstruction: May through September 2015.
- Hamilton Acres Subdivision, drainage and street reconstruction: May through September 2015.
- Subdivision(s) to be determined, possibly Island Homes, Fairbanks Townsite, Gateway: May through September 2015.
- 3rd Street Widening: Design is ongoing, City assisting ADOT.


AWARDS and ACKNOWLEDGEMENTS

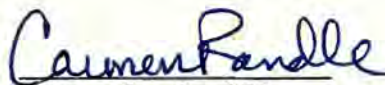
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairbanks for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2012. The City received this prestigious award for the past eleven consecutive years (2002 - 2012). 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 unflinching 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





Government Finance Officers Association

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

Presented to

**City of Fairbanks
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

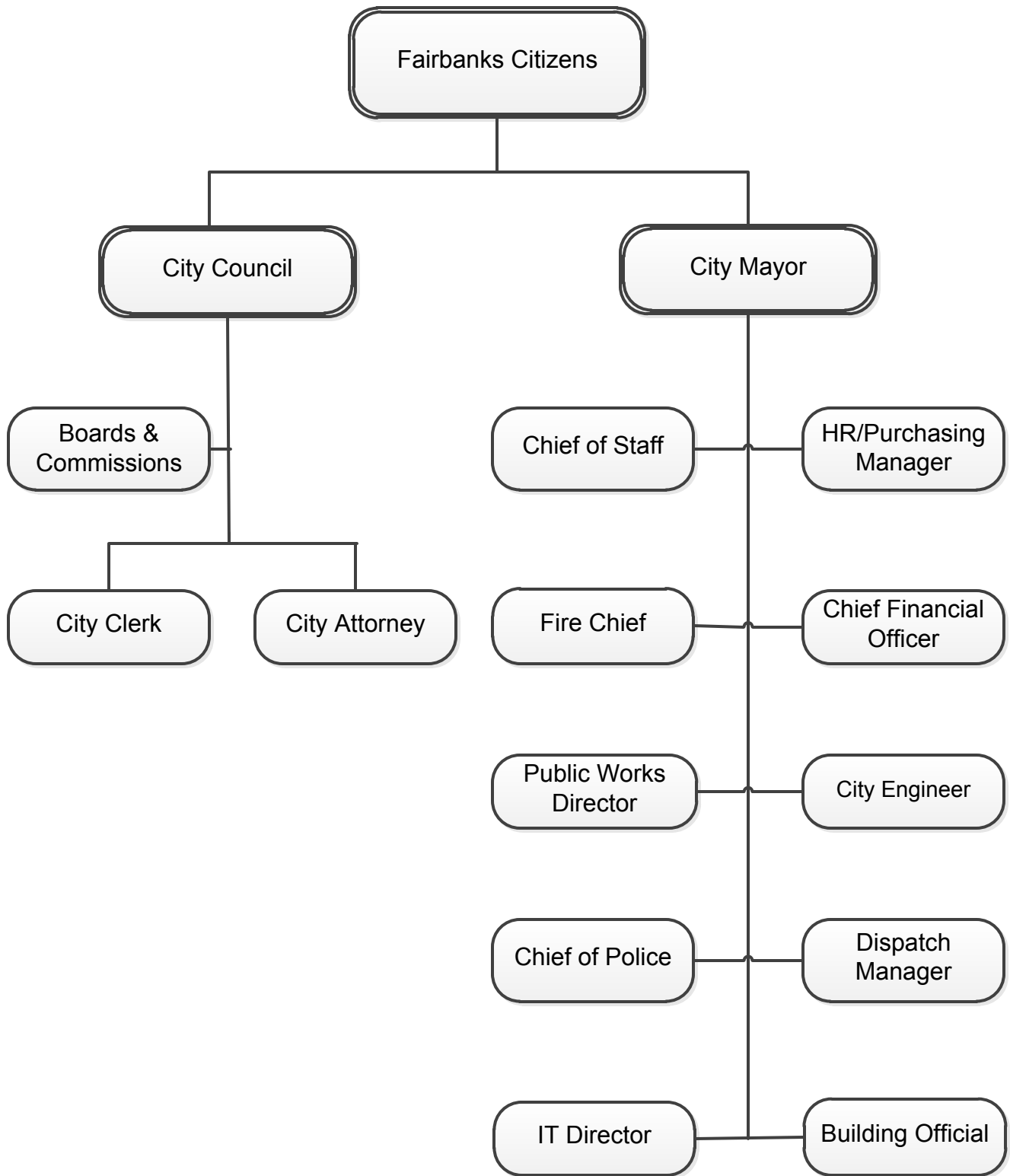
**City of Fairbanks
Alaska**

For the Fiscal Year Beginning

January 1, 2013

Executive Director

City of Fairbanks 2013



CITY OF FAIRBANKS, ALASKA- LIST OF PRINCIPAL OFFICIALS

MAYOR

JOHN EBERHART

CITY COUNCIL MEMBERS

RENEE STALEY, SEAT A
PERRY WALLEY, SEAT B
BERNARD GATEWOOD, SEAT C
JIM MATHERLY, SEAT D
LLOYD HILLING, SEAT E
CHRISTOPHER ANDERSON, SEAT F

APPOINTED OFFICIALS

PAUL J. EWERS *City Attorney*
JANEY HOVENDEN *City Clerk*

STAFF

CHIEF OF STAFF

James Williams

HR MGR/PURCHASING/RISK MGR

Antonio Shumate

POLICE CHIEF

Laren Zager

FIRE CHIEF

Warren Cummings

CHIEF FINANCIAL OFFICER

James Soileau

CITY ENGINEER

Michael Schmetzer

DIRECTOR OF PUBLIC WORKS

Michael Schmetzer

BUILDING OFFICIAL

Clem Clouten

INFORMATION TECH DIRECTOR

Ryan Rickels

DISPATCH MANAGER

Stephanie Johnson

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
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Combining and Individual Fund Statements
Major Governmental Funds
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Nonmajor Capital Projects Funds





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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of December 31, 2013, 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 2012 financial statements and, in our report dated May 3, 2013, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Emphasis of Matter

As described in Note 1, D12 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This provision has been retrospectively applied to all periods presented in these financial statements. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages M-1 through M-12 and 50 through 52 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 basic 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.

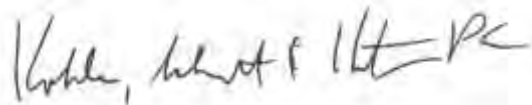
Other Information, Continued

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 8, 2014, 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 "K. K. K. K. K." with a stylized flourish at the end.

May 8, 2014
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2013

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, 2013. 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, 2013 by \$271,812,505 (net position). Of this amount, \$23,834,320 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- In October 2013, the final payment on the Fire Station General Obligation was made. This payment included principal of \$855,000 and \$28,215 of interest. In 2014 the State of Alaska will reimburse the full amount of the bond payment to the City of Fairbanks.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$132,794,107.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,628,256 or 34.33 percent of total general fund expenditures. The total unassigned fund balance at December 31, 2012 was \$10,492,755.
- During 2013, the City received revenue sharing and on-behalf payments to the City's Public Employees' Retirement System from the State of Alaska in the amount \$1,621,774 and \$1,339,977, respectively.
- On March 18, 2009 Standard and Poor's Rating Services raised the ratings on the City's general obligation debt from "A-" to "A." The rating was upgraded following a review of credit strength.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Proprietary funds

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position December 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 142,340,637	2,635,245	144,975,882
Capital assets	125,595,200	8,867,682	134,462,882
Total assets	<u>267,935,837</u>	<u>11,502,927</u>	<u>279,438,764</u>
Liabilities			
Long-term liabilities outstanding	2,653,240	2,667,110	5,320,350
Other liabilities	2,286,239	19,670	2,305,909
Total liabilities	<u>4,939,479</u>	<u>2,686,780</u>	<u>7,626,259</u>
Net position			
Net investment in capital assets	125,595,200	8,867,682	134,462,882
Restricted	113,515,303	-	113,515,303
Unrestricted	23,885,855	(51,535)	23,834,320
Total net position	<u>\$ 262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>

**Net Position
December 31, 2012**

	Governmental Activities	Business-type Activities	Total
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>

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 \$271,812,505 at December 31, 2013. The largest portion of the City's net position (49.47 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 (41.76 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,834,320 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Changes in Net Position
for the year ended December 31, 2013**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 6,457,495	588,145	7,045,640
Operating grants and contributions	7,711,240	-	7,711,240
Capital grants and contributions	26,379,749	-	26,379,749
General revenues:			
Property taxes	14,333,209	-	14,333,209
Other taxes	5,710,992	-	5,710,992
Investment gain (loss)	10,787,731	-	10,787,731
Other	2,695,842	68	2,695,910
Total revenues	<u>74,076,258</u>	<u>588,213</u>	<u>74,664,471</u>
Expenses:			
General government	17,283,253	-	17,283,253
Public safety	17,151,562	-	17,151,562
Public works	13,741,033	-	13,741,033
Building inspections	676,773	-	676,773
Interest on long-term debt	28,215	-	28,215
Fairbanks Transportation Center	-	424,602	424,602
Municipal Utilities System	-	31,200	31,200
Total expenses	<u>48,880,836</u>	<u>455,802</u>	<u>49,336,638</u>
Increase (decrease) in net position before transfers	25,195,422	132,411	25,327,833
Transfers	<u>396,900</u>	<u>(396,900)</u>	<u>-</u>
Increase (decrease) in net position	25,592,322	(264,489)	25,327,833
Net position - 12/31/2012	<u>237,404,036</u>	<u>9,080,636</u>	<u>246,484,672</u>
Net position - 12/31/2013	<u>\$ 262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>

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

	Governmental Activities	Business-type Activities	Total
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>

Analysis of Changes in Net Position

Governmental activities

Governmental activities increased the City's net position by \$25,592,322. Key elements of the changes in net position are as follows:

- The State of Alaska transferred maintenance responsibility on newly constructed roadways to the City. This transfer is considered a donation in capital grants and contributions and accounts for \$13,667,377.
- During the year there was a \$2,072,774 increase in operating grants and contributions over the prior year.
- The \$4,381,518 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 \$7,541,385.

Business-type activities

Business-type activities decreased the City's net position by \$264,489. Key elements of the decrease are as follows:

- The MUS Fund transferred \$396,900 in rental income to the Permanent Fund for investment.
- During 2013 the FTC Fund incurred an operating loss of \$233,289.

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 \$132,794,107, an increase of \$8,963,902 in comparison to the prior year. Of the amount, \$11,628,256 (8.8 percent) is unassigned fund balance, which is available for spending at the government's discretion.

For the fiscal year ended December 31, 2013 the City adopted Statement No. 65 of the Governmental Accounting Standards Board (GASB) *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*. Deferred inflows of resources are displayed on the face of the Governmental Funds financial statement.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$11,628,256 while total fund balance is \$13,270,040. 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 (34.33 percent) of total general fund expenditures, while total fund balance represents (39.18 percent) of total general fund expenditures.

The general fund's fund balance increased by \$1,241,174 during the current fiscal year. The total general funds unassigned fund balance increased by \$1,135,501. 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 \$1,339,977 which was an increase of \$165,036 from 2012.
- During 2013, the City received \$1,621,774 in State revenue sharing compared to \$2,247,507 in 2012.
- Revenue from all taxes increased by \$369,719 over 2012.
- Revenue from charges for licenses and permits decreased by \$209,534.
- In 2013 revenue received for fees charged for services decreased \$172,264 over 2012.
- Salaries and wages with benefits increased by \$595,344. The increase was due to wage openers on existing labor contracts in 2013. Public Works employees and General Government employees received increases to their pay and benefits.

The permanent fund has a total fund balance of \$113,495,958 all of which is restricted for investments. Certain earnings from the investments are intended to replace the payments in lieu of taxes previously provided by the MUS to the general fund.

The permanent fund balance increased by \$7,541,387 during 2013. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$3,894,684 and \$486,834, respectively. Significant increases to fund balance were a \$396,900 transfer from the MUS fund from rental income, \$415,772 received from the sale of real property, and the fund's earnings were \$10,787,686. 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 \$1,246,156 and \$7,569,991 respectively, most of which is invested in capital assets. The total decrease in net position was \$31,200 for the MUS fund and a decrease of \$233,289 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 \$1,813,881. Significant differences are briefly summarized as follows:

- \$ 290,068 increase in tax revenue.
- \$ 193,121 increase in charges for services.
- \$ 70,233 increase in licenses and permits.
- \$ 1,200,901 increase in Intergovernmental revenue.
- \$ 9,246 increase in fines and forfeitures.
- \$ 50,312 increase in other revenues.

Differences between the original budget for total expenditures and the final amended budget increased appropriations by \$ 1,520,736. Significant differences are briefly summarized as follows:

- \$1,273,309 increase in general government activities.
- \$ 46,725 increase allocated to public safety.
- \$ 151,783 increase allocated to public works.
- \$ 48,919 increase allocated to building inspections.

