

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

John Eberhart
Mayor

Prepared by
Finance Department

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



CITY OF FAIRBANKS, ALASKA

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For the Fiscal Year Ended December 31, 2014

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GFOA Distinguished Budget Presentation Award
Organizational Chart
List of Principal Officials





CITY OF

FAIRBANKS

April 30, 2015

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, 2014. 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, 2014, 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, 2014. 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 2014 edition, tourism revenue from hotel-motel receipts decreased by 1.7 percent to \$56,842,901. Foreclosures decreased from 165 in 2010 to 144 in 2011, rose to 162 in 2012, 193 in 2013 and 196 in 2014. The average annual unemployment rate in 2014 slightly decreased to 5.7 percent from 5.8 percent in 2013. Mining and Logging increased from an average of 1,500 employees to 1,600 employees, resulting in the employment increase of 6.7 percent. Construction employment increased 8.3 percent and Trade, Transportation, and Utilities increased 5.1 percent. Manufacturing employment was flat and Federal Government and State Government employment fell 3.3 percent and 1.8 percent respectively. There was no change in 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, 2014, the unassigned fund balance in the City's general fund was \$9,634,436. 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, 2014 the fund balance was \$120,885,537. 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 2014, \$4,119,676 was transferred from the permanent fund to the general fund and \$514,960 was transferred from the permanent fund to the capital fund. In 2015, it is estimated that \$4,344,518 and \$543,065 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 is developing 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:

2015

- Helmericks Extension/Bentley Trust Road/Roundabouts: Project started in 2013; The City is adding another roundabout and expects to complete the work by October of 2015
- Lemeta Subdivision, located off College Road, north and south sides, near Wedgewood complex, Joy Elementary, and Margaret/Antoinette intersections: The project started June 2014; Remaining work to be completed by September 2015.
- Arctic Park/Council Subdivision, behind Shoppers Forum Mall, complete reconstruction: Project started in June 2014; Remaining work to be completed by September 2015.
- Cushman Complete Street, Airport Way to First Avenue, including Third and Fifth Avenues from Cushman Street to Lacey Street, complete reconstruction to Cushman 1-lane, Third Avenue bulb-out removal, Fifth Avenue reconstruction: May through October 2015
- Hamilton Acres Subdivision, drainage and street reconstruction scheduled to begin in May 2015 through September 2016.
- Third Street Widening: Design is ongoing, the City is assisting the Alaska Department of Transportation.

2016

- Bjerrmark Subdivision Improvements Phase I, includes new sidewalks, additional street lighting, school zone flashing, traffic calming techniques; May through September 2016.
- Hamilton Acres Subdivision, Stage II planned for May through September 2016.
- Subdivision(s) to be determined, possibly Rickert, Fairbanks Townsite, Gateway: May through September 2016.

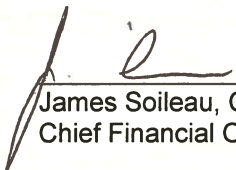
AWARDS and ACKNOWLEDGEMENTS

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, 2013. The City received this prestigious award for the past twelve consecutive years (2002 - 2013). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



James Soileau, CPA
Chief Financial Officer



Carmen Randle, CPA
Controller





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, 2013

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Fairbanks

Alaska

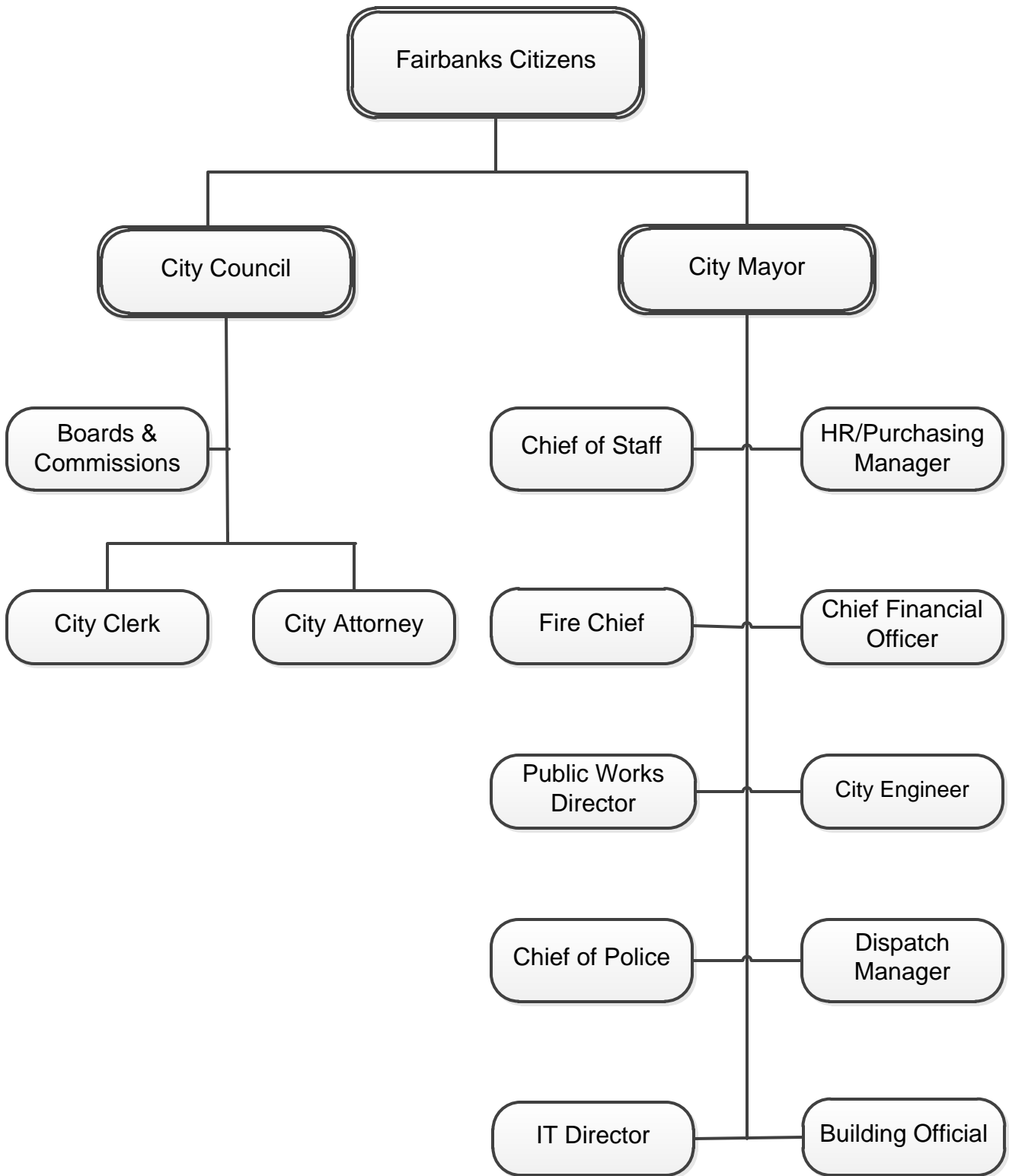
For the Fiscal Year Beginning

January 1, 2014

Jeffrey R. Egan

Executive Director

City of Fairbanks 2014



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2014

MAYOR

John Eberhart

CITY COUNCIL MEMBERS

Renee Staley, Seat A
Perry Walley, Seat B
Bernard Gatewood, Seat C
Jim Matherly, Seat D
Jerry Cleworth, Seat E
David Pruhs, Seat F

ADMINISTRATION

John Eberhart, Mayor
James Williams, Chief of Staff
Janey Hovenden, City Clerk
Michael Schmetzer, City Engineer
Warren Cummings, Fire Chief
Randall Aragon, Police Chief
Stephanie Johnson, Director of Emergency Dispatch Center
Michael Schmetzer, Director of Public Works
Paul Ewers, City Attorney
Barbara Sunday, Personnel/Purchasing
Clem Clouten, Building Official
James Soileau, Chief Financial Officer
Ben Barrio, Information Technology

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2014, 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, 2014, 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 2013 financial statements and, in our report dated May 8, 2014, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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

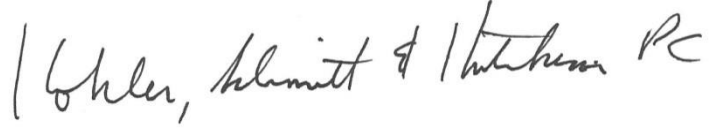
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbanks, Alaska's basic financial statements. The introductory section, combining and individual fund financial statements, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of state financial assistance are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not a required part of the basic financial statements of the City of Fairbanks, Alaska.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, 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.