During the year revenues exceeded budgetary estimates by \$577,328. Expenditures and encumbrances were less than budgetary estimates by \$1,077,868.

The most significant differences were as follows:

- Overall tax revenue increased \$258,143 and revenue from charges for services was \$54,447 higher than anticipated.
- General government expenditures were \$575,768 lower than anticipated and Public Safety expenditures were \$559,625 under budget. Both of these factors can be attributed to lower than expected salaries and benefit expenditures as well as 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, 2013 is \$134,462,882 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure.

The total increase in the City's investment in capital assets for the current fiscal year was \$17,082,892 (a 15.97 percent increase for governmental activities and 2.35 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 2014. 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 2014.
- \$6.4 million Cushman and Barnette Upgrade, funded by state dollars is in the design phase and is scheduled to begin major construction in 2015. 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.
- \$4.1 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 completion in 2014.

Capital Assets
December 31, 2013
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,035,804	454,356	9,490,160
Construction in progress	14,261,589	-	14,261,589
Buildings	20,387,465	7,317,381	27,704,846
Equipment	7,453,020	35,145	7,488,165
Infrastructure	74,457,322	1,060,800	75,518,122
Total	\$ 125,595,200	8,867,682	134,462,882

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

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$5,320,349. Additional information on the City's long-term liabilities can be found in Note 3 to the basic financial statements.

Outstanding Debt
December 31, 2013

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ -	-	-
Compensated absences	1,867,990	-	1,867,990
Alaska clean water loans	-	2,667,110	2,667,110
Self-Insurance losses	785,249	-	785,249
Total	\$ 2,653,239	2,667,110	5,320,349

Outstanding Debt
December 31, 2012

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On December 9, 2013 the City Council passed Ordinance No. 5935 adopting the 2014 budget for the general fund. The original budget projects revenues and other financing sources to be \$35,122,302 and expenditures in the amount of \$34,108,629 increasing fund balance by \$1,013,673.
- On April 7, 2014, 2014 *Ordinance No. 5941 As Amended* was passed. This ordinance estimates the increase to the fund balance of \$867,162, a decrease of \$146,511 from the original 2014 budget.
- Total fund balance in the general fund is projected to be \$14,137,203 with an unassigned balance of \$12,677,441. The significant adjustments to the budget were due to:
 1. The encumbrances carrying forward from 2013 increased total expected expenditures to be paid in 2014 by \$182,021.
 2. Property tax revenues were decreased by \$386,205 and other sales tax revenues were increased by \$212,447. Transfers from the permanent fund were increased by \$28,139.
- 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 2014, the mill levy estimate projects the maximum revenue allowed from all taxes will be \$20,253,497. The calculation allows \$14,995,189 for property taxes, but is limited to \$14,514,741 by the 4.9 mill cap. The cap leaves \$480,448 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 FY2015 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, 2013
(With comparative totals for 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012
ASSETS				
Equity in central treasury	\$ 16,377,800	500	16,378,300	18,233,708
Restricted cash and cash equivalents	2,819,738	-	2,819,738	626,230
Investments, restricted	110,292,489	-	110,292,489	104,997,877
Accounts receivable (net)	7,193,021	244,996	7,438,017	3,674,580
Internal balances	101,916	(101,916)	-	-
Inventory	1,220,754	-	1,220,754	1,077,894
Prepaid expenses	424,514	-	424,514	394,735
Noncurrent receivables	3,910,405	(175,445)	3,734,960	5,151,738
Capital assets				
Non-depreciable	9,035,804	454,356	9,490,160	9,288,681
Construction in progress	14,261,589	-	14,261,589	5,092,058
Depreciable, net of accumulated depreciation	102,297,807	8,413,326	110,711,133	103,884,762
Total assets	<u>267,935,837</u>	<u>8,835,817</u>	<u>276,771,654</u>	<u>252,422,263</u>
LIABILITIES				
Accounts payable and other current liabilities	2,038,474	-	2,038,474	1,734,735
Unearned revenue	247,766	19,670	267,436	257,473
Noncurrent liabilities				
Due within one year	2,082,498	175,445	2,257,943	3,021,878
Due in more than one year	570,741	(175,445)	395,296	923,505
Total liabilities	<u>4,939,479</u>	<u>19,670</u>	<u>4,959,149</u>	<u>5,937,591</u>
NET POSITION				
Net investment in capital assets	125,595,200	8,867,682	134,462,882	117,379,990
Restricted				
Federal asset forfeiture	19,345	-	19,345	66,317
Permanent fund - expendable	4,634,636	-	4,634,636	4,381,518
Permanent fund - nonexpendable	108,861,322	-	108,861,322	101,573,053
Unrestricted	<u>23,885,855</u>	<u>(51,535)</u>	<u>23,834,320</u>	<u>23,083,794</u>
Total net position	<u>\$ 262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>	<u>246,484,672</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Statement of Activities
For the Year Ended December 31, 2013
(With comparative totals for 2012)

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	2013	2012
Governmental Activities:								
General government	\$ 17,283,253	918,736	828,700	107,673	(15,428,144)	-	(15,428,144)	(18,231,620)
Public safety	17,151,562	3,010,712	2,421,421	2,064,775	(9,654,654)	-	(9,654,654)	(9,390,866)
Public works	13,741,033	1,810,491	4,461,119	24,197,301	16,727,878	-	16,727,878	(3,552,683)
Building inspections	676,773	717,556	-	10,000	50,783	-	50,783	273,189
Interest on long-term debt	28,215	-	-	-	(28,215)	-	(28,215)	(55,190)
Total governmental activities	48,880,836	6,457,495	7,711,240	26,379,749	(8,332,352)	-	(8,332,352)	(30,957,170)
Business-type activities:								
Municipal Utilities System	31,200	396,900	-	-	-	365,700	365,700	136,802
Fairbanks Transportation Center	424,602	191,245	-	-	-	(233,357)	(233,357)	(283,582)
Total business-type activities	455,802	588,145	-	-	-	132,343	132,343	(146,780)
Total	\$ 49,336,638	7,045,640	7,711,240	26,379,749	(8,332,352)	132,343	(8,200,009)	(31,103,950)
General Revenues:								
Property tax					14,333,209	-	14,333,209	14,109,307
Hotel motel tax					2,632,839	-	2,632,839	2,504,130
Alcohol beverage tax					2,147,775	-	2,147,775	2,126,694
Tobacco tax					930,378	-	930,378	934,351
Unrestricted shared revenue					2,300,539	-	2,300,539	2,935,794
Investment income					10,787,731	-	10,787,731	10,179,570
Interest income					170,011	68	170,079	195,355
Miscellaneous					225,292	-	225,292	23,090
Transfers - internal activity					396,900	(396,900)	-	-
Total general revenues and transfers					33,924,674	(396,832)	33,527,842	33,008,291
Change in net position					25,592,322	(264,489)	25,327,833	1,904,341
Net position - beginning					237,404,036	9,080,636	246,484,672	244,580,331
Net position- ending					\$ 262,996,358	8,816,147	271,812,505	246,484,672

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2013

	<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	\$ 8,391,199	-	-	6,139,228	14,530,427
Restricted cash and cash equivalents	100	2,800,293	-	19,345	2,819,738
Restricted investments	-	110,292,489	-	-	110,292,489
Receivables (net of allowance for uncollectibles)	5,082,137	886,734	5,134,540	-	11,103,411
Prepaid assets	424,514	-	-	-	424,514
Due from other funds	5,236,457	-	-	-	5,236,457
Total assets	<u>\$ 19,134,407</u>	<u>113,979,516</u>	<u>5,134,540</u>	<u>6,158,573</u>	<u>144,407,036</u>
LIABILITIES					
Accounts payable	1,869,345	3,328	-	130,464	2,003,137
Deposits	35,338	-	-	-	35,338
Unearned revenue	247,766	-	-	-	247,766
Due to other funds	20,601	-	5,134,540	-	5,155,141
Total liabilities	<u>2,173,050</u>	<u>3,328</u>	<u>5,134,540</u>	<u>130,464</u>	<u>7,441,382</u>
DEFERRED INFLOWS OF RESOURCES					
Special assessments and long-term receivables	3,691,317	480,230	-	-	4,171,547
FUND BALANCES					
Nonspendable	424,514	-	-	-	424,514
Restricted	-	113,495,958	-	19,345	113,515,303
Committed	250,000	-	-	1,180,540	1,430,540
Assigned	967,270	-	-	4,828,224	5,795,494
Unassigned	11,628,256	-	-	-	11,628,256
Total fund balances	<u>13,270,040</u>	<u>113,495,958</u>	<u>-</u>	<u>6,028,109</u>	<u>132,794,107</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 19,134,407</u>	<u>\$ 113,979,516</u>	<u>\$ 5,134,540</u>	<u>\$ 6,158,573</u>	<u>\$ 144,407,036</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 December 31, 2013

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>\$ 132,794,107</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	487,032,445
Land and land improvements	9,035,804
Construction in progress	14,261,589
Buildings	31,425,787
Equipment	22,727,352
Accumulated depreciation	<u>(438,887,777)</u>
	<u>125,595,200</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,220,754</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Self-insurance losses	<u>(785,248)</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	66,704
Deferred sales tax, penalties and interest	24,613
Deferred Tract I and Tract II note receivable	239,322
Deferred Community Development note receivable	188,473
Deferred Breadline note receivable	42,425
Deferred Korean Community of Fairbanks note receivable	10,008
Deferred Techite note receivable	<u>3,600,000</u>
	<u>4,171,545</u>
Net position of governmental activities (page 5)	<u><u>\$ 262,996,358</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, 2013

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 20,044,201	-	-	-	20,044,201
Charges for services	4,566,999	-	-	-	4,566,999
Intergovernmental	4,568,527	-	16,670,488	26,747	21,265,762
Licenses and permits	1,775,851	-	-	-	1,775,851
Fines and forfeitures	993,619	-	-	-	993,619
Special assessments	2,674	-	-	-	2,674
Investment earnings	-	10,787,686	-	45	10,787,731
Other revenues	613,114	-	347,256	1,094,242	2,054,612
Total revenues	<u>32,564,985</u>	<u>10,787,686</u>	<u>17,017,744</u>	<u>1,121,034</u>	<u>61,491,449</u>
Expenditures					
Current					
General government	9,693,683	166,887	800,917	155,363	10,816,850
Public safety	14,679,954	-	973,518	234,158	15,887,630
Public works	7,594,809	-	4,461,119	968,229	13,024,157
Building inspections	666,819	-	-	-	666,819
Debt service					
Principal	855,000	-	-	-	855,000
Interest	28,215	-	-	-	28,215
Capital outlay					
Public safety	21,325	-	688,072	407,253	1,116,650
Public works	329,883	-	10,094,118	593,272	11,017,273
Total expenditures	<u>33,869,688</u>	<u>166,887</u>	<u>17,017,744</u>	<u>2,358,275</u>	<u>53,412,594</u>
Excess (deficiency) of revenues over expenditures	<u>(1,304,703)</u>	<u>10,620,799</u>	<u>-</u>	<u>(1,237,241)</u>	<u>8,078,855</u>
Other financing sources (uses)					
Transfers in	3,894,684	886,334	-	1,418,582	6,199,600
Transfers out	(1,421,182)	(4,381,518)	-	-	(5,802,700)
Sale of capital assets	72,375	415,772	-	-	488,147
Total other financing sources (uses)	<u>2,545,877</u>	<u>(3,079,412)</u>	<u>-</u>	<u>1,418,582</u>	<u>885,047</u>
Net change in fund balances	<u>1,241,174</u>	<u>7,541,387</u>	<u>-</u>	<u>181,341</u>	<u>8,963,902</u>
Fund balances - beginning	<u>12,028,866</u>	<u>105,954,571</u>	<u>-</u>	<u>5,846,768</u>	<u>123,830,205</u>
Fund balances - ending	<u>\$ 13,270,040</u>	<u>113,495,958</u>	<u>-</u>	<u>6,028,109</u>	<u>132,794,107</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, 2013

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) \$ 8,963,902

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

Capital outlays and expenditures	12,133,923
Depreciation expense	<u>(8,437,308)</u>
	<u>3,696,615</u>

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

Loss on Disposal	<u>(18,258)</u>
	<u>(18,258)</u>

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

Total road reconstruction project costs	13,667,377
Decrease in Construction in progress	<u>(904,887)</u>
	<u>12,762,490</u>

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

142,859

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:

Fire station general obligation bond	<u>855,000</u>
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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:

Breadline note receivable	(11,350)
Tract I and Tract II receivable	(13,699)
Techite note receivable	(200,000)
Community Development receivable	<u>(416,499)</u>
	<u>(641,548)</u>