Handwritten signature in cursive script: Gohler, Schmidt & Hutchinson PC

April 30, 2015
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2014

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, 2014. 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, 2014 by \$275,266,250 (net position). Of this amount, \$22,106,509 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- In 2014 the State of Alaska reimbursed the final \$869,108 of Fire Station 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 \$138,909,105.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,634,436 or 27.5 percent of total general fund expenditures. The total unassigned fund balance at December 31, 2013 was \$11,628,256 or 34.33 percent of total general fund expenditures.
- During 2014, 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 \$1,630,844 and \$2,716,160, 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, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 148,237,775	5,010,755	153,248,530
Capital assets	123,621,505	8,624,217	132,245,722
Total assets	<u>271,859,280</u>	<u>13,634,972</u>	<u>285,494,252</u>
Liabilities			
Long-term liabilities outstanding	2,524,391	19,595	2,543,986
Other liabilities	2,628,801	5,055,215	7,684,016
Total liabilities	<u>5,153,192</u>	<u>5,074,810</u>	<u>10,228,002</u>
Net position			
Net investment in capital assets	123,621,505	8,624,217	132,245,722
Restricted	120,914,019	-	120,914,019
Unrestricted	22,170,564	(64,055)	22,106,509
Total net position	<u>\$ 266,706,088</u>	<u>8,560,162</u>	<u>275,266,250</u>

**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>

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 \$275,266,250 at December 31, 2014. The largest portion of the City's net position (48.04 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A large portion of the net position (43.93 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$22,106,509 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, 2014**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 7,375,723	556,381	7,932,104
Operating grants and contributions	10,676,943	-	10,676,943
Capital grants and contributions	6,729,479	-	6,729,479
General revenues:			
Property taxes	14,270,470	-	14,270,470
Other taxes	5,879,565	-	5,879,565
Investment gain (loss)	8,358,472	-	8,358,472
Other	3,098,823	25	3,098,848
Total revenues	<u>56,389,475</u>	<u>556,406</u>	<u>56,945,881</u>
Expenses:			
General government	18,534,706	-	18,534,706
Public safety	18,277,156	-	18,277,156
Public works	15,617,945	-	15,617,945
Building inspections	646,838	-	646,838
Fairbanks Transportation Center	-	384,291	384,291
Municipal Utilities System	-	31,200	31,200
Total expenses	<u>53,076,645</u>	<u>415,491</u>	<u>53,492,136</u>
Increase (decrease) in net position before transfers	3,312,830	140,915	3,453,745
Transfers	396,900	(396,900)	-
Increase (decrease) in net position	3,709,730	(255,985)	3,453,745
Net position - 12/31/2013	<u>262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>
Net position - 12/31/2014	<u>\$ 266,706,088</u>	<u>8,560,162</u>	<u>275,266,250</u>

**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	396,900	(396,900)	-
Increase (decrease) in net position	25,592,322	(264,489)	25,327,833
Net position - 12/31/2011	<u>237,404,036</u>	<u>9,080,636</u>	<u>246,484,672</u>
Net position - 12/31/2012	<u>\$ 262,996,358</u>	<u>8,816,147</u>	<u>271,812,505</u>

Analysis of Changes in Net Position

Governmental activities

Governmental activities increased the City's net position by \$3,709,730. Key elements of the changes in net position are as follows:

- The \$4,634,636 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 \$7,389,579
- The non-major funds revenue and transfers in exceeded expenditures and transfers out by \$635,214
- The general fund expenditures and transfers out exceeded the revenues and transfers in causing a deficiency of (\$1,909,795)
- Construction on a new Public Works Building was completed at a total cost of \$2,208,778.

Business-type activities

Business-type activities decreased the City's net position by \$255,985. Key elements of the decrease are as follows:

- The MUS Fund transferred \$396,900 in rental income to the Permanent Fund for investment.
- The FTC Fund incurred an operating loss of \$224,785.

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 \$138,909,105, an increase of \$6,114,998 in comparison to the prior year. Of the amount, \$9,634,436 (6.94 percent) is unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$9,634,436 while total fund balance is \$11,360,245. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (27.50 percent) of total general fund expenditures, while total fund balance represents (32.42 percent) of total general fund expenditures.

The general fund's fund balance decreased by \$1,909,795 during the current fiscal year. The general fund's unassigned fund balance decreased by \$1,993,820. In 2014 the Fairbanks City Council voted to transfer additional \$4,000,000 of general fund balance to other funds (\$3,000,000 to the permanent fund and \$1,000,000 to the capital fund). City code Sec. 2-651 states that in no case shall unassigned general fund balance be less than, the greater of 20 percent of budgeted operational expenditures or \$4,000,000. The budgeted operational expenditures after the transfers were \$34,663,777. Twenty percent of the operational expenditures are \$6,932,755, which is \$2,701,681 less than the 2014 unassigned fund balance.

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

- Revenue from employer relief payments from The State of Alaska (State) Public Employees Retirement System (PERS) increased by \$1,376,183 due to State legislative actions
- Revenue from all taxes increased by \$105,835
- Revenue from charges for licenses and permits decreased by \$163,305
- Revenue from fines and forfeitures decreased by \$97,700
- Revenue received for fees charged for services increased \$65,462

- Salaries and wages with benefits increased by \$467,699. The increase was due to wage openers on existing labor contracts in 2014. Public Works employees and General Government employees received increases to their pay and benefits.
- Transfers to other funds increased by \$3,589,041, while transfers from other funds increased by \$224,992

The permanent fund has a total fund balance of \$120,885,537 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 \$7,389,579 during 2014. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$4,119,676 and \$514,960, respectively. Significant increases to fund balance were a \$3,000,000 transfer from the general fund's unassigned fund balance, \$396,900 transfer from the MUS fund from rental income, \$196,252 received from the sale of real property, and the fund's earnings were \$8,358,448. 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 \$1,214,956 and \$7,345,206 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 \$224,785 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 \$372,370. Significant differences are briefly summarized as follows:

- \$ 12,713 increase in tax revenue.
- \$ 153,225 increase in charges for services.
- \$ 79,390 increase in licenses and permits.
- \$ 178,004 increase in Intergovernmental revenue.
- \$ 89,485 decrease in fines and forfeitures.
- \$ 38,523 increase in other revenues.

Differences between the original budget for total expenditures and the final amended budget increased appropriations by \$ 555,148. Significant differences are briefly summarized as follows:

- \$10,518 increase in general government and administrative activities.
- \$315,219 increase allocated to public safety.
- \$213,386 increase allocated to public works.
- \$ 16,025 increase allocated to building inspections.

During the year revenues exceeded budgetary estimates by \$1,607,076. Expenditures and encumbrances were more than budgetary estimates by \$400,665.

The most significant differences were as follows:

- Intergovernmental revenue increased \$1,392,318, revenue from charges for services and license and permits was \$107,216 and \$95,156 higher than anticipated
- General government expenditures were \$1,447,154 higher than anticipated due to the State of Alaska Public Retirement System on-behalf expenditures of \$1,392,318 and a \$340,487 increase in Risk Management claims and insurance costs.

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 is \$132,245,722 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure.

The total decrease in the City's investment in capital assets for the current fiscal year was \$2,217,160 (a 1.5 percent decrease for governmental activities and 2.75 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. 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. The design phase is expected to be completed in 2015 with construction scheduled for 2016
- \$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 was completed in 2014. The City will complete the final project phase in 2015.

- \$8.3 million Cushman and Gaffney 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, drainage improvements and possible utility relocations. The area included in this project is Cushman Street from First Avenue to Airport Way
- \$5.2 million Wickersham Street project upgraded the street and improved the existing storm water drainage system. The project is funded by federal and state dollars. The design and construction phase was completed in 2014. The City will complete the final project phase in 2015.

Capital Assets
December 31, 2014
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,263,393	454,356	9,717,749
Construction in progress	15,827,976	-	15,827,976
Buildings	21,789,674	7,128,545	28,918,219
Equipment	8,098,269	11,716	8,109,985
Infrastructure	68,642,193	1,029,600	69,671,793
Total	\$ 123,621,505	8,624,217	132,245,722

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

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$7,684,017. Additional information on the City's long-term liabilities can be found in Note 3 to the basic financial statements.

Outstanding Debt December 31, 2014

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 1,835,594	-	1,835,594
Alaska clean water loans	-	5,055,215	5,055,215
Self-Insurance losses	793,207	-	793,207
Total	<u>\$ 2,628,801</u>	<u>5,055,215</u>	<u>7,684,016</u>

Outstanding Debt December 31, 2013

	Governmental Activities	Business-type Activities	Total
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	<u>\$ 2,653,239</u>	<u>2,667,110</u>	<u>5,320,349</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- On December 1, 2014 the City Council passed Ordinance No. 5961 adopting the 2015 budget for the general fund. The original budget projects revenues and other financing sources to be \$36,367,511 and expenditures in the amount of \$35,586,182 increasing fund balance by \$781,329.
- On January 5, 2015, *Ordinance No. 5962 As Amended* was passed. This ordinance ratified the AFLCIO labor agreement and amended the 2015 budget by increasing the Public Works wage and benefits budget by \$116,558.
- Total fund balance in the general fund is projected to be \$10,888,415 with an unassigned balance of \$9,428,653. The significant adjustments to the budget were due to:
 1. The encumbrances carrying forward from 2014 increased total expected expenditures to be paid in 2015 by \$209,178.
- 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 2015, the mill levy estimate projects the maximum revenue allowed from all taxes will be \$20,579,219. The calculation allows \$15,236,688 for property taxes, but is limited to \$14,911,665 by the 4.9 mill cap. The cap leaves \$325,023 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 FY2016 State fiscal year budget appropriates approximately \$1.53 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, 2014

(With comparative totals for 2013)