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

5,817

Collections on special assessments receivable

(2,973)

Collections on special assessment penalties and interest

(27,122)

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

Increase in reserve for self-insurance losses	<u>(144,460)</u>
	<u>(144,460)</u>

Change in net position of governmental activities (page 7)

\$ 25,592,322

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds
Statement of Net Position
December 31, 2013

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	
ASSETS				
Current assets				
Cash	\$ -	500	500	1,847,374
Accounts receivable	-	69,551	69,551	16
GHU Clean Water loan receivable	175,445	-	175,445	-
Due from other funds	-	-	-	20,601
Total current assets	<u>175,445</u>	<u>70,051</u>	<u>245,496</u>	<u>1,867,991</u>
Noncurrent assets				
GHU Clean Water loan receivable	2,491,665	-	2,491,665	-
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	<u>(22,987,706)</u>	<u>(2,198,167)</u>	<u>(25,185,873)</u>	<u>-</u>
Total noncurrent assets	<u>3,737,821</u>	<u>7,621,526</u>	<u>11,359,347</u>	<u>-</u>
Total assets	<u>\$ 3,913,266</u>	<u>7,691,577</u>	<u>11,604,843</u>	<u>1,867,991</u>
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	175,445	-	175,445	-
Due to general fund	-	101,916	101,916	-
Compensated absences	-	-	-	1,782,856
Unearned revenue	-	19,670	19,670	-
Total current liabilities	<u>175,445</u>	<u>121,586</u>	<u>297,031</u>	<u>1,782,856</u>
Noncurrent liabilities				
Alaska Clean Water loan payable	2,491,665	-	2,491,665	-
Compensated absences	-	-	-	85,135
Total noncurrent liabilities	<u>2,491,665</u>	<u>-</u>	<u>2,491,665</u>	<u>85,135</u>
Total liabilities	<u>2,667,110</u>	<u>121,586</u>	<u>2,788,696</u>	<u>1,867,991</u>
NET POSITION				
Net investment in capital assets	1,246,156	7,621,526	8,867,682	-
Unrestricted	<u>-</u>	<u>(51,535)</u>	<u>(51,535)</u>	<u>-</u>
Total net position	<u>1,246,156</u>	<u>7,569,991</u>	<u>8,816,147</u>	<u>-</u>
Total liabilities and net position	<u>3,913,266</u>	<u>7,691,577</u>	<u>11,604,843</u>	<u>1,867,991</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	
Operating revenues				
Rental income	\$ 396,900	191,245	588,145	-
Other revenue	-	-	-	1,787,376
	<u>396,900</u>	<u>191,245</u>	<u>588,145</u>	<u>1,787,376</u>
Operating expenses				
Employee benefits	-	-	-	1,787,376
Management fees	-	212,336	212,336	-
Depreciation	-	212,266	212,266	-
Total operating expenses	<u>-</u>	<u>424,602</u>	<u>424,602</u>	<u>1,787,376</u>
Operating income (loss)	<u>396,900</u>	<u>(233,357)</u>	<u>163,543</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	68	68	-
Rental depreciation	(31,200)	-	(31,200)	-
Total nonoperating revenue (expenses)	<u>(31,200)</u>	<u>68</u>	<u>(31,132)</u>	<u>-</u>
Income (loss) before contributions and transfers	365,700	(233,289)	132,411	-
Transfers out	<u>(396,900)</u>	<u>-</u>	<u>(396,900)</u>	<u>-</u>
Change in net position	(31,200)	(233,289)	(264,489)	-
Total net position - beginning	<u>1,277,356</u>	<u>7,803,280</u>	<u>9,080,636</u>	<u>-</u>
Total net position - ending	<u>\$ 1,246,156</u>	<u>7,569,991</u>	<u>8,816,147</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, 2013

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Cash flows from operating activities				
Receipts from customers	\$ 396,900	187,915	584,815	-
Receipts for interfund services provided	-	-	-	1,822,899
Payments for interfund services provided	-	-	-	(1,787,376)
Payments to management	-	(212,336)	(212,336)	-
Payments for operating expenses	-	(147,109)	(147,109)	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>(171,530)</u>	<u>225,370</u>	<u>35,523</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	(44,471)	-	(44,471)	-
Payment to Golden Heart Utilities	(2,100,150)	-	(2,100,150)	-
Receipt from Alaska DEC	2,100,150	-	2,100,150	-
Receipt from Golden Heart Utilities	44,471	-	44,471	-
Net cash provided (used) by capital and other related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Interest received	-	68	68	-
Net cash provided by investing activities	<u>-</u>	<u>68</u>	<u>68</u>	<u>-</u>
Net increase (decrease) in cash	-	(171,462)	(171,462)	35,523
Cash at beginning of the year	-	171,962	171,962	1,811,851
Cash at end of the year	<u>\$ -</u>	<u>500</u>	<u>500</u>	<u>1,847,374</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	396,900	(233,357)	163,543	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	212,266	212,266	-
(Increase) decrease in assets				
Accounts receivable	-	(3,305)	(3,305)	5
Due from other funds	-	(147,109)	(147,109)	14,727
(Decrease) increase in liabilities				
Prepaid rent	-	(25)	(25)	-
Compensated absences	-	-	-	20,791
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>(171,530)</u>	<u>225,370</u>	<u>35,523</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2013

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. Change in accounting principle
 - 13. Comparative data / reclassifications
 - 14. 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. Deferred Inflows of Resources
- F. Long-Term Debt
- G. Capital Assets

NOTE 4 – OTHER INFORMATION

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

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

1. Equity in central treasury, cash, and investments

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

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

5. Restricted assets

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

6. Capital assets

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

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

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

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

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, via ordinance, as part of the annual budget appropriation or subsequent budget amendments. Ordinances are the highest level of action the City Council may take and are considered legislative in nature. Each ordinance is subject to two public hearings before passage.

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, 2013:

General Fund	\$ 182,021
Grants & Contracts Fund*	5,442,618
Other Governmental Funds	<u>737,561</u>
Total	\$ <u>6,362,200</u>

*Encumbrances are funded with next year’s 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. Change in Accounting Principle

The City has adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies, as deferred outflow of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities. A *deferred outflow* represents the consumption of the government's net assets or fund balance that is applicable to a future reporting period. A *deferred inflow* represents the acquisition of net assets or fund balance that is applicable to a future reporting period. Although the statement has been retrospectively applied to 2012 financial statements, it did not result in a restatement of the opening balance of net position.

13. 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.

14. 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, 2013, 20 percent of annual budgeted expenditures were \$6,975,798. The unassigned fund balance in the City's general fund was \$11,628,256.

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 8, 2014.

C. Deficit Fund Equity

There were no funds with a deficit in total fund balance at December 31, 2013. However, the Fairbanks Transportation Center had a deficit in unrestricted net position of \$51,535 at December 31, 2013.

D. Excess of Expenditures and Encumbrances over Appropriations

<u>General Fund</u>	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance</u>
Engineering	\$ 507,092	619,201	(112,109)

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

D. Excess of Expenditures and Encumbrances over Appropriations, Continued

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.

E. Fund Balance Detail

	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable				
Prepayments	\$ 424,514	-	-	424,514
Restricted				
Investment	-	113,495,958	-	113,495,958
Federal Asset Forfeiture	-	-	19,345	19,345
Total Restricted	-	113,495,958	19,345	113,515,303
Committed				
Snow Removal	250,000	-	-	250,000
Capital Projects	-	-	1,180,540	1,180,540
	250,000	-	1,180,540	1,430,540
Assigned				
Encumbrances	182,021	-	737,561	919,582
Self Insurance	785,249	-	-	785,249
Capital	-	-	4,090,663	4,090,663
	967,270	-	4,828,224	5,795,494
Unassigned	11,628,256	-	-	11,628,256
Total Fund Balance	\$ 13,270,040	113,495,958	6,028,109	132,794,107

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

At December 31, 2013, the carrying amount of the City's cash and deposits was \$3,434,096 and the bank balances totaled \$4,117,695. The bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name. Banking services are provided to the City under agreements with KeyBank and Mt. McKinley Bank. Mt. McKinley provides lock box services for the collection of the City's garbage service accounts and ambulance billings. See page S-2 in the Supplementary Information Section for a schedule of the City's total deposits and investments.

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, 2013, 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	\$ 23,983,401	1,078,630	14,506,881	5,583,711	2,814,179
U.S. treasuries and agencies	23,405,764	-	8,816,654	5,807,115	8,781,995
External investment pool	15,759,031	15,759,031	-	-	-
Foreign bonds	3,902,975	508,150	3,394,825	-	-
	<u>\$ 67,051,171</u>	<u>17,345,811</u>	<u>26,718,360</u>	<u>11,390,826</u>	<u>11,596,174</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, 2013, 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, 2013 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	\$ 56,547,265	N/A	44.87%
U.S. treasuries and agencies	23,405,764	N/A	18.57%
Fixed income mutual fund	2,453,084	N/A	1.95%
Corporate bonds	2,582,364	AAA/Aaa	
Corporate bonds	559,546	A/Aaa	
Corporate bonds	340,580	AAA/Unrated	
Corporate bonds	1,538,756	Unrated/Aaa	
Corporate bonds	1,244,314	AA/Aa	
Corporate bonds	1,148,370	AA/A	
Corporate bonds	1,813,909	A/Aa	
Corporate bonds	7,166,897	A/A	
Corporate bonds	503,225	A/Unrated	
Corporate bonds	2,509,158	A/Baa	
Corporate bonds	521,545	BBB/A	
Corporate bonds	4,054,737	BBB/Baa	
Total Corporate Bonds ^(B)	<u>23,983,401</u>		19.03%
Foreign bonds	2,819,255	Unrated/Aaa	
Foreign bonds	1,083,720	A/A	
Total Foreign Bonds ^(B)	<u>3,902,975</u>		3.10%
External investment pool	<u>15,759,031</u>	AAA/Unrated	<u>12.50%</u>
	<u>\$ 126,051,520</u>		<u>100.00%</u>

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

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

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, 2013, 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, 2013 was as follows:

Due from/to other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Grants and contracts fund	\$ 5,134,540
	Fairbanks Transportation Center	<u>101,916</u>
	Total	<u>\$ 5,236,456</u>
Grants and contracts fund	General fund	5,134,540
Internal service fund	General fund	<u>20,601</u>
		<u>\$ 5,155,141</u>

Interfund balances are short-term loans to provide interim financing of construction projects, programs or other purposes. All outstanding balances are expected to be repaid within one year.

Interfund Transfers:

<u>Transfers In:</u>	<u>Transfers Out:</u>			
	<u>General Fund</u>	<u>Permanent Fund</u>	<u>MUS Enterprise Fund</u>	<u>Total</u>
General fund	\$ -	3,894,684	-	3,894,684
Permanent fund	489,434	-	396,900	886,334
Nonmajor governmental funds	<u>931,748</u>	<u>486,834</u>	<u>-</u>	<u>1,418,582</u>
Total	<u>\$ 1,421,182</u>	<u>4,381,518</u>	<u>396,900</u>	<u>6,199,600</u>

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Interfund Receivables, Payables, and Transfers, Continued

The \$4,381,518 transferred from the permanent fund is authorized annually in accordance with the City Charter. The amount transferred to the general fund for operations was \$3,894,684 and \$486,834 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 2013.

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

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	731,924	-
Plant in service (includes equipment)	-	24,048,506
Less: Accumulated depreciation	<u>(336,771)</u>	<u>(22,987,706)</u>
 Total	 <u>\$ 5,461,871</u>	 <u>1,246,156</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
2014	\$ 120,243	396,900	517,143
2015	113,468	396,900	510,368
2016	103,983	396,900	500,883
2017	103,983	396,900	500,883
2018	103,983	396,900	500,883
Total minimum rental receipts	<u>\$ 545,660</u>	<u>1,984,500</u>	<u>2,530,160</u>

E. Deferred Inflows of Resources

At December 31, 2013, the City's deferred inflows of resources reported in the governmental funds included the following:

	General	Permanent	Total Governmental Funds
Special assessments	\$ 91,317	-	91,317
Techite Receivable	3,600,000	-	3,600,000
Notes Receivable	-	480,230	480,230
Total deferred inflows of resources	<u>\$ 3,691,317</u>	<u>480,230</u>	<u>4,171,547</u>

F. Long-Term Debt

Revolving Loans

The City Council approved Ordinance 5889 to seek voter approval of pass-through loans from the Alaska Clean Water Fund (ACWF) to GHU. On October 2, 2012 the citizens of the City of Fairbanks overwhelming voted to approve the loans (79.34% voted yes).