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
ASSETS				
Equity in central treasury	\$ 18,568,472	858	18,569,330	16,378,300
Restricted cash and cash equivalents	4,818,453	-	4,818,453	2,819,738
Investments, restricted	115,691,412	-	115,691,412	110,292,489
Accounts receivable (net)	4,132,244	420,873	4,553,117	7,438,017
Internal balances	122,383	(122,383)	-	-
Inventory	1,228,326	-	1,228,326	1,220,754
Prepaid expenses	473,424	-	473,424	424,514
Noncurrent receivables	3,203,061	4,711,407	7,914,468	3,734,960
Capital assets				
Non-depreciable	9,263,393	454,356	9,717,749	9,490,160
Construction in progress	15,827,976	-	15,827,976	14,261,589
Depreciable, net of accumulated depreciation	98,530,136	8,169,861	106,699,997	110,711,133
Total assets	<u>271,859,280</u>	<u>13,634,972</u>	<u>285,494,252</u>	<u>276,771,654</u>
LIABILITIES				
Accounts payable and other current liabilities	2,255,263	-	2,255,263	2,038,474
Unearned revenue	269,128	19,595	288,723	267,436
Noncurrent liabilities				
Due within one year	2,064,236	343,808	2,408,044	2,257,943
Due in more than one year	564,565	4,711,407	5,275,972	395,296
Total liabilities	<u>5,153,192</u>	<u>5,074,810</u>	<u>10,228,002</u>	<u>4,959,149</u>
NET POSITION				
Investment in capital assets	123,621,505	8,624,217	132,245,722	134,462,882
Restricted				
Federal asset forfeiture	28,482	-	28,482	19,345
Permanent fund - expendable	4,887,583	-	4,887,583	4,634,636
Permanent fund - nonexpendable	115,997,954	-	115,997,954	108,861,322
Unrestricted	22,170,564	(64,055)	22,106,509	23,834,320
Total net position	<u>\$ 266,706,088</u>	<u>8,560,162</u>	<u>275,266,250</u>	<u>271,812,505</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Statement of Activities
For the Year Ended December 31, 2014
(With comparative totals for 2013)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2014	2013
Governmental Activities:								
General government	\$ 18,534,706	1,947,754	43,864	3,474,155	(13,068,933)	-	(13,068,933)	(15,428,144)
Public safety	18,277,156	2,956,695	4,204,145	2,118,951	(8,997,365)	-	(8,997,365)	(9,654,654)
Public works	15,617,945	1,966,209	6,428,934	1,136,373	(6,086,429)	-	(6,086,429)	16,727,878
Building inspections	646,838	505,065	-	-	(141,773)	-	(141,773)	50,783
Interest on long-term debt	-	-	-	-	-	-	-	(28,215)
Total governmental activities	53,076,645	7,375,723	10,676,943	6,729,479	(28,294,500)	-	(28,294,500)	(8,332,352)
Business-type activities:								
Municipal Utilities System	31,200	396,900	-	-	-	365,700	365,700	365,700
Fairbanks Transportation Center	384,291	159,481	-	-	-	(224,810)	(224,810)	(233,357)
Total business-type activities	415,491	556,381	-	-	-	140,890	140,890	132,343
Total	\$ 53,492,136	7,932,104	10,676,943	6,729,479	(28,294,500)	140,890	(28,153,610)	(8,200,009)
General Revenues:								
Property tax					14,270,470	-	14,270,470	14,333,209
Hotel motel tax					2,720,456	-	2,720,456	2,632,839
Alcohol beverage tax					2,247,924	-	2,247,924	2,147,775
Tobacco tax					911,185	-	911,185	930,378
Unrestricted shared revenue					2,339,182	-	2,339,182	2,300,539
Investment income					8,358,472	-	8,358,472	10,787,731
Interest income					122,993	25	123,018	170,079
Miscellaneous					636,648	-	636,648	225,292
Transfers - internal activity					396,900	(396,900)	-	-
Total general revenues and transfers					32,004,230	(396,875)	31,607,355	33,527,842
Change in net position					3,709,730	(255,985)	3,453,745	25,327,833
Net position - beginning					262,996,358	8,816,147	271,812,505	246,484,672
Net position- ending					\$ 266,706,088	8,560,162	275,266,250	271,812,505

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2014

	<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	\$ 9,701,508	-	-	6,998,943	16,700,451
Restricted cash and cash equivalents	21,000	4,768,971	-	28,482	4,818,453
Restricted investments	-	115,691,412	-	-	115,691,412
Receivables (net of allowance for uncollectibles)	4,912,517	658,853	1,763,919	-	7,335,289
Prepaid assets	473,424	-	-	-	473,424
Due from other funds	1,896,803	-	-	-	1,896,803
	<u>\$ 17,005,252</u>	<u>121,119,236</u>	<u>1,763,919</u>	<u>7,027,425</u>	<u>146,915,832</u>
LIABILITIES					
Accounts payable	1,872,067	1,506	1,942	364,102	2,239,617
Deposits	15,646	-	-	-	15,646
Unearned revenue	269,128	-	-	-	269,128
Due to other funds	-	-	1,741,977	-	1,741,977
	<u>2,156,841</u>	<u>1,506</u>	<u>1,743,919</u>	<u>364,102</u>	<u>4,266,368</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,488,166</u>	<u>232,193</u>	<u>20,000</u>	<u>-</u>	<u>3,740,359</u>
FUND BALANCES					
Nonspendable	473,424	-	-	-	473,424
Restricted	-	120,885,537	-	28,482	120,914,019
Committed	250,000	-	-	807,552	1,057,552
Assigned	1,002,385	-	-	5,827,289	6,829,674
Unassigned	9,634,436	-	-	-	9,634,436
	<u>11,360,245</u>	<u>120,885,537</u>	<u>-</u>	<u>6,663,323</u>	<u>138,909,105</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,005,252</u>	<u>\$ 121,119,236</u>	<u>\$ 1,763,919</u>	<u>\$ 7,027,425</u>	<u>\$ 146,915,832</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, 2014

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>\$ 138,909,105</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	9,263,393
Construction in progress	15,827,976
Buildings	33,634,565
Equipment	24,214,721
Accumulated depreciation	<u>(446,351,595)</u>
	<u>123,621,505</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,228,326</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Self-insurance losses	<u>(793,207)</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	25,995
Deferred sales tax, penalties and interest	62,171
Deferred Tract I and Tract II note receivable	224,641
Advanced Grant Revenue	20,000
Deferred Korean Community of Fairbanks note receivable	7,552
Deferred Techite note receivable	<u>3,400,000</u>
	<u>3,740,359</u>
Net position of governmental activities (page 5)	<u><u>\$ 266,706,088</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, 2014

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 20,150,036	-	-	-	20,150,036
Charges for services	4,632,461	-	-	-	4,632,461
Intergovernmental	5,957,602	-	12,686,689	12,225	18,656,516
Licenses and permits	1,612,546	-	-	-	1,612,546
Fines and forfeitures	895,919	-	-	-	895,919
Special assessments	16,277	-	-	-	16,277
Investment earnings	-	8,358,448	-	22	8,358,470
Other revenues	529,915	-	296,396	1,025,000	1,851,311
Total revenues	<u>33,794,756</u>	<u>8,358,448</u>	<u>12,983,085</u>	<u>1,037,247</u>	<u>56,173,536</u>
Expenditures					
Current					
General government	11,584,168	167,809	-	530,259	12,282,236
Public safety	15,152,901	-	1,442,608	422,502	17,018,011
Public works	7,527,643	-	6,428,934	643,766	14,600,343
Building inspections	636,884	-	-	-	636,884
Capital outlay					
General government	16,790	-	3,437,878	23,118	3,477,786
Public safety	6,584	-	1,249,843	386,422	1,642,849
Public works	112,317	-	423,822	680,725	1,216,864
Total expenditures	<u>35,037,287</u>	<u>167,809</u>	<u>12,983,085</u>	<u>2,686,792</u>	<u>50,874,973</u>
Excess (deficiency) of revenues over expenditures	<u>(1,242,531)</u>	<u>8,190,639</u>	<u>-</u>	<u>(1,649,545)</u>	<u>5,298,563</u>
Other financing sources (uses)					
Transfers in	4,119,676	3,637,324	-	2,284,759	10,041,759
Transfers out	(5,010,223)	(4,634,636)	-	-	(9,644,859)
Sale of capital assets	223,283	196,252	-	-	419,535
Total other financing sources (uses)	<u>(667,264)</u>	<u>(801,060)</u>	<u>-</u>	<u>2,284,759</u>	<u>816,435</u>
Net change in fund balances	<u>(1,909,795)</u>	<u>7,389,579</u>	<u>-</u>	<u>635,214</u>	<u>6,114,998</u>
Fund balances - beginning	<u>13,270,040</u>	<u>113,495,958</u>	<u>-</u>	<u>6,028,109</u>	<u>132,794,107</u>
Fund balances - ending	<u>\$ 11,360,245</u>	<u>120,885,537</u>	<u>-</u>	<u>6,663,323</u>	<u>138,909,105</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, 2014

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)	\$ 6,114,998
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	6,337,499
Depreciation expense	<u>(8,401,736)</u>
	<u>(2,064,237)</u>
Gains and losses from disposal of capital assets are not reported on the governmental fund financial statements and proceeds from sales are reported as revenue. Under full accrual accounting, gains and losses on disposal is reported and proceeds from sales are not reported as revenue.	
Proceeds from the sale of assets	(10,425)
Loss on Disposal	<u>(522)</u>
	<u>(10,947)</u>
Assets donated to the City are not reported in governmental funds. In the statement of activities, revenue is recorded for the fair value of the assets at date of donation.	
Land and equipment donated during the year	<u>256,789</u>
Governmental funds do not include prior year work-in-progress amounts not subsequently capitalized. In the statement of activities, the costs not capitalized are expensed.	
Decrease Improvement costs	<u>(155,301)</u>
Inventories are reported under the purchases method in the governmental funds, and under the consumption method in the statement of activities.	
	<u>7,573</u>
Collections on receivables provide current financial resources to governmental funds. However, the collection on notes receivable decreases the notes receivable balance in the statement of net position. In the current period, proceeds were received from:	
Breadline note receivable	(42,425)
Tract I and Tract II receivable	(14,681)
Techite note receivable	(200,000)
Community Development receivable	<u>(188,473)</u>
	<u>(445,579)</u>
Accrued interest is deferred in the governmental fund statements though reported as earned in the statement of activities.	
	<u>(2,456)</u>
Collections on special assessments receivable	<u>(40,708)</u>
Collections on special assessment penalties and interest	<u>57,557</u>
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:	
Increase in reserve for self-insurance losses	<u>(7,959)</u>
	<u>(7,959)</u>
Change in net position of governmental activities (page 7)	\$ <u>3,709,730</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds
Statement of Net Position
December 31, 2014

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
ASSETS				
Current assets				
Cash	\$ -	858	858	1,868,021
Accounts receivable	-	77,065	77,065	16
GHU Clean Water loan receivable	343,808	-	343,808	-
Total current assets	343,808	77,923	421,731	1,868,037
Noncurrent assets				
GHU Clean Water loan receivable	4,711,407	-	4,711,407	-
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	(23,018,906)	(2,410,432)	(25,429,338)	-
Total noncurrent assets	5,926,363	7,409,261	13,335,624	-
Total assets	\$ 6,270,171	7,487,184	13,757,355	1,868,037
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	343,808	-	343,808	-
Due to general fund	-	122,383	122,383	32,443
Compensated absences	-	-	-	1,827,350
Unearned revenue	-	19,595	19,595	-
Total current liabilities	343,808	141,978	485,786	1,859,793
Noncurrent liabilities				
Alaska Clean Water loan payable	4,711,407	-	4,711,407	-
Compensated absences	-	-	-	8,244
Total noncurrent liabilities	4,711,407	-	4,711,407	8,244
Total liabilities	5,055,215	141,978	5,197,193	1,868,037
NET POSITION				
Net investment in capital assets	1,214,956	7,409,261	8,624,217	-
Unrestricted	-	(64,055)	(64,055)	-
Total net position	1,214,956	7,345,206	8,560,162	-
Total liabilities and net position	\$ 6,270,171	7,487,184	13,757,355	1,868,037

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, 2014

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	
Operating revenues				
Rental income	\$ 396,900	159,481	556,381	-
Other revenue	-	-	-	1,868,340
	<u>396,900</u>	<u>159,481</u>	<u>556,381</u>	<u>1,868,340</u>
Operating expenses				
Employee benefits	-	-	-	1,868,340
Management fees	-	172,025	172,025	-
Depreciation	-	212,266	212,266	-
Total operating expenses	<u>-</u>	<u>384,291</u>	<u>384,291</u>	<u>1,868,340</u>
Operating income (loss)	<u>396,900</u>	<u>(224,810)</u>	<u>172,090</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	25	25	-
Rental depreciation	(31,200)	-	(31,200)	-
Total nonoperating revenue (expenses)	<u>(31,200)</u>	<u>25</u>	<u>(31,175)</u>	<u>-</u>
Income (loss) before contributions and transfers	365,700	(224,785)	140,915	-
Transfers out	(396,900)	-	(396,900)	-
Change in net position	(31,200)	(224,785)	(255,985)	-
Total net position - beginning	<u>1,246,156</u>	<u>7,569,991</u>	<u>8,816,147</u>	<u>-</u>
Total net position - ending	<u>\$ 1,214,956</u>	<u>7,345,206</u>	<u>8,560,162</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, 2014

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Cash flows from operating activities				
Receipts from customers	\$ 396,900	151,892	548,792	-
Receipts for interfund services provided	-	-	-	1,888,987
Payments for interfund services provided	-	-	-	(1,868,340)
Payments to management	-	(151,559)	(151,559)	-
Net cash provided (used) by operating activities	<u>396,900</u>	<u>333</u>	<u>397,233</u>	<u>20,647</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	(343,809)	-	(343,809)	-
Payment to Golden Heart Utilities	(2,731,914)	-	(2,731,914)	-
Receipt from Alaska DEC	2,731,914	-	2,731,914	-
Receipt from Golden Heart Utilities	343,809	-	343,809	-
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	-	25	25	-
Net cash provided by investing activities	<u>-</u>	<u>25</u>	<u>25</u>	<u>-</u>
Net increase (decrease) in cash	-	358	358	20,647
Cash at beginning of the year	-	500	500	1,847,374
Cash at end of the year	<u>\$ -</u>	<u>858</u>	<u>858</u>	<u>1,868,021</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	396,900	(224,810)	172,090	-
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	-	(7,515)	(7,515)	-
Due from other funds	-	20,467	20,467	53,045
(Decrease) increase in liabilities				
Prepaid rent	-	(75)	(75)	-
Compensated absences	-	-	-	(32,398)
Net cash provided (used) by operating activities	<u>\$ 396,900</u>	<u>333</u>	<u>397,233</u>	<u>20,647</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2014

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. Inventory and prepaid items
 - 5. Restricted assets
 - 6. Capital assets
 - 7. Compensated absences
 - 8. Long-term obligations
 - 9. Fund equity
 - 10. Encumbrances
 - 11. Use of estimates
 - 12. Comparative data / reclassifications
 - 13. Rounding
 - 14. New accounting pronouncements

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

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2014

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 A 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 – Amounts in the assigned fund balance are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The City Council has the authority to assign amounts to be used for specific purposes.

Unassigned – 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, 2014:

General Fund	\$ 209,177
Grants & Contracts Fund*	1,216,728
Other Governmental Funds	<u>685,886</u>
Total	\$ <u>2,111,791</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. Comparative data/reclassifications

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

13. Rounding

Each amount in the financial statements is rounded to its natural whole number. As a result, some subtotals and totals may not equal the sum of detail amounts.

14. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes GASB Statement 68 will result in the biggest reporting change.

GASB 68- Accounting and Financial Reporting for Pensions- Effective for year ended June 30, 2015- This statement changes the reporting and disclosure requirements for governments that participate in pension plans. This statement modifies the participating employer side of reporting in connection with plan reporting in accordance with GASB 67.

GASB 69- Government Combinations and Disposal of Government Operations- Effective for year-end June 30, 2015- This statement contains certain disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and effects of these transactions.

GASB 71-Pension Transition for Contributions Made Subsequent to the Measurement Date- Effective for year-end June 30, 2015- This statement is a companion to GASB 68 and clarifies treatment of contributions made by a contributing entity to a defined benefit pension plan after the measurement date of the government's net pension liability.

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, 2014, 20 percent of annual budgeted expenditures were \$6,932,756. The unassigned fund balance in the City's general fund was \$9,634,436.

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 April 30, 2015.

C. Deficit Fund Equity

There were no funds with a deficit in total fund balance at December 31, 2014. However, the Fairbanks Transportation Center had a deficit in unrestricted net position of \$64,055 at December 31, 2014.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

D. Excess of Expenditures and Encumbrances over Appropriations

General Fund	Budget	Actual on Budgetary Basis	Variance
Finance	\$ 923,640	926,799	(3,159)
Risk Management	1,040,819	1,381,306	(340,487)
General Account	5,731,031	6,878,714	(1,147,683)
Engineering	598,153	625,290	(27,137)
Total	\$ 8,293,643	9,812,109	(1,518,466)

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

	General Fund	Permanent Fund	Nonmajor Governmental	Total
Nonspendable				
Prepayments	\$ 473,424	-	-	473,424
Restricted				
Investment	-	120,885,537	-	120,885,537
Federal Asset Forfeiture	-	-	28,482	28,482
Total Restricted	-	120,885,537	28,482	120,914,019
Committed				
Snow Removal	250,000	-	-	250,000
Capital Projects	-	-	807,552	807,552
	250,000	-	807,552	1,057,552
Assigned				
Encumbrances	209,177	-	685,886	895,063
Self Insurance	793,208	-	-	793,208
Capital	-	-	5,141,403	5,141,403
	1,002,385	-	5,827,289	6,829,674
Unassigned	9,634,436	-	-	9,634,436
Total Fund Balance	\$ 11,360,245	120,885,537	6,663,323	138,909,105

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

At December 31, 2014, the carrying amount of the City's cash and deposits was \$2,529,924 and the bank balances totaled \$3,804,743. 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 Global Aggregate ex-USD Float Adjusted RIC 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, 2014, 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	\$ 25,241,602	1,010,230	17,765,452	2,948,031	3,517,889
U.S. treasuries and agencies	24,029,902	-	4,820,941	10,555,256	8,653,705
External investment pool	20,857,859	20,857,859	-	-	-
Foreign bonds	3,355,263	505,005	2,850,258	-	-
	<u>\$ 73,484,626</u>	<u>22,373,094</u>	<u>25,436,651</u>	<u>13,503,287</u>	<u>12,171,594</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, 2014, 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, 2014 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	\$ 60,409,145	N/A	44.25%
U.S. treasuries and agencies	24,029,902	N/A	17.60%
Fixed income mutual fund	2,655,500	N/A	1.94%
Corporate bonds	2,120,478	AAA/Aaa	
Corporate bonds	541,216	A/Aaa	
Corporate bonds	332,921	AAA/Unrated	
Corporate bonds	381,170	Unrated/Aaa	
Corporate bonds	1,225,332	AA/Aa	
Corporate bonds	1,125,230	AA/A	
Corporate bonds	1,250,088	A/Aa	
Corporate bonds	10,786,875	A/A	
Corporate bonds	578,085	A/Unrated	
Corporate bonds	2,664,345	A/Baa	
Corporate bonds	2,600,600	BBB/A	
Corporate bonds	1,635,263	BBB/Baa	
Total Corporate Bonds ^(B)	<u>25,241,603</u>		18.49%
Foreign bonds	2,792,003	Unrated/Aaa	
Foreign bonds	563,260	A/A	
Total Foreign Bonds ^(B)	<u>3,355,263</u>		2.46%
External investment pool	<u>20,857,859</u>	AAA/Unrated	<u>15.27%</u>
	<u>\$ 136,549,272</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, 2014, 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, 2014 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	\$ 1,741,977
	Fairbanks Transportation Center	122,383
	Internal Service fund	<u>32,443</u>
	Total	<u>\$ 1,896,803</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	\$ -	4,119,676	-	4,119,676
Permanent fund	3,240,424	-	396,900	3,637,324
Nonmajor governmental funds	<u>1,769,799</u>	<u>514,960</u>	<u>-</u>	<u>2,284,759</u>
Total	<u>\$ 5,010,223</u>	<u>4,634,636</u>	<u>396,900</u>	<u>10,041,759</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 \$4,634,636 transferred from the permanent fund is authorized annually in accordance with the City Charter. The amount transferred to the general fund for operations was \$4,119,676 and \$514,960 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 2014.