In 2010 and 2009, the City of Fairbanks received ACWF loans (administered by the State of Alaska Department of Environmental Conservation) in the amount of \$130,827 and \$577,873, respectively, for a sodium hypo-chloride system at the wastewater treatment plant on behalf of GHU. The loan repayment is twenty years following initiation of the operation of the facility and will include a finance charge of 1.5 percent. The City will be repaid by GHU and at December 31, 2013 the receivable balance remaining is \$566,960.

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS, CONTINUED

F. Long-Term Debt, Continued

Revolving Loans, Continued

In 2013, the City of Fairbanks received an ACWF loan of \$2,100,150 for the sludge dewatering system on behalf of GHU. In 2014 it is anticipated that the loan will increase to the full \$4,625,600 authorized. The loan repayment is fifteen years following initiation of the operation of the facility and will include a finance charge of 1.5 percent. The City will be repaid by GHU and at December 31, 2013 the receivable balance remaining is \$2,100,150. This receivable will be adjusted to include the subsequent proceeds from the ACWF loan.

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

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	\$ 855,000	-	855,000	-	-	-
Compensated absences	1,847,200	1,787,376	1,766,586	1,867,990	1,782,856	85,134
Self-Insurance losses	640,788	350,685	206,224	785,249	299,642	485,607
Governmental activity						
Long-term liabilities	\$ 3,342,988	2,138,061	2,827,810	2,653,239	2,082,498	570,741
Business-type activities:						
Alaska clean water loans						
Sodium hypo-chloride system	\$ 602,395	-	35,435	566,960	35,435	531,525
Sludge dewatering system	-	2,100,150	-	2,100,150	140,010	1,960,140
Business-type activities						
Long-term liabilities	\$ 602,395	2,100,150	35,435	2,667,110	175,445	2,491,665

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 \$1,867,990 of ISF compensated absences are included in the above amounts. Compensated absences are liquidated by the ISF. Claims and judgments are liquidated by the general fund.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 8,834,325	201,479	-	9,035,804
Construction in progress	5,092,058	10,074,418	(904,887)	14,261,589
Total capital assets, not being depreciated	<u>13,926,383</u>	<u>10,275,897</u>	<u>(904,887)</u>	<u>23,297,393</u>
Capital assets, being depreciated				
Infrastructure	481,643,692	13,667,377	(8,278,624)	487,032,445
Buildings	31,425,787	-	-	31,425,787
Equipment	21,462,476	1,858,026	(593,150)	22,727,352
Total capital assets, being depreciated	<u>534,531,955</u>	<u>15,525,403</u>	<u>(8,871,774)</u>	<u>541,185,584</u>
Less accumulated depreciation				
Infrastructure	(414,808,955)	(6,044,792)	8,278,624	(412,575,123)
Buildings	(10,389,523)	(648,799)	-	(11,038,322)
Equipment	(14,105,507)	(1,743,717)	574,892	(15,274,332)
Total accumulated depreciation	<u>(439,303,985)</u>	<u>(8,437,308)</u>	<u>8,853,516</u>	<u>(438,887,777)</u>
Total capital assets being depreciated, net	<u>95,227,970</u>	<u>7,088,095</u>	<u>(18,258)</u>	<u>102,297,807</u>
Governmental activities capital assets, net	<u>\$ 109,154,353</u>	<u>17,363,992</u>	<u>(923,145)</u>	<u>125,595,200</u>
Business-type activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 454,356	-	-	454,356
Total capital assets, not being depreciated	<u>454,356</u>	<u>-</u>	<u>-</u>	<u>454,356</u>
Capital assets, being depreciated				
Infrastructure	1,560,000	-	-	1,560,000
Buildings*	19,101,501	-	-	19,101,501
Equipment*	12,937,698	-	-	12,937,698
Total capital assets being depreciated	<u>33,599,199</u>	<u>-</u>	<u>-</u>	<u>33,599,199</u>
Less accumulated depreciation				
Infrastructure	(468,000)	(31,200)	-	(499,200)
Buildings*	(11,595,284)	(188,836)	-	(11,784,120)
Equipment*	(12,879,123)	(23,430)	-	(12,902,553)
Total accumulated depreciation	<u>(24,942,407)</u>	<u>(243,466)</u>	<u>-</u>	<u>(25,185,873)</u>
Total capital assets being depreciated, net	<u>8,656,792</u>	<u>(243,466)</u>	<u>-</u>	<u>8,413,326</u>
Business-type activities capital assets, net	<u>\$ 9,111,148</u>	<u>(243,466)</u>	<u>-</u>	<u>8,867,682</u>

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

Governmental activities	
General government	\$ 6,303,686
Public safety	1,263,932
Public works	859,736
Building Inspections	9,954
Total depreciation expense - governmental activities	<u>\$ 8,437,308</u>

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

Fairbanks Transportation Center	\$ 212,266
Municipal Utility System	31,200
Total depreciation expense - business type activities	<u>\$ 243,466</u>

*Beginning balances have been reclassified for comparability purposes.

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Capital Assets, Continued

In 2013, the State of Alaska transferred maintenance responsibility on reconstructed roadways to the City. The transfer is considered a donation in capital grants and contributions. The road reconstruction project costs totaled \$13,677,377, of which \$8,858,488 was nonmonetary federal financial assistance from the State of Alaska Department of Transportation and Public Facilities. See Notes to Schedule of Expenditures of Federal Awards.

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 \$785,249 at December 31, 2013. 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 \$785,249 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 2013 and 2012 follow:

January 1	\$	640,788	529,273
Current year claims		350,685	253,914
Changes in estimates for claims of the prior period		(107,924)	172,589
Claims payments		<u>(98,300)</u>	<u>(314,988)</u>
December 31	\$	<u><u>785,249</u></u>	<u><u>640,788</u></u>

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

NOTE 4 - OTHER INFORMATION, CONTINUED

B. Contingent Liabilities

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

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

C. Retirement Plans

As of December 31, 2013, 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/drb on the internet. Employer contributions to the PERS are actuarially determined and have been paid or accrued by the City of Fairbanks. In 2013, the City contributed between \$5.50 and \$12.13 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 2013 was \$706,662 and \$844,707, 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.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

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 2013 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 from the states prior fiscal year. The PERS average employer contribution rates for July through December 2013 were 35.68 percent (8.12 percent normal cost rate plus 24.19 percent past service rate, plus a 3.37 percent defined contribution retirement rate), a decrease of .4 percent.

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 \$1,662,347, \$1,698,360, and \$1,704,463 in 2013, 2012, and 2011, 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 2013, 2012, and 2011 were \$1,339,977, \$1,174,941, and \$983,846, 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 2013 employer contribution rates are 22 percent, the same as the defined benefit tiers.

January through June 2013 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.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Defined Contribution Plan (Tier IV), Continued

For July through December 2013 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 1.14 percent for occupational death and disability benefits for peace officers and firefighters and 0.20 percent for all others.

Plan Contributions

City contributions to the PERS defined contribution plan for years ended 2013, 2012, and 2011 was \$151,289, \$116,564, and \$102,813, respectively, and employee contributions to the plan were \$133,823, \$103,747, and \$91,069, respectively.

The employer residual contributions for fiscal years 2013, 2012, and 2011 to pay down the unfunded liability of the defined benefit plan unfunded liability, were \$216,724, \$168,759, and \$147,694, respectively.

Labor Contracts

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

Negotiated agreements are in effect with IFFA and AFL-CIO which expire on May 1, 2015 and December 31, 2016, respectively. The IBEW and FPDEA agreements expired on December 31, 2013 and are currently being negotiated.

Deferred Compensation Plans

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

The deferred compensation plan assets are held in trust for the exclusive benefit of the participants. The City 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.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

D. Permanent Fund

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

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

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

	2013	2012
Interest income	\$ 1,890,219	2,071,454
Dividends	1,393,468	1,214,029
Net realized (losses) gains	2,931,854	1,629,294
Net unrealized (losses) gains	4,572,145	5,264,761
	\$ 10,787,686	10,179,538

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 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	(14,433)
Total average fund value	\$ 97,367,099
Available for general operations	\$ 3,894,684
Available for capital expenditures	\$ 486,835

For 2013 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 2014 is calculated as follows (based on an average of 2009 - 2013 amounts):

Total average investments held in trust	\$	102,038,896
Total average other assets		965,013
Total average liabilities		<u>(12,001)</u>
Total average fund value	\$	<u>102,991,908</u>
Available for general operations	\$	4,119,676
Available for capital expenditures	\$	514,960

E. Subsequent Event

On May 5, 2014, the City Council passed an ordinance approving an internal transfer from the General Fund to the Permanent Fund and Capital Fund in the amounts of \$3,000,000 and \$1,000,000, respectively.

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, 2013

	<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	\$ 19,495,990	19,786,058	20,044,201	258,143
Charges for services	4,319,431	4,512,552	4,566,999	54,447
Intergovernmental	3,180,122	4,381,023	4,568,527	187,504
Licenses and permits	1,678,239	1,748,472	1,775,851	27,379
Fines and forfeitures	987,075	996,321	993,619	(2,702)
Rental	157,919	159,266	161,706	2,440
Interest and penalties	142,500	136,450	170,011	33,561
Other	212,500	267,515	284,071	16,556
Total revenues	<u>30,173,776</u>	<u>31,987,657</u>	<u>32,564,985</u>	<u>577,328</u>
Expenditures				
General government				
Mayor and city council	495,271	493,257	447,253	46,004
City attorney	172,281	168,237	162,306	5,931
City clerk	347,537	319,503	318,981	522
Finance	902,267	901,039	884,647	16,392
Information systems	1,431,938	1,503,801	1,398,955	104,846
Risk management	1,406,448	1,400,148	1,026,026	374,122
General account	5,088,271	6,331,337	6,303,386	27,951
Total general government	<u>9,844,013</u>	<u>11,117,322</u>	<u>10,541,554</u>	<u>575,768</u>
Public safety				
Police	6,838,678	6,873,129	6,487,030	386,099
Dispatch	1,983,336	1,985,861	1,976,892	8,969
Fire	6,370,513	6,380,262	6,215,705	164,557
Total public safety	<u>15,192,527</u>	<u>15,239,252</u>	<u>14,679,627</u>	<u>559,625</u>
Public works				
Works	7,199,801	7,310,267	7,293,007	17,260
Engineering	465,775	507,092	619,201	(112,109)
Total public works	<u>7,665,576</u>	<u>7,817,359</u>	<u>7,912,208</u>	<u>(94,849)</u>
Building inspections	<u>656,136</u>	<u>705,055</u>	<u>667,731</u>	<u>37,324</u>
Total expenditures	<u>33,358,252</u>	<u>34,878,988</u>	<u>33,801,120</u>	<u>1,077,868</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (3,184,476)</u>	<u>(2,891,331)</u>	<u>(1,236,135)</u>	<u>1,655,196</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, 2013

	<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	\$ 3,857,166	3,894,684	3,894,684	-
Transfers out	(440,574)	(1,403,868)	(1,421,182)	(17,314)
Sale of capital assets	-	72,375	72,375	-
Total other financing sources (uses)	<u>3,416,592</u>	<u>2,563,191</u>	<u>2,545,877</u>	<u>(17,314)</u>
Net change in fund balances	<u>\$ 232,116</u>	<u>(328,140)</u>	1,309,742	<u>1,637,882</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.

(68,568)

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

\$ 1,241,174

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. 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, 2012 or as amended by ordinances during 2013.