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:

	Governmental Activities	Business Activities
Asset		
Land	\$ 5,066,718	185,356
Buildings	731,924	-
Plant in service (includes equipment)	-	24,048,506
Less: Accumulated depreciation	(351,659)	(23,018,906)
Total	\$ 5,446,983	1,214,956

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
2015	\$ 119,458	396,900	516,358
2016	110,573	396,900	507,473
2017	109,973	396,900	506,873
2018	108,973	396,900	505,873
2019	103,973	396,900	500,873
Total minimum rental receipts	<u>\$ 552,950</u>	<u>1,984,500</u>	<u>2,537,450</u>

E. Deferred Inflows of Resources

At December 31, 2014, the City's deferred inflows of resources reported in the governmental funds included the following:

	General	Permanent	Grant	Total Governmental Funds
Advanced grant revenues	\$ -	-	20,000	20,000
Special assessments	88,166	-	-	88,166
Notes Receivable	-	232,193	-	232,193
Techite Receivable	3,400,000	-	-	3,400,000
Total deferred inflows of resources	<u>\$ 3,488,166</u>	<u>232,193</u>	<u>20,000</u>	<u>3,740,359</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). The low interest financing will lessen the rate increases that citizens pay GHU for major upgrades on the wastewater plant.

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, 2014 the receivable and loan balance is \$531,525.

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 the loan was increased to \$4,625,600, the full amount authorized. The loan repayment is fifteen years following initiation of the operation of the facility. The first payment was in 2014, and will include a finance charge of 1.5 percent. The City will be repaid by GHU, and at December 31, 2014 the receivable and loan balance is \$4,317,226.

In 2014, the City of Fairbanks received an ACWF loan of \$206,464 for the Clarifier system on behalf of GHU. In 2014 it is anticipated that the loan will increase to the full \$650,623 authorized. The loan repayment is fifteen years following the 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, 2014 the receivable and loan balance is \$206,464.

The loans are collateralized by the \$396,000 rental income recorded in the MUS enterprise fund (115% of annual loan payments), 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:						
Compensated absences	\$ 1,867,990	1,868,340	1,900,736	1,835,594	1,827,350	8,244
Self-Insurance losses	785,248	249,294	241,335	793,207	236,886	556,321
Governmental activity						
Long-term liabilities	\$ 2,653,238	2,117,634	2,142,071	2,628,801	2,064,236	564,565
Business-type activities:						
Alaska clean water loans						
Dewatering Loan	\$ 2,100,150	2,525,450	308,374	4,317,226	308,373	4,008,853
Hypochlorite Loan	566,960	-	35,435	531,525	35,435	496,090
Clarifier Loan	-	206,464	-	206,464	-	206,464
Business-type activities						
Long-term liabilities	\$ 2,667,110	2,731,914	343,809	5,055,215	343,808	4,711,407

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 \$1,835,594 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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 9,035,804	227,589	-	9,263,393
Construction in progress	14,261,589	3,930,466	(2,364,079)	15,827,976
Total capital assets, not being depreciated	23,297,393	4,158,055	(2,364,079)	25,091,369
Capital assets, being depreciated				
Infrastructure	487,032,445	-	-	487,032,445
Buildings	31,425,787	2,208,778	-	33,634,565
Equipment	22,727,352	2,436,233	(948,864)	24,214,721
Total capital assets, being depreciated	541,185,584	4,645,011	(948,864)	544,881,731
Less accumulated depreciation				
Infrastructure	(412,575,123)	(5,815,129)	-	(418,390,252)
Buildings	(11,038,322)	(806,569)	-	(11,844,891)
Equipment	(15,274,332)	(1,780,038)	937,918	(16,116,452)
Total accumulated depreciation	(438,887,777)	(8,401,736)	937,918	(446,351,595)
Total capital assets being depreciated, net	102,297,807	(3,756,725)	(10,946)	98,530,136
Governmental activities capital assets, net	\$ 125,595,200	401,330	(2,375,025)	123,621,505
Business-type activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 454,356	-	-	454,356
Total capital assets, not being depreciated	454,356	-	-	454,356
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	33,599,199	-	-	33,599,199
Less accumulated depreciation				
Infrastructure	(499,200)	(31,200)	-	(530,400)
Buildings	(11,784,120)	(188,836)	-	(11,972,956)
Equipment	(12,902,552)	(23,430)	-	(12,925,982)
Total accumulated depreciation	(25,185,872)	(243,466)	-	(25,429,338)
Total capital assets being depreciated, net	8,413,327	(243,466)	-	8,169,861
Business-type activities capital assets, net	\$ 8,867,683	(243,466)	-	8,624,217
Depreciation expense was charged to activities/programs of the primary government as follows:				
Governmental activities				
General government				\$ 6,078,262
Public safety				1,288,345
Public works				1,025,175
Building Inspections				9,954
Total depreciation expense - governmental activities				\$ 8,401,736
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				\$ 243,466

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

NOTE 4 - OTHER INFORMATION

A. Risk Management

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

The City records liabilities for all known unpaid claims when they are reported to the risk manager. The balance of these claims was \$793,207 at December 31, 2014. 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 \$793,207 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 2014 and 2013 follow:

	<u>Claims Liability</u> <u>December 31, 2014</u>	<u>Claims Liability</u> <u>December 31, 2013</u>
January 1	\$ 785,249	640,788
Current year claims	249,294	350,685
Changes in estimates for claims of the prior period	(34,838)	(107,924)
Claims payments	<u>(206,498)</u>	<u>(98,300)</u>
December 31	<u>\$ 793,207</u>	<u>785,249</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, 2014, approximately 57 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 2014, 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 2014 was \$688,839 and \$783,814, 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 compensation for City police officers and firefighters. 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 are shown in the chart below.

PERS Employer Rates	January 1, 2014 through June 30, 2014	July 1, 2014 through December 31, 2014
Normal cost rate	8.12%	6.82%
Past service rate	24.19%	33.03%
Defined contribution retirement rate	3.37%	4.18%
PERS average employer contribution rate	35.68%	44.03%
Effective employer rate	22.00%	22.00%
State of Alaska effective on-behalf rate	13.68%	22.03%

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions). The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods. Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll (effective employer rate).

Pursuant to AS 39.35.280 effective July 1, 2008, the State of Alaska shall contribute an amount that when combined with the employer contribution rate of 22% will be sufficient to pay the total contribution rate adopted by the Alaska Retirement Management Board (reported as on-behalf payments below).

Plan Contributions

The City contributed \$1,617,538, \$1,662,347, and \$1,698,360 in 2014, 2013, and 2012, 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 2014, 2013, and 2012 were \$2,716,160, \$1,339,977, and \$1,174,941, respectively. On-behalf payments are recorded in the general fund in revenues and expenditures.

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

NOTE 4 - OTHER INFORMATION, CONTINUED

C. Retirement Plans, Continued

Defined Contribution Plan (Tier IV)

Funding Policy

Employee contribution rates for the defined contribution plan are 8 percent of eligible compensation. Calendar year 2014 employer contribution rates are 22 percent, the same as the defined benefit tiers.

January through June 2014 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.

For July through December 2014 the employers are required to contribute 5 percent to each member's individual pension account, 1.66 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 1.06 percent for occupational death and disability benefits for peace officers and firefighters and 0.22 percent for all others.

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:

	2014	2013
Interest income	\$ 2,067,580	1,890,219
Dividends	1,507,469	1,393,468
Net realized (losses) gains	270,727	2,931,854
Net unrealized (losses) gains	4,512,672	4,572,145
	\$ 8,358,448	10,787,686

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 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	(12,001)
Total average fund value	\$ 102,991,908
Available for general operations	\$ 4,119,676
Available for capital expenditures	\$ 514,960

For 2014 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 2015 is calculated as follows (based on an average of 2010 - 2014 amounts):

Total average investments held in trust	\$	107,828,342
Total average other assets		793,653
Total average liabilities		<u>(9,049)</u>
 Total average fund value	 \$	 <u><u>108,612,946</u></u>
 Available for general operations	 \$	 4,344,518
Available for capital expenditures	\$	543,065

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, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 20,093,954	20,106,667	20,150,036	43,369
Charges for services	4,372,020	4,525,245	4,632,461	107,216
Intergovernmental	4,387,280	4,565,284	5,957,602	1,392,318
Licenses and permits	1,438,000	1,517,390	1,612,546	95,156
Fines and forfeitures	1,022,185	932,700	895,919	(36,781)
Rental	156,371	158,744	155,904	(2,840)
Interest and penalties	130,500	135,397	122,993	(12,404)
Other	215,000	246,253	267,295	21,042
Total revenues	<u>31,815,310</u>	<u>32,187,680</u>	<u>33,794,756</u>	<u>1,607,076</u>
Expenditures				
General government				
Mayor and city council	502,467	507,865	495,041	12,824
City attorney	175,761	178,104	172,692	5,412
City clerk	343,699	351,914	344,807	7,107
Finance	903,321	923,640	926,799	(3,159)
Information systems	1,403,367	1,420,382	1,401,550	18,832
Risk management	1,407,428	1,040,819	1,381,306	(340,487)
General account	5,407,193	5,731,031	6,878,714	(1,147,683)
Total general government	<u>10,143,236</u>	<u>10,153,755</u>	<u>11,600,909</u>	<u>(1,447,154)</u>
Public safety				
Police	7,003,005	7,206,291	6,810,892	395,399
Dispatch	2,046,151	2,143,609	2,100,289	43,320
Fire	6,342,599	6,357,074	6,268,948	88,126
Total public safety	<u>15,391,755</u>	<u>15,706,974</u>	<u>15,180,129</u>	<u>526,845</u>
Public works				
Works	7,430,290	7,534,588	7,021,683	512,905
Engineering	489,065	598,153	625,290	(27,137)
Total public works	<u>7,919,355</u>	<u>8,132,741</u>	<u>7,646,973</u>	<u>485,768</u>
Building inspections	<u>654,283</u>	<u>670,308</u>	<u>636,432</u>	<u>33,876</u>
Total expenditures	<u>34,108,629</u>	<u>34,663,778</u>	<u>35,064,443</u>	<u>(400,665)</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(2,293,319)</u>	<u>(2,476,098)</u>	<u>(1,269,687)</u>	<u>1,206,411</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, 2014

	<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	\$ 4,091,537	4,119,676	4,119,676	-
Transfers out	(784,545)	(4,820,219)	(5,010,223)	(190,004)
Sale of capital assets	-	13,687	223,283	209,596
Total other financing sources (uses)	<u>3,306,992</u>	<u>(686,856)</u>	<u>(667,264)</u>	<u>19,592</u>
Net change in fund balances	<u>\$ 1,013,673</u>	<u>(3,162,954)</u>	<u>(1,936,951)</u>	<u>1,226,003</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.