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, 2013
(With comparative totals for 2012)

	Totals	
	2013	2012
ASSETS		
Equity in central treasury	8,391,199	10,467,274
Restricted cash and cash equivalents	100	100
	8,391,299	10,467,374
Receivables		
Taxes	1,048,157	1,117,610
Accounts	1,476,312	1,647,735
Special assessments	66,704	69,677
Interest and penalties	88,381	121,752
Notes	235,743	-
Techite	3,600,000	3,800,000
Less allowance for uncollectible receivables	(1,433,160)	(1,545,760)
	5,082,137	5,211,014
Prepaid assets	424,514	394,735
Due from other funds	5,236,457	1,872,448
	\$ 19,134,407	\$ 17,945,571
LIABILITIES		
Accounts payable	1,869,345	1,686,923
Deposits	35,338	35,265
Unearned revenue	247,766	237,778
Due to other funds	20,601	35,328
	2,173,050	1,995,294
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	3,691,317	3,921,411
FUND BALANCE		
Nonspendable	424,514	394,735
Committed	250,000	250,000
Assigned	967,270	891,376
Unassigned	11,628,256	10,492,755
	13,270,040	12,028,866
Total fund balance	\$ 19,134,407	\$ 17,945,571
Total liabilities, deferred inflows, and fund balance	\$ 19,134,407	\$ 17,945,571

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2013

(With comparative totals for 2012)

	Totals	
	2013	2012
Revenues		
Taxes		
Real property	\$ 14,333,209	\$ 14,109,307
Hotel / motel	2,632,839	2,504,130
Alcoholic beverages	2,147,775	2,126,694
Tobacco distribution	930,378	934,352
Charges for services	4,566,999	4,739,263
Intergovernmental		
PERS relief payments	1,339,977	1,174,941
Other	3,228,550	3,821,611
Licenses and permits	1,775,851	1,985,385
Fines and forfeitures	993,619	1,061,959
Special assessments	2,674	4,416
Other revenues		
Interest and penalties	170,011	195,278
Rental	161,706	152,093
Techite settlement	200,000	200,000
Other	81,397	313,956
Total revenues	<u>32,564,985</u>	<u>33,323,385</u>
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	382,734	407,874
Employee benefits	135,521	129,588
Other services	13,971	13,951
Inter-departmental	(84,973)	(81,451)
Total mayor and city council	<u>447,253</u>	<u>469,962</u>
City attorney		
Salaries and wages	218,720	221,900
Employee benefits	72,337	71,343
Other services	29,449	24,340
Inter-departmental	(158,200)	(153,158)
Total city attorney	<u>162,306</u>	<u>164,425</u>
City clerk		
Salaries and wages	196,612	186,245
Employee benefits	79,099	74,674
Other services	42,920	41,753
Total city clerk	<u>318,631</u>	<u>302,672</u>
Finance		
Salaries and wages	581,659	564,840
Employee benefits	198,322	195,326
Other services	104,666	102,069
Total finance	<u>884,647</u>	<u>862,235</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, 2013

(With comparative totals for 2012)

	Totals	
	2013	2012
Expenditures - continued		
General government, continued		
Information technology		
Salaries and wages	\$ 477,406	\$ 464,614
Employee benefits	154,629	155,205
Other services	808,114	753,160
Total information technology	<u>1,440,149</u>	<u>1,372,979</u>
Non-departmental		
Community services	2,039,247	2,196,961
PERS relief payments	1,339,977	1,174,941
Hotel / motel distributions	2,035,447	1,960,412
Property management	-	-
Risk management	1,026,026	1,394,335
Total non-departmental	<u>6,440,697</u>	<u>6,726,649</u>
Total general government	<u>9,693,683</u>	<u>9,898,922</u>
Public safety		
Police		
Salaries and wages	4,258,556	4,237,466
Employee benefits	1,587,734	1,558,398
Other services	639,558	581,507
Total police	<u>6,485,848</u>	<u>6,377,371</u>
Dispatch		
Salaries and wages	1,283,797	1,185,256
Employee benefits	525,982	490,255
Other services	167,044	171,592
Total dispatch	<u>1,976,823</u>	<u>1,847,103</u>
Fire		
Salaries and wages	3,986,476	3,933,659
Employee benefits	1,513,576	1,453,092
Other services	717,231	707,525
Total fire	<u>6,217,283</u>	<u>6,094,276</u>
Total public safety	<u>14,679,954</u>	<u>14,318,750</u>
Public works		
Works		
Salaries and wages	2,892,789	2,738,743
Employee benefits	1,508,767	1,420,795
Other services	2,573,798	2,711,478
Total works	<u>6,975,354</u>	<u>6,871,016</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, 2013

(With comparative totals for 2012)

	Totals	
	2013	2012
Expenditures - continued		
Public works, continued		
Engineering		
Salaries and wages	\$ 419,764	\$ 411,649
Employee benefits	164,302	166,742
Other services	35,389	80,181
Total engineering	<u>619,455</u>	<u>658,572</u>
Total public works	<u>7,594,809</u>	<u>7,529,588</u>
Building inspections		
Salaries and wages	487,998	462,145
Employee benefits	156,892	158,519
Other services	21,929	23,166
Total building inspections	<u>666,819</u>	<u>643,830</u>
Debt service		
Principal	855,000	830,000
Interest	28,215	55,190
Legal defeasance	-	-
Total debt service	<u>883,215</u>	<u>885,190</u>
Capital outlay		
General government		
City clerk	-	-
Information technology	-	-
Nondepartmental	-	-
Total general government	<u>-</u>	<u>-</u>
Public safety		
Police	21,325	19,575
Fire	-	7,701
Total public safety	<u>21,325</u>	<u>27,276</u>
Public works		
Works	329,883	47,438
Engineering	-	-
Total public works	<u>329,883</u>	<u>47,438</u>
Total capital outlay	<u>351,208</u>	<u>74,714</u>
Total expenditures	<u>33,869,688</u>	<u>33,350,994</u>
Excess (deficiency) of revenues over expenditures	<u>(1,304,703)</u>	<u>(27,609)</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, 2013
(With comparative totals for 2012)

	Totals	
	2013	2012
Other financing sources (uses)		
Transfers in	\$ 3,894,684	3,922,848
Transfers out	(1,421,182)	(3,068,430)
Sale of capital assets	72,375	209,138
Total other financing sources (uses)	2,545,877	1,063,556
Net change in fund balances	1,241,174	1,035,947
Fund balance - beginning	12,028,866	10,992,919
Fund balance - ending	\$ 13,270,040	\$ 12,028,866

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2013

(With comparative totals for 2012)

	Totals	
	2013	2012
ASSETS		
Restricted cash and cash investments		
Cash and cash equivalents	\$ 2,800,293	\$ 559,813
Investments	110,292,489	104,997,877
Receivables		
Interest	422,648	443,332
Notes	464,086	879,858
Total assets	<u>\$ 113,979,516</u>	<u>\$ 106,880,880</u>
LIABILITIES		
Accounts payable	<u>3,328</u>	<u>10,347</u>
DEFERRED INFLOWS OF RESOURCES		
Long-term receivables	<u>480,230</u>	<u>915,962</u>
FUND BALANCE		
Restricted for investments	<u>113,495,958</u>	<u>105,954,571</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 113,979,516</u>	<u>\$ 106,880,880</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, 2013
(With comparative totals for 2012)

	Totals	
	2013	2012
Revenues		
Investment earnings	\$ 10,787,686	\$ 10,179,538
Expenditures		
Current		
General government	166,887	166,510
Excess (deficiency) of revenues over expenditures	10,620,799	10,013,028
Other financing sources (uses)		
Transfers in	886,334	1,253,274
Transfers out	(4,381,518)	(4,413,204)
Sale of capital assets	415,772	342,453
Total other financing sources (uses)	(3,079,412)	(2,817,477)
Net change in fund balance	7,541,387	7,195,551
Fund balance - beginning	105,954,571	98,759,020
Fund balance - ending	\$ 113,495,958	\$ 105,954,571

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2013

(With comparative totals for 2012)

	Totals	
	2013	2012
ASSETS		
Receivables		
Accounts	\$ 332,067	\$ 1,293
Intergovernmental	4,802,473	1,622,159
	<hr/>	<hr/>
Total assets	<u>\$ 5,134,540</u>	<u>\$ 1,623,452</u>
LIABILITIES		
Accounts payable	-	30
Due to general fund	5,134,540	1,623,422
	<hr/>	<hr/>
Total liabilities	<u>5,134,540</u>	<u>1,623,452</u>
FUND BALANCE	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 5,134,540</u>	<u>\$ 1,623,452</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, 2013
(With comparative totals for 2012)

	Totals	
	2013	2012
Revenues		
Intergovernmental	\$ 16,670,488	\$ 6,875,157
Other	347,256	188,189
	<u>17,017,744</u>	<u>7,063,346</u>
Expenditures		
Current		
General government	800,917	93,442
Public safety	973,518	1,834,218
Public works	4,461,119	2,469,007
Capital outlay		
General government	-	188,975
Public safety	688,072	600,560
Public works	10,094,118	1,877,144
	<u>17,017,744</u>	<u>7,063,346</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>



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, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Equity in central treasury	\$ -	6,139,228	6,139,228
Restricted cash and cash equivalents	19,345	-	19,345
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 19,345</u>	<u>6,139,228</u>	<u>6,158,573</u>
LIABILITIES			
Accounts payable	-	130,464	130,464
FUND BALANCES			
Committed		1,180,540	1,180,540
Restricted	19,345	-	19,345
Assigned	-	4,828,224	4,828,224
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>19,345</u>	<u>6,008,764</u>	<u>6,028,109</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 19,345</u>	<u>6,139,228</u>	<u>6,158,573</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2013

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
Revenues			
Intergovernmental	\$ 26,747	-	26,747
Investment earnings	45	-	45
Asset replacement and repair charges	-	1,094,242	1,094,242
	<u>26,792</u>	<u>1,094,242</u>	<u>1,121,034</u>
Expenditures			
Current			
General government	-	155,363	155,363
Public safety	73,764	160,394	234,158
Public works	-	968,229	968,229
Capital outlay			
General government	-	-	-
Public safety	-	407,253	407,253
Public works	-	593,272	593,272
	<u>73,764</u>	<u>2,284,511</u>	<u>2,358,275</u>
Excess (deficiency) of revenues over expenditures	<u>(46,972)</u>	<u>(1,190,269)</u>	<u>(1,237,241)</u>
Other financing sources			
Transfers in	-	1,418,582	1,418,582
	<u>-</u>	<u>1,418,582</u>	<u>1,418,582</u>
Net change in fund balances	(46,972)	228,313	181,341
Fund balances - beginning	<u>66,317</u>	<u>5,780,451</u>	<u>5,846,768</u>
Fund balances - ending	<u>\$ 19,345</u>	<u>6,008,764</u>	<u>6,028,109</u>



NONMAJOR SPECIAL REVENUE FUNDS

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

Asset Forfeiture Fund

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

CITY OF FAIRBANKS, ALASKA

Nonmajor Special Revenue Fund

Balance Sheet

December 31, 2013

	<u>Asset Forfeiture</u>
ASSETS	
Restricted cash and cash equivalents	<u>\$ 19,345</u>
FUND BALANCES	
Restricted	<u>\$ 19,345</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2013

	Asset Forfeiture
Revenues	
Intergovernmental	\$ 26,747
Interest	45
	26,792
Total revenues	26,792
Expenditures	
Current	
Public safety	73,764
	73,764
Total expenditures	73,764
Excess (deficiency) of revenues over expenditures	(46,972)
Other financing sources (uses)	-
Net change in fund balance	(46,972)
Fund balance - beginning	66,317
Fund balance - ending	\$ 19,345



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, 2013

ASSETS

Equity in central treasury \$ 6,139,228

LIABILITIES

Accounts payable 130,464

FUND BALANCE

Committed 1,180,540

Assigned 4,828,224

Total fund balance 6,008,764

Total liabilities and fund balance \$ 6,139,228

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, 2013

Revenues

Asset replacement and repair charges \$ 1,094,242

Expenditures

Current

General government 155,363

Public safety 160,394

Public works 968,229

Capital outlay

General government -

Public safety 407,253

Public works 593,272

Total expenditures 2,284,511

Excess (deficiency) of revenues over expenditures (1,190,269)

Other financing sources (uses)

Transfers in 1,418,582

Total other financing sources (uses) 1,418,582

Net change in fund balance 228,313

Fund balance - beginning 5,780,451

Fund balance - ending \$ 6,008,764

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, 2013

	<u>Final Budgeted Amounts</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Inter-departmental charges	\$ 1,093,822	1,094,242	420
Expenditures			
Capital outlay			
General government	322,524	164,639	157,885
Public safety	1,133,161	484,720	648,441
Public works	2,142,231	1,656,333	485,898
Total expenditures	<u>3,597,916</u>	<u>2,305,692</u>	<u>1,292,224</u>
Deficiency of revenues over expenditures	<u>(2,504,094)</u>	<u>(1,211,450)</u>	<u>(1,291,804)</u>
Other financing sources (uses)			
Transfers in	<u>1,416,843</u>	<u>1,418,582</u>	<u>1,739</u>
Total other financing sources (uses)	<u>1,416,843</u>	<u>1,418,582</u>	<u>1,739</u>
Net change in fund balances	<u>\$ (1,087,251)</u>	207,132	<u>1,294,383</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

21,181

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

\$ 228,313

SUPPLEMENTARY INFORMATION

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

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



CITY OF FAIRBANKS, ALASKA
 Combined Schedule of Cash and Investments
 Classified by Depository - All Funds
 December 31, 2013

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	\$ 11,250	\$ 11,250
Mt. McKinley Bank	-	3,354,581	3,354,581
Northrim Bank	-	73,177	73,177
 Key Trust			
U.S. securities and agencies	23,405,764	-	23,405,764
Equity mutual funds	56,547,265	-	56,547,265
Fixed income mutual fund	2,453,084	-	2,453,084
Corporate bonds	23,983,401	-	23,983,401
Foreign bonds	3,902,975	-	3,902,975
 Alaska Municipal League Investment Pool	 15,759,031	 -	 15,759,031
 Total cash and investments	 \$ 126,051,520	 \$ 3,439,008	 \$ 129,490,528
 Reconciliation of cash and investments to governmental and proprietary funds			
 Governmental funds			
Equity in central treasury			\$ 14,530,427
Restricted cash and cash equivalents			2,819,738
Restricted investments			110,292,489
 Total governmental funds			 127,642,654
 Proprietary funds			
Enterprise funds			
Equity in central treasury			500
Internal service fund			
Cash			1,847,374
 Total proprietary funds			 1,847,874
 Total cash and investments			 \$ 129,490,528