27,156

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

\$ (1,909,795)

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
Notes to Required Supplementary Information

Note – 1 Budgets, Budgetary Accounting and Encumbrances

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

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

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

Budgets for the general fund, special revenue funds, capital projects funds, enterprise funds and the internal service fund are adopted on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. 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, 2013 or as amended by ordinances during 2014.

COMBINING AND INDIVIDUAL FUND STATEMENTS

Major Governmental Funds

General Fund
Permanent Fund
Grants and Contracts Fund

Nonmajor Governmental Funds

Combining Statements
Special Revenue Fund 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, 2014
(With comparative totals for 2013)

	Totals	
	2014	2013
ASSETS		
Equity in central treasury	9,701,508	8,391,199
Restricted cash and cash equivalents	21,000	100
	9,722,508	8,391,299
Receivables		
Taxes	995,514	1,048,157
Accounts	1,402,017	1,476,312
Special assessments	25,996	66,704
Interest and penalties	114,887	88,381
Notes	352,883	235,743
Techite	3,400,000	3,600,000
Less allowance for uncollectible receivables	(1,378,780)	(1,433,160)
	4,912,517	5,082,137
Prepaid assets	473,424	424,514
Due from other funds	1,896,803	5,236,457
	\$ 17,005,252	\$ 19,134,407
LIABILITIES		
Accounts payable	1,872,067	1,869,345
Deposits	15,646	35,338
Unearned revenue	269,128	247,766
Due to other funds	-	20,601
	2,156,841	2,173,050
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	3,488,166	3,691,317
FUND BALANCE		
Nonspendable	473,424	424,514
Committed	250,000	250,000
Assigned	1,002,385	967,270
Unassigned	9,634,436	11,628,256
	11,360,245	13,270,040
Total fund balance	\$ 17,005,252	\$ 19,134,407
Total liabilities, deferred inflows, and fund balance	\$ 17,005,252	\$ 19,134,407

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
Revenues		
Taxes		
Real property	\$ 14,270,470	\$ 14,333,209
Hotel / motel	2,720,456	2,632,839
Alcoholic beverages	2,247,925	2,147,775
Tobacco distribution	911,185	930,378
Charges for services	4,632,461	4,566,999
Intergovernmental		
PERS relief payments	2,716,160	1,339,977
Other	3,241,442	3,228,550
Licenses and permits	1,612,546	1,775,851
Fines and forfeitures	895,919	993,619
Special assessments	16,277	2,674
Other revenues		
Interest and penalties	122,993	170,011
Rental	155,904	161,706
Techite settlement	200,000	200,000
Other	51,018	81,397
Total revenues	<u>33,794,756</u>	<u>32,564,985</u>
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	430,849	382,734
Employee benefits	124,283	135,521
Other services	25,981	13,971
Inter-departmental	(86,072)	(84,973)
Total mayor and city council	<u>495,041</u>	<u>447,253</u>
City attorney		
Salaries and wages	234,687	218,720
Employee benefits	72,831	72,337
Other services	26,751	29,449
Inter-departmental	(161,577)	(158,200)
Total city attorney	<u>172,692</u>	<u>162,306</u>
City clerk		
Salaries and wages	224,334	196,612
Employee benefits	77,588	79,099
Other services	43,235	42,920
Total city clerk	<u>345,157</u>	<u>318,631</u>
Finance		
Salaries and wages	619,568	581,659
Employee benefits	203,849	198,322
Other services	103,382	104,666
Total finance	<u>926,799</u>	<u>884,647</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, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
Expenditures - continued		
General government, continued		
Information technology		
Salaries and wages	\$ 479,480	\$ 477,406
Employee benefits	157,986	154,629
Other services	747,293	808,114
Total information technology	<u>1,384,759</u>	<u>1,440,149</u>
Non-departmental		
Community services	2,006,708	2,039,247
PERS relief payments	2,716,160	1,339,977
Hotel / motel distributions	2,153,302	2,035,447
Risk management	1,383,550	1,026,026
Total non-departmental	<u>8,259,720</u>	<u>6,440,697</u>
Total general government	<u>11,584,168</u>	<u>9,693,683</u>
Public safety		
Police		
Salaries and wages	4,457,983	4,258,556
Employee benefits	1,672,753	1,587,734
Other services	656,918	639,558
Total police	<u>6,787,654</u>	<u>6,485,848</u>
Dispatch		
Salaries and wages	1,398,849	1,283,797
Employee benefits	528,675	525,982
Other services	174,210	167,044
Total dispatch	<u>2,101,734</u>	<u>1,976,823</u>
Fire		
Salaries and wages	4,015,854	3,986,476
Employee benefits	1,526,168	1,513,576
Other services	721,491	717,231
Total fire	<u>6,263,513</u>	<u>6,217,283</u>
Total public safety	<u>15,152,901</u>	<u>14,679,954</u>
Public works		
Works		
Salaries and wages	2,833,789	2,892,789
Employee benefits	1,483,732	1,508,767
Other services	2,588,146	2,573,798
Total works	<u>6,905,667</u>	<u>6,975,354</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, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
Expenditures - continued		
Public works, continued		
Engineering		
Salaries and wages	\$ 429,404	\$ 419,764
Employee benefits	161,703	164,302
Other services	30,869	35,389
Total engineering	<u>621,976</u>	<u>619,455</u>
Total public works	<u>7,527,643</u>	<u>7,594,809</u>
Building inspections		
Salaries and wages	471,720	487,998
Employee benefits	145,286	156,892
Other services	19,878	21,929
Total building inspections	<u>636,884</u>	<u>666,819</u>
Debt service		
Principal	-	855,000
Interest	-	28,215
Total debt service	<u>-</u>	<u>883,215</u>
Capital outlay		
General government		
Nondepartmental	16,790	-
Total general government	<u>16,790</u>	<u>-</u>
Public safety		
Police	6,584	21,325
Total public safety	<u>6,584</u>	<u>21,325</u>
Public works		
Works	112,317	329,883
Total public works	<u>112,317</u>	<u>329,883</u>
Total capital outlay	<u>135,691</u>	<u>351,208</u>
Total expenditures	<u>35,037,287</u>	<u>33,869,688</u>
Excess (deficiency) of revenues over expenditures	<u>(1,242,531)</u>	<u>(1,304,703)</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, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
Other financing sources (uses)		
Transfers in	\$ 4,119,676	3,894,684
Transfers out	(5,010,223)	(1,421,182)
Sale of capital assets	223,283	72,375
Total other financing sources (uses)	(667,264)	2,545,877
Net change in fund balances	(1,909,795)	1,241,174
Fund balance - beginning	13,270,040	12,028,866
Fund balance - ending	\$ 11,360,245	\$ 13,270,040

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
ASSETS		
Restricted cash and cash investments		
Cash and cash equivalents	\$ 4,768,971	\$ 2,800,293
Investments	115,691,412	110,292,489
Receivables		
Interest	426,660	422,648
Notes	232,193	464,086
Total assets	<u>\$ 121,119,236</u>	<u>\$ 113,979,516</u>
LIABILITIES		
Accounts payable	<u>1,506</u>	<u>3,328</u>
DEFERRED INFLOWS OF RESOURCES		
Long-term receivables	<u>232,193</u>	<u>480,230</u>
FUND BALANCE		
Restricted for investments	<u>120,885,537</u>	<u>113,495,958</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 121,119,236</u>	<u>\$ 113,979,516</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, 2014
(With comparative totals for 2013)

	Totals	
	2014	2013
Revenues		
Investment earnings	\$ 8,358,448	\$ 10,787,686
Expenditures		
Current		
General government	167,809	166,887
Excess (deficiency) of revenues over expenditures	8,190,639	10,620,799
Other financing sources (uses)		
Transfers in	3,637,324	886,334
Transfers out	(4,634,636)	(4,381,518)
Sale of capital assets	196,252	415,772
Total other financing sources (uses)	(801,060)	(3,079,412)
Net change in fund balance	7,389,579	7,541,387
Fund balance - beginning	113,495,958	105,954,571
Fund balance - ending	\$ 120,885,537	\$ 113,495,958

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2014

(With comparative totals for 2013)

	Totals	
	2014	2013
ASSETS		
Receivables		
Accounts	\$ 10,508	\$ 332,067
Intergovernmental	1,753,411	4,802,473
	<hr/>	<hr/>
Total assets	\$ 1,763,919	\$ 5,134,540
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Accounts payable	1,942	-
Due to general fund	1,741,977	5,134,540
	<hr/>	<hr/>
Total liabilities	1,743,919	5,134,540
	<hr/> <hr/>	<hr/> <hr/>
DEFERRED INFLOWS OF RESOURCES		
Advanced grant funding	20,000	-
	<hr/>	<hr/>
FUND BALANCE	-	-
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities, deferred inflows, and fund balance	\$ 1,763,919	\$ 5,134,540
	<hr/> <hr/>	<hr/> <hr/>

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, 2014
(With comparative totals for 2013)