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund Aggregate Method December 31, 2013

Equity Securities

Fair value at December 31, 2013	\$	56,547,265
Add cost of investments sold in 2013		8,647,410
Less cost of investments purchased in 2013		(6,242,043)
Less fair value at December 31, 2012		<u>(51,471,548)</u>
Change in fair value of equity investments		<u>7,481,084</u>

Fixed-Income Securities

Fair value at December 31, 2013		53,745,224
Add cost of investments sold in 2013		16,058,855
Less cost of investments purchased in 2013		(16,254,834)
Less fair value at December 31, 2012		<u>(53,526,329)</u>
Change in fair value of fixed-income investments		<u>22,916</u>

Total change in fair value of investments	\$	<u><u>7,504,000</u></u>
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STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	ST-2
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	ST-12
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	ST-17
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	ST-21
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	ST-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			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 178,831,858	\$ 171,046,669	\$ 140,838,620	\$ 134,158,187
Restricted	100,954,066	100,230,420	106,549,909	110,063,456
Unrestricted	<u>13,589,688</u>	<u>7,874,113</u>	<u>4,163,917</u>	<u>2,964,919</u>
Total governmental activities net position	<u>\$ 293,375,612</u>	<u>\$ 279,151,202</u>	<u>\$ 251,552,446</u>	<u>\$ 247,186,562</u>
Business-type activities				
Net investment in capital assets	\$ 11,118,549	\$ 10,876,920	\$ 10,344,388	\$ 9,301,982
Restricted	336,088	34,089	625	-
Unrestricted	<u>48,000</u>	<u>64,000</u>	<u>80,000</u>	<u>92,000</u>
Total business-type activities net position	<u>\$ 11,502,637</u>	<u>\$ 10,975,009</u>	<u>\$ 10,425,013</u>	<u>\$ 9,393,982</u>
Primary government				
Net investment in capital assets	\$ 189,950,407	\$ 181,923,589	\$ 151,183,008	\$ 143,460,169
Restricted	101,290,154	100,264,509	106,550,534	110,063,456
Unrestricted	<u>13,637,688</u>	<u>7,938,113</u>	<u>4,243,917</u>	<u>3,056,919</u>
Total primary government net position	<u>\$ 304,878,249</u>	<u>\$ 290,126,211</u>	<u>\$ 261,977,459</u>	<u>\$ 256,580,544</u>

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 133,654,529	\$ 124,732,269	\$ 118,868,255	\$ 114,439,424	\$ 108,299,354	\$ 125,595,200
85,671,713	91,962,459	100,016,447	98,863,876	106,020,888	113,515,303
<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>23,885,855</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>	<u>\$ 262,996,358</u>
\$ 8,874,961	\$ 8,446,799	\$ 8,087,929	\$ 7,670,987	\$ 9,080,636	\$ 8,867,682
-	-	-	-	-	-
<u>78,687</u>	<u>79,419</u>	<u>39,971</u>	<u>1,953,252</u>	<u>-</u>	<u>(51,535)</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>	<u>\$ 8,816,147</u>
\$ 142,529,490	\$ 133,179,068	\$ 126,956,184	\$ 122,110,411	\$ 117,379,990	\$ 134,462,882
85,671,713	91,962,459	100,016,447	98,863,876	106,020,888	113,515,303
<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>23,834,320</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>	<u>\$ 271,812,505</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2004	2005	2006	2007
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 21,607,618	\$ 25,432,150	\$ 18,930,255	\$ 22,594,438
Public safety	12,819,286	18,403,800	20,036,926	17,030,460
Public works	5,655,076	6,438,550	7,855,135	7,602,159
Building inspections	539,777	627,487	625,166	607,066
Interest on long-term debt	505,700	500,746	438,158	393,395
Total governmental activities expenses	<u>41,127,457</u>	<u>51,402,733</u>	<u>47,885,640</u>	<u>48,227,518</u>
<i>Business-type activities</i>				
Municipal Utilities	386,793	386,793	386,793	385,442
Fairbanks Transportation Center	502,497	465,600	496,328	531,759
Total business-type activities expenses	<u>889,290</u>	<u>852,393</u>	<u>883,121</u>	<u>917,201</u>
Total primary government expenses	<u>\$ 42,016,747</u>	<u>\$ 52,255,126</u>	<u>\$ 48,768,761</u>	<u>\$ 49,144,719</u>
PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 283,202	\$ 242,893	\$ 53,736	\$ 209,694
Public safety	1,679,917	1,560,566	2,361,200	2,490,598
Public works	1,588,551	1,312,188	1,658,738	1,472,602
Building inspections	1,341,826	1,063,542	870,285	1,174,600
Operating grants and contributions	1,261,114	2,685,621	1,288,890	5,372,484
Capital grants and contributions	6,705,519	10,453,690	7,375,534	5,590,651
Total governmental activities program revenues	<u>12,860,129</u>	<u>17,318,500</u>	<u>13,608,383</u>	<u>16,310,629</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	150,314	123,812	165,365	221,440
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>547,214</u>	<u>520,712</u>	<u>562,265</u>	<u>618,340</u>
Total primary government program revenues	<u>\$ 13,407,343</u>	<u>\$ 17,839,212</u>	<u>\$ 14,170,648</u>	<u>\$ 16,928,969</u>

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 23,273,670	\$ 20,321,564	\$ 17,744,737	\$ 18,119,261	\$ 19,777,837	\$ 17,283,253
16,276,165	16,875,480	17,079,301	17,230,789	17,473,736	17,151,562
8,874,555	9,277,145	12,001,873	11,484,960	11,179,444	13,741,033
623,616	580,013	618,059	641,468	653,783	676,773
346,645	297,620	246,320	195,570	55,190	28,215
<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>	<u>48,880,836</u>
312,607	312,607	295,803	295,803	260,098	31,200
<u>557,147</u>	<u>520,108</u>	<u>593,308</u>	<u>523,742</u>	<u>484,643</u>	<u>424,602</u>
<u>869,754</u>	<u>832,715</u>	<u>889,111</u>	<u>819,545</u>	<u>744,741</u>	<u>455,802</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>	<u>\$ 49,336,638</u>
\$ 1,863,445	\$ 1,705,629	\$ 1,949,147	\$ 1,920,916	\$ 1,222,012	\$ 918,736
2,902,062	2,790,139	2,928,498	2,947,032	3,085,975	3,010,712
1,527,349	1,678,645	1,490,336	1,599,410	1,804,586	1,810,491
765,310	810,814	596,717	871,644	916,972	717,556
6,398,067	3,336,122	1,939,065	7,297,799	5,638,466	7,711,240
<u>12,521,293</u>	<u>6,165,773</u>	<u>8,471,559</u>	<u>2,169,152</u>	<u>5,514,809</u>	<u>26,379,749</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>	<u>40,548,484</u>
396,900	396,900	396,900	396,900	396,900	396,900
228,858	204,977	218,717	197,345	201,061	191,245
<u>-</u>	<u>159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>625,758</u>	<u>602,036</u>	<u>615,617</u>	<u>594,245</u>	<u>597,961</u>	<u>588,145</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>	<u>\$ 41,136,629</u>

CITY OF FAIRBANKS, ALASKA

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

NET (EXPENSE) REVENUE	Fiscal Year			
	2004	2005	2006	2007
<i>Governmental activities</i>	\$ (28,267,328)	\$ (34,084,233)	\$ (34,277,257)	\$ (31,916,889)
<i>Business-type activities</i>	(342,076)	(331,681)	(320,856)	(298,861)
Total primary government net expense	\$ (28,609,404)	\$ (34,415,914)	\$ (34,598,113)	\$ (32,215,750)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 10,382,723	\$ 10,810,781	\$ 11,633,056	\$ 12,606,799
Hotel motel tax	2,142,759	2,328,060	2,606,629	2,685,417
Alcohol beverage tax	1,269,195	1,343,132	1,427,579	1,534,542
Tobacco tax	838,666	640,319	595,906	625,209
Shared revenue	200,666	209,563	2,520,920	1,716,251
Investment income	6,210,659	3,295,037	10,286,754	6,591,339
Interest income	176,798	210,576	158,916	182,885
Gain on sale of capital assets	323,674	181,190	208,985	807,699
Miscellaneous	481,430	644,265	155,759	220,072
Special item-Write off of NPO/OPEB	-	-	-	-
Transfers - internal activity	163,825	196,900	229,990	580,792
Total governmental activities	22,190,395	19,859,823	29,824,494	27,551,005
<i>Business-type activities</i>				
Interest income	505	874	754	-
Miscellaneous	14	79	96	(151,378)
Transfers - internal activity	(163,825)	(196,900)	(229,990)	(580,792)
Total business-type activities	(163,306)	(195,947)	(229,140)	(732,170)
Total primary government	\$ 22,027,089	\$ 19,663,876	\$ 29,595,354	\$ 26,818,835
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ (6,076,933)	\$ (14,224,410)	\$ (4,452,763)	\$ (4,365,884)
<i>Business-type activities</i>	(505,382)	(527,628)	(549,996)	(1,031,031)
Total primary government	\$ (6,582,315)	\$ (14,752,038)	\$ (5,002,759)	\$ (5,396,915)

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ (23,417,125)	\$ (30,864,700)	\$ (30,314,968)	\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)
<u>(243,996)</u>	<u>(230,679)</u>	<u>(273,494)</u>	<u>(225,300)</u>	<u>(146,780)</u>	<u>132,343</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>	<u>\$ (8,200,009)</u>
\$ 12,316,767	\$ 12,724,692	\$ 14,107,284	\$ 14,047,318	\$ 14,109,307	\$ 14,333,209
2,750,491	2,364,118	2,518,545	2,476,320	2,504,130	2,632,839
1,542,355	1,657,726	1,919,076	2,117,465	2,126,694	2,147,775
620,617	748,492	917,461	937,129	934,351	930,378
1,938,769	1,850,338	1,938,054	2,908,426	2,935,794	2,300,539
(20,549,751)	10,710,219	10,756,324	2,431,203	10,179,570	10,787,731
479,648	223,240	181,612	147,689	195,278	170,011
-	-	-	-	-	-
203,820	202,531	1,947,661	418,540	23,090	225,292
14,809,070	-	-	-	-	-
196,900	196,900	196,900	(1,721,531)	396,900	396,900
<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>	<u>33,924,674</u>
562	149	-	108	77	68
-	-	72,076	-	-	-
<u>(196,900)</u>	<u>(196,900)</u>	<u>(196,900)</u>	<u>1,721,531</u>	<u>(396,900)</u>	<u>(396,900)</u>
<u>(196,338)</u>	<u>(196,751)</u>	<u>(124,824)</u>	<u>1,721,639</u>	<u>(396,823)</u>	<u>(396,832)</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>	<u>\$ 33,527,842</u>
\$ (9,108,439)	\$ (186,444)	\$ 4,167,949	\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322
<u>(440,334)</u>	<u>(427,430)</u>	<u>(398,318)</u>	<u>1,496,339</u>	<u>(543,603)</u>	<u>(264,489)</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>	<u>\$ 25,327,833</u>

CITY OF FAIRBANKS, ALASKA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 765,938	\$ 725,904	\$ 1,328,071	\$ 611,282
Unreserved	4,152,444	4,194,413	4,486,602	7,477,759
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 4,918,382</u>	<u>\$ 4,920,317</u>	<u>\$ 5,814,673</u>	<u>\$ 8,089,041</u>
All other governmental funds				
Reserved	\$ 108,203,523	\$ 101,137,755	\$ 108,475,292	\$ 110,921,017
Unreserved, reported in:				
Grants and Contracts fund	-	-	-	-
Special revenue funds	608,967	1,227,162	2,002,808	2,638,293
Capital projects funds	(3,011,410)	142,700	(542,242)	(97,377)
Restricted				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Assigned				
Capital projects funds	-	-	-	-
JP Jones	-	-	-	-
Total all other governmental funds	<u>\$ 105,801,080</u>	<u>\$ 102,507,617</u>	<u>\$ 109,935,858</u>	<u>\$ 113,461,933</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