	Totals	
	2014	2013
Revenues		
Intergovernmental	\$ 12,686,689	\$ 16,670,488
Other	296,396	347,256
	<u>12,983,085</u>	<u>17,017,744</u>
Expenditures		
Current		
General government	-	800,917
Public safety	1,442,608	973,518
Public works	6,428,934	4,461,119
Capital outlay		
General government	3,437,878	-
Public safety	1,249,843	688,072
Public works	423,822	10,094,118
	<u>12,983,085</u>	<u>17,017,744</u>
Total expenditures		
	<u>12,983,085</u>	<u>17,017,744</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, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Equity in central treasury	\$ -	6,998,943	6,998,943
Restricted cash and cash equivalents	28,482	-	28,482
	<u>28,482</u>	<u>-</u>	<u>28,482</u>
Total assets	<u>\$ 28,482</u>	<u>6,998,943</u>	<u>7,027,425</u>
LIABILITIES			
Accounts payable	-	364,102	364,102
FUND BALANCES			
Committed		807,552	807,552
Restricted	28,482	-	28,482
Assigned	-	5,827,289	5,827,289
	<u>28,482</u>	<u>6,634,841</u>	<u>6,663,323</u>
Total fund balances	<u>28,482</u>	<u>6,634,841</u>	<u>6,663,323</u>
Total liabilities and fund balances	<u>\$ 28,482</u>	<u>6,998,943</u>	<u>7,027,425</u>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2014

	Special Revenue	Capital Projects	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ 12,225	-	12,225
Investment earnings	22	-	22
Asset replacement and repair charges	-	1,025,000	1,025,000
	<u>12,247</u>	<u>1,025,000</u>	<u>1,037,247</u>
Expenditures			
Current			
General government	-	530,259	530,259
Public safety	3,110	419,392	422,502
Public works	-	643,766	643,766
Capital outlay			
General government	-	23,118	23,118
Public safety	-	386,422	386,422
Public works	-	680,725	680,725
	<u>3,110</u>	<u>2,683,682</u>	<u>2,686,792</u>
Excess (deficiency) of revenues over expenditures	<u>9,137</u>	<u>(1,658,682)</u>	<u>(1,649,545)</u>
Other financing sources			
Transfers in	-	2,284,759	2,284,759
	<u>-</u>	<u>2,284,759</u>	<u>2,284,759</u>
Net change in fund balances	9,137	626,077	635,214
Fund balances - beginning	<u>19,345</u>	<u>6,008,764</u>	<u>6,028,109</u>
Fund balances - ending	<u>\$ 28,482</u>	<u>6,634,841</u>	<u>6,663,323</u>



NONMAJOR SPECIAL REVENUE FUND

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

Asset Forfeiture

Balance Sheet

December 31, 2014

ASSETS

Restricted cash and cash equivalents

\$ 28,482

FUND BALANCES

Restricted

\$ 28,482

CITY OF FAIRBANKS, ALASKA
 Nonmajor Special Revenue Fund
 Asset Forfeiture
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the year ended December 31, 2014

Revenues	
Intergovernmental	\$ 12,225
Interest	<u>22</u>
Total revenues	<u>12,247</u>
 Expenditures	
Current	
Public safety	<u>3,110</u>
Total expenditures	<u>3,110</u>
Excess (deficiency) of revenues over expenditures	9,137
 Other financing sources (uses)	
Net change in fund balance	9,137
Fund balance - beginning	<u>19,345</u>
Fund balance - ending	<u><u>\$ 28,482</u></u>



NONMAJOR CAPITAL PROJECTS FUND

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

Capital Fund

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

CITY OF FAIRBANKS, ALASKA

Nonmajor Capital Projects Fund

Capital Fund

Balance Sheet

December 31, 2014

ASSETS

Equity in central treasury \$ 6,998,943

LIABILITIES

Accounts payable 364,102

FUND BALANCE

Committed 807,552

Assigned 5,827,289

Total fund balance 6,634,841

Total liabilities and fund balance \$ 6,998,943

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, 2014

Revenues

Asset replacement and repair charges	<u>\$ 1,025,000</u>
--------------------------------------	---------------------

Expenditures

Current

General government	530,259
--------------------	---------

Public safety	419,392
---------------	---------

Public works	643,766
--------------	---------

Capital outlay

General government	23,118
--------------------	--------

Public safety	386,422
---------------	---------

Public works	680,725
--------------	---------

Total expenditures	<u>2,683,682</u>
--------------------	------------------

Excess (deficiency) of revenues over expenditures	<u>(1,658,682)</u>
---	--------------------

Other financing sources (uses)

Transfers in	<u>2,284,759</u>
--------------	------------------

Total other financing sources (uses)	<u>2,284,759</u>
--------------------------------------	------------------

Net change in fund balance	626,077
----------------------------	---------

Fund balance - beginning	<u>6,008,764</u>
--------------------------	------------------

Fund balance - ending	<u><u>\$ 6,634,841</u></u>
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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, 2014

	<u>Final Budgeted Amounts</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Inter-departmental charges	\$ 1,025,000	1,025,000	-
Expenditures			
Capital outlay			
General government	637,300	586,328	50,972
Public safety	1,334,959	888,230	446,729
Public works	1,955,463	1,158,713	796,750
Total expenditures	<u>3,927,722</u>	<u>2,633,271</u>	<u>1,294,451</u>
Deficiency of revenues over expenditures	<u>(2,902,722)</u>	<u>(1,608,271)</u>	<u>(1,294,451)</u>
Other financing sources (uses)			
Transfers in	<u>2,299,505</u>	<u>2,284,759</u>	<u>(14,746)</u>
Total other financing sources (uses)	<u>2,299,505</u>	<u>2,284,759</u>	<u>(14,746)</u>
Net change in fund balances	<u>\$ (603,217)</u>	676,488	<u>1,279,705</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

(50,411)

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

\$ 626,077

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, 2014

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	\$ 11,248	\$ 11,248
Mt. McKinley Bank	-	2,518,676	2,518,676
Key Trust			
U.S. securities and agencies	24,029,902	-	24,029,902
Equity mutual funds	60,409,145	-	60,409,145
Fixed income mutual fund	2,655,500	-	2,655,500
Corporate bonds	25,241,603	-	25,241,603
Foreign bonds	3,355,262	-	3,355,262
Alaska Municipal League Investment Pool	20,857,859	-	20,857,859
Total cash and investments	\$ 136,549,271	\$ 2,529,924	\$ 139,079,195
Reconciliation of cash and investments to governmental and proprietary funds			
Governmental funds			
Equity in central treasury			\$ 16,700,451
Restricted cash and cash equivalents			4,818,453
Restricted investments			115,691,412
Total governmental funds			137,210,316
Proprietary funds			
Enterprise funds			
Equity in central treasury			858
Internal service fund			
Cash			1,868,021
Total proprietary funds			1,868,879
Total cash and investments			\$ 139,079,195

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2014

Equity Securities

Fair value at December 31, 2014	\$	60,409,145
Add cost of investments sold in 2014		3,699,053
Less cost of investments purchased in 2014		(6,264,563)
Less fair value at December 31, 2013		<u>(56,547,265)</u>
Change in fair value of equity investments		<u>1,296,370</u>

Fixed-Income Securities

Fair value at December 31, 2014		55,282,267
Add cost of investments sold in 2014		19,205,206
Less cost of investments purchased in 2014		(17,255,220)
Less fair value at December 31, 2013		<u>(53,745,224)</u>
Change in fair value of fixed-income investments		<u>3,487,029</u>

Total change in fair value of investments	\$	<u><u>4,783,399</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			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 171,046,669	\$ 140,838,620	\$ 134,158,187	\$ 133,654,529
Restricted	100,230,420	106,549,909	110,063,456	85,671,713
Unrestricted	<u>7,874,113</u>	<u>4,163,917</u>	<u>2,964,919</u>	<u>18,751,881</u>
Total governmental activities net position	<u>\$ 279,151,202</u>	<u>\$ 251,552,446</u>	<u>\$ 247,186,562</u>	<u>\$ 238,078,123</u>
Business-type activities				
Net investment in capital assets	\$ 10,876,920	\$ 10,344,388	\$ 9,301,982	\$ 8,874,961
Restricted	34,089	625	-	-
Unrestricted	<u>64,000</u>	<u>80,000</u>	<u>92,000</u>	<u>78,687</u>
Total business-type activities net position	<u>\$ 10,975,009</u>	<u>\$ 10,425,013</u>	<u>\$ 9,393,982</u>	<u>\$ 8,953,648</u>
Primary government				
Net investment in capital assets	\$ 181,923,589	\$ 151,183,008	\$ 143,460,169	\$ 142,529,490
Restricted	100,264,509	106,550,534	110,063,456	85,671,713
Unrestricted	<u>7,938,113</u>	<u>4,243,917</u>	<u>3,056,919</u>	<u>18,830,568</u>
Total primary government net position	<u>\$ 290,126,211</u>	<u>\$ 261,977,459</u>	<u>\$ 256,580,544</u>	<u>\$ 247,031,771</u>