2008	2009	2010	2011	2012	2013
\$ 534,862	\$ 845,087	\$ 752,332	\$ -	\$ -	\$ -
8,814,262	10,404,015	12,032,831	-	-	-
-	-	-	403,799	394,735	424,514
-	-	-	-	-	-
-	-	-	250,000	250,000	250,000
-	-	-	823,233	891,376	967,270
-	-	-	9,515,887	10,492,755	11,628,256
<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>	<u>\$ 13,270,040</u>
\$ 86,859,978	\$ 95,375,460	\$ 101,486,558	\$ -	\$ -	\$ -
(619,571)	(1,893,375)	(612,049)	-	-	-
3,114,178	2,306,017	3,457,955	-	-	-
17,886	-	-	-	-	-
-	-	-	98,759,020	105,954,571	113,495,958
-	-	-	104,856	66,317	19,345
-	-	-	-	-	1,180,540
-	-	-	4,435,077	5,780,451	4,828,224
-	-	-	137,298	-	-
<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>	<u>\$ 119,524,067</u>

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

	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 14,633,343	\$ 15,122,291	\$ 16,285,463	\$ 17,440,429
Charges for services	2,456,291	6,888,270	3,973,409	4,079,347
Intergovernmental	7,671,075	8,124,487	8,542,445	10,652,776
Licenses and permits	1,453,465	1,212,201	975,117	1,550,998
Fines and forfeitures	620,562	529,902	998,236	878,889
Special assessments	48,482	136,291	95,758	17,917
Investment earnings	6,252,738	3,241,679	10,044,318	6,194,223
Other revenues	1,465,844	1,543,830	2,343,657	1,870,313
Total revenues	34,601,800	36,798,951	43,258,403	42,684,892
Expenditures				
Current				
General government	5,829,048	7,025,918	7,982,040	12,853,392
Public safety	10,616,789	11,895,356	13,219,842	12,694,343
Public works	5,141,096	5,853,668	6,018,677	6,381,213
Building inspections	539,777	592,315	620,551	607,066
Capital outlay	11,457,594	14,202,067	6,328,739	4,712,401
Debt service - principal	1,040,000	1,160,000	1,130,000	1,175,000
Debt service - interest	505,700	413,661	438,158	393,395
Debt service - legal defeasance	-	-	-	-
Total expenditures	35,130,004	41,142,985	35,738,007	38,816,810
Other financing sources (uses)				
Transfers in	7,019,341	5,937,038	6,776,657	6,976,461
Transfers out	(9,113,738)	(5,740,138)	(6,546,667)	(6,395,669)
Sale of capital assets	644,749	531,911	572,211	1,351,569
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)	6,033,318	1,205,903	802,201	1,932,361
Net change in fund balances	\$ 5,505,114	\$ (3,138,131)	\$ 8,322,597	\$ 5,800,443
Capitalized expenditures	\$ 10,107,575	\$ 12,071,710	\$ 4,197,548	\$ 3,739,895
 Debt service as a percentage of noncapital expenditures	 6.18%	 5.41%	 4.97%	 4.47%

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 17,259,751	\$ 17,502,079	\$ 19,463,078	\$ 19,578,233	\$ 19,674,483	\$ 20,044,201	
5,328,989	5,783,500	3,968,793	4,135,457	4,739,263	4,566,999	
14,361,608	8,741,524	11,675,023	11,603,423	11,883,068	21,265,762	
1,571,840	1,767,207	1,469,761	1,835,062	1,985,385	1,775,851	
990,800	854,260	895,650	1,076,167	1,061,959	993,619	
12,162	64,382	4,878	6,975	4,416	2,674	
(20,549,751)	10,710,958	10,756,343	2,431,202	10,179,569	10,787,731	
2,161,822	1,781,787	1,806,320	1,598,932	2,044,516	2,054,612	
<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>	<u>61,491,449</u>	
13,020,533	8,997,667	9,998,624	10,580,853	10,508,964	10,816,850	
14,437,113	14,519,135	15,801,264	16,055,925	16,230,668	15,887,630	
7,636,407	7,739,414	11,287,376	10,911,650	10,654,648	13,024,157	
623,616	580,013	618,059	637,456	643,830	666,819	
7,614,509	5,701,742	2,532,930	1,879,300	4,196,815	12,133,923	
1,230,000	1,280,000	1,325,000	1,380,000	830,000	855,000	
346,645	297,620	246,320	195,570	55,190	28,215	
-	-	-	2,083,137	-	-	
<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>	<u>53,412,594</u>	
8,505,516	6,047,025	8,535,857	6,468,415	7,878,534	6,199,600	
(8,308,616)	(5,850,125)	(8,338,957)	(8,189,946)	(7,481,634)	(5,802,700)	
745,323	28,603	1,653,250	491,514	551,591	488,147	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>942,223</u>	<u>225,503</u>	<u>1,850,150</u>	<u>(1,230,017)</u>	<u>948,491</u>	<u>885,047</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>\$ 8,963,902</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>	<u>\$ 12,133,923</u>	
4.53%	4.57%	4.00%	8.74%	2.27%	2.14%	

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
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
2013	1,124,926,958	931,699,775	529,004,854	1,424,032	78,530,230

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 2004 and 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>
		\$ 1,583,848,525	\$ 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
39,813,320	3,552,306	2,708,951,475	212,011,356	2,496,940,119	5.716

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

Fiscal Year	Direct City Rates					Overlapping Rates	Total
	Voter Approved Services	Debt Service	Claims & Judgments	Operations	Total Direct	Fairbanks North Star Borough *	
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
2013	0.278		0.538	4.900	5.716	11.216	16.932

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

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

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

CITY OF FAIRBANKS, ALASKA

Principal Taxable Properties
December 31, 2013
Current Year and Nine Years Ago

Taxpayer	2013 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(a)	2004 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(b)
Doyon Utilities	\$ 266,025,418	1	9.82%			
Fred Meyer Stores	52,900,152	2	1.95%	\$ 29,278,121	3	1.85%
Wal-Mart Stores Inc.	33,495,477	3	1.24%	14,612,128	8	0.92%
Westmark Hotel	33,251,338	4	1.23%	23,704,469	1	1.50%
Bentley Mall	26,798,168	5	0.99%	16,777,036	6	1.06%
Tanana Clinic	24,704,823	6	0.91%			
Jillian Square Apartments LLC	21,807,178	7	0.81%	17,875,887	5	1.13%
Wal-Mart - Sam's Club	19,706,630	8	0.73%	19,196,838	4	1.21%
Sophie Plaza	19,052,987	9	0.70%	15,513,431	7	0.98%
Lowes	15,693,611	10	0.58%			
Marriot Hotel				11,700,000	9	0.74%
North Star Alaska Housing Corp. - Wainwright				23,032,765	2	1.45%
Tempt Alaska (Regal Cinema)				11,583,257	10	0.73%
	<u>\$ 513,435,782</u>		<u>18.96%</u>	<u>\$ 183,273,932</u>		<u>11.57%</u>

Source: Fairbanks North Star Borough Assessing Department.

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

^(a) \$2,708,951,475

^(b) \$1,583,848,525

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
2004	\$ 10,351,070	\$ 10,128,137	97.85%	\$ 210,958	\$ 10,339,095	99.88%
2005	10,847,838	10,592,086	97.64%	239,306	10,831,392	99.85%
2006	11,728,741	11,432,623	97.48%	282,389	11,715,012	99.88%
2007	12,580,818	12,238,969	97.28%	344,814	12,583,783	100.02%
2008	12,372,632	11,844,752	95.73%	397,650	12,242,402	98.95%
2009	12,849,334	12,385,454	96.39%	301,941	12,687,395	98.74%
2010	14,035,430	13,696,885	97.59%	263,700	13,960,585	99.47%
2011	14,098,558	13,668,914	96.95%	332,784	14,001,698	99.31%
2012	14,063,990	13,585,718	96.60%	182,277	13,767,995	97.90%
2013	14,311,224	13,866,487	96.89%	N/A	13,866,487	96.89%

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			
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
2013	-	-	2,667,110	-	2,667,110	0.18%	83

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

Fiscal Year	General Obligation Bonds	Cash With Fiscal Agents	Net General Bonded Debt	Assessed Value ^(a)	Population ^(b)	Net Bonded Debt to Assesed Value	Net Debt Per Capita
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
2013	-	-	-	2,708,951,475	32,204	-	-

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

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

^(b) Source : Alaska Department of Labor and Workforce Development (ADOL), Alaska Population Overview 2013. 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, 2013

Jurisdiction	Net Debt Outstanding	Percentage Applicable to the City of Fairbanks ^(a)	Amount Applicable to the City of Fairbanks
City of Fairbanks	\$ -	100.00%	\$ -
Fairbanks North Star Borough	114,305,000	30.53%	<u>34,899,381</u>
			<u><u>\$ 34,899,381</u></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				
	2004	2005	2006	2007	2008
Debt limit	\$ 219,776,079	\$ 239,002,164	\$ 263,456,598	\$ 289,338,351	\$ 315,221,249
Total debt applicable to limit	<u>12,160,000</u>	<u>11,095,000</u>	<u>9,965,000</u>	<u>8,790,000</u>	<u>7,560,000</u>
Legal debt margin	<u>\$ 207,616,079</u>	<u>\$ 227,907,164</u>	<u>\$ 253,491,598</u>	<u>\$ 280,548,351</u>	<u>\$ 307,661,249</u>
Total debt applicable to limit as a percentage of debt limit	5.53%	4.64%	3.78%	3.04%	2.40%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 336,781,763	\$ 362,956,558	\$ 380,929,801	\$ 364,302,182	\$ 368,137,138
Total debt applicable to limit	<u>6,280,000</u>	<u>4,955,000</u>	<u>1,685,000</u>	<u>855,000</u>	<u>0</u>
Legal debt margin	<u>\$ 330,501,763</u>	<u>\$ 358,001,558</u>	<u>\$ 379,244,801</u>	<u>\$ 363,447,182</u>	<u>\$ 368,137,138</u>
Total debt applicable to limit as a percentage of debt limit	1.86%	1.37%	0.44%	0.23%	0.00%

Computation of current year debt limit

Assessed valuation 2011	2,413,004,325
Assessed valuation 2012	2,452,798,320
Assessed valuation 2013	<u>2,496,940,119</u>
Total three year assessed valuation	<u>\$ 7,362,742,764</u>
Divided by three; average assessed value	<u>\$ 2,454,247,588</u>
15% of average assessed value; Debt limit	\$ 368,137,138
General obligation bonds outstanding	<u>-</u>
Legal debt margin	<u>\$ 368,137,138</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)
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%
2013	32,204	45,432	1,463,092,128	5.5%

Sources:

^(a) Alaska Department of Labor and Workforce Development (ADOL), Alaska Population Overview 2013.

^(b) U.S. Department of Commerce Bureau of Economic Analysis. Data for calendar year 2013 is not readily available. Statistics for calendar year 2013 have been estimated using the most recent data available.

^(c) Calculated based on ADOL and U.S. Department of Commerce Bureau of Economic Analysis.

CITY OF FAIRBANKS, ALASKA

Principal Employers

December 31, 2013

<u>Employer</u>	<u>Employees ^(a)</u>	<u>Rank</u>
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 2013. 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 2013. 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			
	2004	2005	2006	2007
General Government				
Mayor	5.00	5.00	6.00	5.00
City attorney	4.00	3.00	2.50	2.50
City clerk	2.00	2.00	2.00	3.00
Finance	6.00	6.00	7.00	7.50
Information systems	4.75	4.00	5.00	5.00
Public Safety				
Police				
Administration	5.50	5.50	5.50	5.50
Investigations	5.00	5.00	5.00	3.00
Patrol	34.00	34.00	36.00	39.00
Dispatch	12.00	13.00	15.00	16.00
Fire				
Administration	4.00	4.00	4.00	4.00
Suppression	35.00	36.00	36.00	37.00
Police Corp	2.00	1.00	0.00	0.00
Homeland Security	1.00	0.00	0.00	0.00
Public Works				
Works	32.50	32.50	32.50	33.50
Engineering	9.00	9.00	9.00	11.00
FMATS	0.00	0.00	0.00	0.00
Building Inspections	<u>6.25</u>	<u>6.25</u>	<u>6.75</u>	<u>6.50</u>
Total	<u><u>168.00</u></u>	<u><u>166.25</u></u>	<u><u>172.25</u></u>	<u><u>178.50</u></u>

Source: City Finance Department.

Full-time Equivalent Employees as of December 31

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
6.00	5.00	5.00	5.00	5.00	4.00
2.50	2.50	2.50	2.50	2.50	2.50
3.00	3.00	3.00	3.00	3.00	3.00
8.00	8.00	8.00	8.00	8.00	8.00
5.00	6.00	6.00	6.00	6.00	6.00
5.50	5.50	6.00	5.50	6.50	6.50
6.00	6.00	6.00	6.00	7.00	5.00
40.00	40.00	43.00	41.38	38.00	40.00
18.00	18.00	18.00	18.00	18.00	17.50
4.00	5.00	5.00	5.00	4.00	4.00
36.00	39.00	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
33.20	33.50	32.20	33.70	38.00	37.50
12.30	10.30	10.30	12.05	12.00	12.50
0.00	2.00	2.00	2.00	2.00	2.50
<u>6.50</u>	<u>6.00</u>	<u>6.00</u>	<u>6.08</u>	<u>7.00</u>	<u>6.00</u>
<u>186.00</u>	<u>189.80</u>	<u>192.00</u>	<u>193.21</u>	<u>196.00</u>	<u>194.00</u>

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General Government				
Annual final operating budget	\$ 23,313,804	\$ 25,307,801	\$ 27,991,203	\$ 29,821,840
Public Safety				
Police and Dispatch				
Number of law enforcement calls	28,777	26,564	29,058	29,581
Number of E-911 calls ^{(c) (d)}	33,746	35,005	36,070	115,900
Number of Dispatch Service calls ^(e)	-	-	-	-
Number of major crimes ^(f)	3,163	3,313	2,796	2,411
Number of physical arrests	1,394	1,903	2,217	1,791
Number of traffic citations	1,838	3,342	5,762	4,315
Fire				
Number of fire calls	846	773	803	838
Number of emergency medical service calls	2,982	2,931	2,938	3,251
Public Works				
Works				
Refuse collected (tons)	5,999	6,210	5,990	6,243
Patching (tons) ^(a)	-	3,428	2,462	2,677
Snow removal (cubic yards) ^(b)	484,091	209,615	169,067	224,525
Sand (tons spread) ^(b)	6,237	8,884	3,232	2,704
Building Inspections				
Number of permits issued	1,145	1,156	1,272	1,032

Sources: Various City departments.

^(a) Patching is not readily available for periods prior to 2005.

^(b) Amounts are available by season only.

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

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

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

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 32,011,673	\$ 32,428,579	\$ 31,134,677	\$ 34,747,137	\$ 33,037,424	\$ 34,878,988
27,974	30,569	31,541	41,734	30,907	32,098
117,078	121,194	121,194	43,626	46,165	70,830
-	-	-	53,508	65,068	43,384
2,138	2,346	2,622	2,124	2,093	2,024
2,060	2,217	3,307	2,549	1,619	1,621
4,130	4,295	3,919	4,303	4,060	2,536
834	907	846	730	807	1,034
3,352	3,323	3,535	3,222	3,223	3,300
6,087	5,893	5,776	5,100	5,510	5,348
4,132	3,299	2,260	3,110	1,520	1,272
410,480	375,305	172,393	275,310	528,640	674,030
2,756	2,839	2,005	3,049	2,481	3,000
891	917	868	990	1,023	974

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General Government				
Administration square footage	64,000	64,000	64,000	64,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	57	62	57	58
Fire				
Stations				
Manned	2	2	2	2
Unmanned	1	1	1	-
Emergency response vehicles	22	25	20	16
Public Works				
Works				
Refuse trucks	6	6	7	8

Sources: Various City departments.

Fiscal Year

2008	2009	2010	2011	2012	2013
64,000	64,000	64,000	64,000	65,000	65,000
1 62	1 68	1 68	1 66	1 59	1 68
2 - 17	2 - 17	2 - 17	2 - 19	2 - 22	2 - 20
8	8	8	10	9	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, 2013, 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 8, 2014.

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.

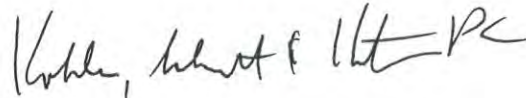
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 "Kuhle, Robert & H. R. K." with a stylized flourish at the end.

May 8, 2014
Fairbanks, Alaska



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 *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, 2013. 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, 2013.

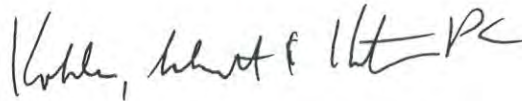
Report on Internal Control over Compliance

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

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

May 8, 2014
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Program from:			
Alaska Department of Commerce, Community & Economic Development FFY11 CDBG #11-CDBG-003	14.228	B-II-DC-02-0001	\$ 794,897
Total U.S. Department of Housing and Urban Development			794,897
U.S. DEPARTMENT OF INTERIOR			
Passed through Program from:			
Alaska Department of Natural Resources FFY12 Historic Preservation Fund	15.904	02-12-40908	\$ 14,372
Total U.S. Department of Interior			14,372
U.S. DEPARTMENT OF JUSTICE			
JAG Program Cluster			
Direct Programs			
Bureau of Justice Assistance			
FY2012 Edward Byrne Memorial Justice Assistance Grant	16.738		19,928
FY2013 Edward Byrne Memorial Justice Assistance Grant	16.738		30,362
Total JAG Program Cluster			50,290
Direct Programs			
Office of Justice Programs			
Bulletproof Vest Program	16.607		3,900
Community Oriented Policing Services			
COPS Technology Grant # 2007CKWX0022	16.710		214,506
Recovery Act COPS Hiring Recovery Program	16.710		61,872
Department of Justice			
Equitable Sharing Program	16.922		73,764
Passed through Program from:			
Municipality of Anchorage			
Internet Crimes Against Children	16.543	2010-MC-CX-K031	980
Alaska Department of Public Safety			
FY2012 Edward Byrne Memorial Justice Assistance Grant	16.579	JAG 13-023H	697
Total U.S. Department of Justice			406,009
U. S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Programs from:			
Alaska Department of Transportation and Public Facilities			
CMAQ Articulated Tractor	20.205	AKSAS #62018	39,596
Curb Upgrade Project	20.205	CM-0002(234)	9,158
Gillam Way Upgrade	20.205	STP-0655 (12)	5,012
Illinois Street Reconstruction Project	20.205	STP-F-M-0663(4)	60,788
Illinois Street Gateway Project	20.205	STP-F-M-0663(4)	405
LED Street Light Conversion Phase II	20.205	STP-000S(736)	47,017
Pedestrian Facility Upgrades	20.205	CMG-0655(12)	20,030
South Cushman Project	20.205	STP-0663(11)	1,111
Third Street Widening Project	20.205	PROJECT 62541	537
Safe Routes to School Grant Nordale	20.205	LU-20-12-0002	6,661
12/13 FMATS Program	20.205	PROJECT 77198	175,306
13/14 FMATS Program	20.205	PROJECT 77198	52,750
Total Highway Planning and Construction Cluster			\$ 418,371

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office			
12/13 ASTEP CIOT	20.600	402PT-13-06-00(A)-4	\$ 962
12/13 Law Enforcement Liaison	20.601	405K2-13-04-00(D)-1	2,255
Total Highway Safety Cluster			3,217
Passed through Programs from:			
Alaska Highway Safety Office			
12/13 DUI Traffic Enforcement	20.607	154AL-13-01-00(E)	146,922
12/13 ASTEP DUI	20.607	154AL-13-01-00(B)-3	5,408
12/13 Law Enforcement Liaison	20.607	154AL-13-01-00(C)-1	752
13/14 DUI Traffic Enforcement	20.607	154AL-14-01-00(B)	51,790
Total U.S. Department of Transportation			626,460
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program			
Office of the Chief Financial Officer			
Wickersham Stormwater Upgrade	66.202		594,460
Passed through Programs from:			
Alaska Department of Environmental Conservation			
ACWF Sludge Dewatering Facility Loan (subsidized)	66.458	ACWF #339091	67,205
ACWF Sludge Dewatering Facility Loan (unsubsidized)	66.458	ACWF #339091	1,658,281
Total Environmental Protection Agency			2,319,946
U. S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2010 State Homeland Security Program	97.067	10SHSP-GR34067	85,429
2011 State Homeland Security Program	97.067	11SHSP-GR34076	239,771
2012 State Homeland Security Program	97.067	12SHSP-GR34077	27,808
Total Homeland Security Cluster			353,008
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2012 Emergency Management Performance Grant	97.042	12EMPG-GR35585	5,000
2013 Emergency Management Performance Grant	97.042	13EMPG-GR34457	7,675
Direct Programs			
Federal Emergency Management Agency			
Assistance to Firefighter EMW-2011-FO-06024	97.044		101,711
Assistance to Firefighter EMW-2012-FO-02560	97.044		118,507
SAFER Grant EMW-2008-FF-00922	97.083		9,765
Total U. S. Department of Homeland Security			595,666
Grand Total - Federal Financial Assistance			\$ 4,757,350

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, 2013. The information in this schedule is presented in accordance with the requirements of the 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.

2. Construction Donation

The City of Fairbanks, Alaska had road reconstruction on 23rd Avenue, Cowles Street, and Wendell Street in the amount of \$13,667,377. These projects were conducted over multiple years. Of the total project cost, the City received nonmonetary federal financial assistance from the State of Alaska Department of Transportation and Public Facilities in the amount of \$8,858,488.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

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

Internal control over major programs:

Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None reported
Any audit findings disclosed that are required to be reported in accordance with 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
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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, 2013

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, 2013

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, 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, 2013, 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 8, 2014.

Internal Control over Financial Reporting

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

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

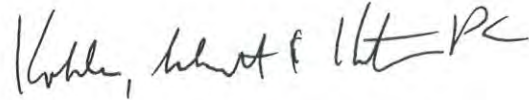
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

May 8, 2014
Fairbanks, Alaska



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

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

Report on Compliance for Each Major State Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Fairbanks, Alaska's major state programs for the year ended December 31, 2013. The City of Fairbanks, Alaska's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fairbanks, Alaska's major state programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion on Each Major State Program

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2013.

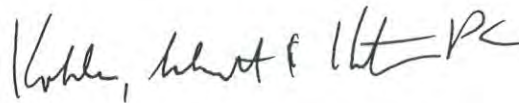
Report on Internal Control over Compliance

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

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

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

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



May 8, 2014
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
 Schedule of State Financial Assistance
 For the Year Ended December 31, 2013

<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	\$ 1,339,977
Total Alaska Department of Administration		<u>1,339,977</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
FY11 Community Revenue Sharing Program*	N/A	1,621,774
Ambulance*	13-DC-290	230,000
Arctic Park & Council Subdivision*	13-DC-461	175,488
City Hall Window Upgrade*	13-DC-372	236,463
City Wide Road Improvements & Upgrades*	07-DC-496	159,635
Construction Additions	14-RR-002	62,219
Lemeta Subdivision Streets*	13-DC-505	261,609
Local Road Improvements (West Barnette)	14-DC-050	531
Police Station Addition*	13-DC-364	432,950
Road Improvements City of Fairbanks*	13-DC-587	297,511
Road Improvements Surrounding Illinois Street*	09-DC-203	122,258
Slaterville Subdivision Streets*	13-DC-500	1,368,184
Warm Storage Additions*	13-DC-504	1,717,695
Total Alaska Department of Commerce, Community & Economic Development		<u>6,686,317</u>
<u>Alaska Department of Environmental Conservation</u>		
ACWF Sludge Dewatering Facility Loan*	ACWF #339091	374,664
Total Alaska Department of Environmental Conservation		<u>374,664</u>
<u>Alaska Department of Military & Veterans Affairs</u>		
Local Emergency Planning Committee	13LEPC-GR35602	19,820
Local Emergency Planning Committee	14LEPC-GR35602	5,171
Total Alaska Department of Military & Veterans Affairs		<u>24,991</u>
<u>Alaska Department of Natural Resources</u>		
Division of Forestry Fire Assistance	N/A	26,397
Total Alaska Department of Natural Resources		<u>26,397</u>
<u>Alaska Department of Public Safety</u>		
SART Reimbursement	N/A	56,308
State 2013 JAG Program	JAG 13-023H	19,703
State 2014 JAG Program	14-201	16,700
Total Alaska Department of Public Safety		<u>92,711</u>

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
GO 2004 Series Bond Reimbursement*	N/A	871,703
Barnette Upgrade	62161	7,632
Cushman/Gaffney Upgrade	77194	28,339
Downtown Wayfinding Project	62037	53,473
FMATS 12/13 Program	77198	40,458
FMATS 13/14 Program	77198	12,093
Helmericks Avenue Extension*	63624	4,884,572
Historical Plaque Project	62393	822
Illinois Gateway Project	63951	928
OSSI CAD Interface Project	N/A	10,000
Pedestrian Improvement II*	61690	688,034
South Cushman Project*	62532	279,433
Wickersham Street Upgrade*	62049	2,400,863
Total Alaska Department of Transportation and Public Facilities		<u>9,278,350</u>
<u>Alaska Department of Revenue</u>		
Liquor License (10)	N/A	75,349
Electric and Telephone (10)*	N/A	120,099
Total Alaska Department of Revenue		<u>195,448</u>
<u>Alaska Mental Health Trust Authority</u>		
Passed through from NAMI of Fairbanks		
FY13 CIT International Conference Training	N/A	4,337
Total Alaska Mental Health Trust Authority		<u>4,337</u>
Total State Financial Assistance		<u>\$ 18,023,192</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, 2013

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Financial Assistance

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2013

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