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 124,732,269	\$ 118,868,255	\$ 114,439,424	\$ 108,299,354	\$ 125,595,200	\$ 123,621,505
91,962,459	100,016,447	98,863,876	106,020,888	113,515,303	120,914,019
<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>22,170,564</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>	<u>\$ 266,706,088</u>
\$ 8,446,799	\$ 8,087,929	\$ 7,670,987	\$ 9,080,636	\$ 8,867,682	\$ 8,624,217
-	-	-	-	-	-
<u>79,419</u>	<u>39,971</u>	<u>1,953,252</u>	<u>-</u>	<u>(51,535)</u>	<u>(64,055)</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>	<u>\$ 8,560,162</u>
\$ 133,179,068	\$ 126,956,184	\$ 122,110,411	\$ 117,379,990	\$ 134,462,882	\$ 132,245,722
91,962,459	100,016,447	98,863,876	106,020,888	113,515,303	120,914,019
<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>22,106,509</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>	<u>\$ 275,266,250</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 25,432,150	\$ 18,930,255	\$ 22,594,438	\$ 23,273,670
Public safety	18,403,800	20,036,926	17,030,460	16,276,165
Public works	6,438,550	7,855,135	7,602,159	8,874,555
Building inspections	627,487	625,166	607,066	623,616
Interest on long-term debt	500,746	438,158	393,395	346,645
Total governmental activities expenses	<u>51,402,733</u>	<u>47,885,640</u>	<u>48,227,518</u>	<u>49,394,651</u>
<i>Business-type activities</i>				
Municipal Utilities	386,793	386,793	385,442	312,607
Fairbanks Transportation Center	465,600	496,328	531,759	557,147
Total business-type activities expenses	<u>852,393</u>	<u>883,121</u>	<u>917,201</u>	<u>869,754</u>
Total primary government expenses	<u>\$ 52,255,126</u>	<u>\$ 48,768,761</u>	<u>\$ 49,144,719</u>	<u>\$ 50,264,405</u>
PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 242,893	\$ 53,736	\$ 209,694	\$ 1,863,445
Public safety	1,560,566	2,361,200	2,490,598	2,902,062
Public works	1,312,188	1,658,738	1,472,602	1,527,349
Building inspections	1,063,542	870,285	1,174,600	765,310
Operating grants and contributions	2,685,621	1,288,890	5,372,484	6,398,067
Capital grants and contributions	10,453,690	7,375,534	5,590,651	12,521,293
Total governmental activities				
program revenues	<u>17,318,500</u>	<u>13,608,383</u>	<u>16,310,629</u>	<u>25,977,526</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	123,812	165,365	221,440	228,858
Operating grants and contributions	-	-	-	-
Total business-type activities				
program revenues	<u>520,712</u>	<u>562,265</u>	<u>618,340</u>	<u>625,758</u>
Total primary government				
program revenues	<u>\$ 17,839,212</u>	<u>\$ 14,170,648</u>	<u>\$ 16,928,969</u>	<u>\$ 26,603,284</u>

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 20,321,564	\$ 17,744,737	\$ 18,119,261	\$ 19,777,837	\$ 17,283,253	\$ 18,534,706
16,875,480	17,079,301	17,230,789	17,473,736	17,151,562	18,277,156
9,277,145	12,001,873	11,484,960	11,179,444	13,741,033	15,617,945
580,013	618,059	641,468	653,783	676,773	646,838
297,620	246,320	195,570	55,190	28,215	-
<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>	<u>53,076,645</u>
312,607	295,803	295,803	260,098	31,200	31,200
<u>520,108</u>	<u>593,308</u>	<u>523,742</u>	<u>484,643</u>	<u>424,602</u>	<u>384,291</u>
<u>832,715</u>	<u>889,111</u>	<u>819,545</u>	<u>744,741</u>	<u>455,802</u>	<u>415,491</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>	<u>\$ 53,492,136</u>
\$ 1,705,629	\$ 1,949,147	\$ 1,920,916	\$ 1,222,012	\$ 918,736	\$ 1,947,754
2,790,139	2,928,498	2,947,032	3,085,975	3,010,712	2,956,695
1,678,645	1,490,336	1,599,410	1,804,586	1,810,491	1,966,209
810,814	596,717	871,644	916,972	717,556	505,065
3,336,122	1,939,065	7,297,799	5,638,466	7,711,240	10,676,943
<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>6,729,479</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>	<u>24,782,145</u>
396,900	396,900	396,900	396,900	396,900	396,900
204,977	218,717	197,345	201,061	191,245	159,481
159	-	-	-	-	-
<u>602,036</u>	<u>615,617</u>	<u>594,245</u>	<u>597,961</u>	<u>588,145</u>	<u>556,381</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>	<u>\$ 25,338,526</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2005	2006	2007	2008
NET (EXPENSE) REVENUE				
<i>Governmental activities</i>	\$ (34,084,233)	\$ (34,277,257)	\$ (31,916,889)	\$ (23,417,125)
<i>Business-type activities</i>	(331,681)	(320,856)	(298,861)	(243,996)
Total primary government net expense	<u>\$ (34,415,914)</u>	<u>\$ (34,598,113)</u>	<u>\$ (32,215,750)</u>	<u>\$ (23,661,121)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 10,810,781	\$ 11,633,056	\$ 12,606,799	\$ 12,316,767
Hotel motel tax	2,328,060	2,606,629	2,685,417	2,750,491
Alcohol beverage tax	1,343,132	1,427,579	1,534,542	1,542,355
Tobacco tax	640,319	595,906	625,209	620,617
Shared revenue	209,563	2,520,920	1,716,251	1,938,769
Investment income	3,295,037	10,286,754	6,591,339	(20,549,751)
Interest income	210,576	158,916	182,885	479,648
Gain on sale of capital assets	181,190	208,985	807,699	-
Miscellaneous	644,265	155,759	220,072	203,820
Special item-Write off of NPO/OPEB	-	-	-	14,809,070
Transfers - internal activity	196,900	229,990	580,792	196,900
Total governmental activities	<u>19,859,823</u>	<u>29,824,494</u>	<u>27,551,005</u>	<u>14,308,686</u>
<i>Business-type activities</i>				
Interest income	874	754	-	562
Miscellaneous	79	96	(151,378)	-
Transfers - internal activity	(196,900)	(229,990)	(580,792)	(196,900)
Total business-type activities	<u>(195,947)</u>	<u>(229,140)</u>	<u>(732,170)</u>	<u>(196,338)</u>
Total primary government	<u>\$ 19,663,876</u>	<u>\$ 29,595,354</u>	<u>\$ 26,818,835</u>	<u>\$ 14,112,348</u>
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ (14,224,410)	\$ (4,452,763)	\$ (4,365,884)	\$ (9,108,439)
<i>Business-type activities</i>	(527,628)	(549,996)	(1,031,031)	(440,334)
Total primary government	<u>\$ (14,752,038)</u>	<u>\$ (5,002,759)</u>	<u>\$ (5,396,915)</u>	<u>\$ (9,548,773)</u>

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ (30,864,700)	\$ (30,314,968)	\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)	\$ (28,294,500)
<u>(230,679)</u>	<u>(273,494)</u>	<u>(225,300)</u>	<u>(146,780)</u>	<u>132,343</u>	<u>140,890</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>	<u>\$ (28,153,610)</u>
\$ 12,724,692	\$ 14,107,284	\$ 14,047,318	\$ 14,109,307	\$ 14,333,209	\$ 14,270,470
2,364,118	2,518,545	2,476,320	2,504,130	2,632,839	2,720,456
1,657,726	1,919,076	2,117,465	2,126,694	2,147,775	2,247,924
748,492	917,461	937,129	934,351	930,378	911,185
1,850,338	1,938,054	2,908,426	2,935,794	2,300,539	2,339,182
10,710,219	10,756,324	2,431,203	10,179,570	10,787,731	8,358,472
223,240	181,612	147,689	195,278	170,011	122,993
-	-	-	-	-	-
202,531	1,947,661	418,540	23,090	225,292	636,648
-	-	-	-	-	-
<u>196,900</u>	<u>196,900</u>	<u>(1,721,531)</u>	<u>396,900</u>	<u>396,900</u>	<u>396,900</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>	<u>32,004,230</u>
149	-	108	77	68	25
-	72,076	-	-	-	-
<u>(196,900)</u>	<u>(196,900)</u>	<u>1,721,531</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(396,900)</u>
<u>(196,751)</u>	<u>(124,824)</u>	<u>1,721,639</u>	<u>(396,823)</u>	<u>(396,832)</u>	<u>(396,875)</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>	<u>\$ 31,607,355</u>
\$ (186,444)	\$ 4,167,949	\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322	\$ 3,709,730
<u>(427,430)</u>	<u>(398,318)</u>	<u>1,496,339</u>	<u>(543,603)</u>	<u>(264,489)</u>	<u>(255,985)</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>	<u>\$ 3,453,745</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 725,904	\$ 1,328,071	\$ 611,282	\$ 534,862
Unreserved	4,194,413	4,486,602	7,477,759	8,814,262
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 4,920,317</u>	<u>\$ 5,814,673</u>	<u>\$ 8,089,041</u>	<u>\$ 9,349,124</u>
All other governmental funds				
Reserved	\$ 101,137,755	\$ 108,475,292	\$ 110,921,017	\$ 86,859,978
Unreserved, reported in:				
Grants and Contracts fund	-	-	-	(619,571)
Special revenue funds	1,227,162	2,002,808	2,638,293	3,114,178
Capital projects funds	142,700	(542,242)	(97,377)	17,886
Restricted				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Committed				
Special revenue funds	-	-	-	-
Assigned				
Capital projects funds	-	-	-	-
JP Jones	-	-	-	-
Total all other governmental funds	<u>\$ 102,507,617</u>	<u>\$ 109,935,858</u>	<u>\$ 113,461,933</u>	<u>\$ 89,372,471</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

2009	2010	2011	2012	2013	2014
\$ 845,087	\$ 752,332	\$ -	\$ -	\$ -	\$ -
10,404,015	12,032,831	-	-	-	-
-	-	403,799	394,735	424,514	473,424
-	-	-	-	-	-
-	-	250,000	250,000	250,000	250,000
-	-	823,233	891,376	967,270	1,002,385
-	-	9,515,887	10,492,755	11,628,256	9,634,436
<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>	<u>\$ 11,360,245</u>
\$ 95,375,460	\$ 101,486,558	\$ -	\$ -	\$ -	\$ -
(1,893,375)	(612,049)	-	-	-	-
2,306,017	3,457,955	-	-	-	-
-	-	-	-	-	-
-	-	98,759,020	105,954,571	113,495,958	120,885,537
-	-	104,856	66,317	19,345	28,482
-	-	-	-	1,180,540	807,552
-	-	4,435,077	5,780,451	4,828,224	5,827,289
-	-	137,298	-	-	-
<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>	<u>\$ 127,548,860</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 15,122,291	\$ 16,285,463	\$ 17,440,429	\$ 17,259,751
Charges for services	6,888,270	3,973,409	4,079,347	5,328,989
Intergovernmental	8,124,487	8,542,445	10,652,776	14,361,608
Licenses and permits	1,212,201	975,117	1,550,998	1,571,840
Fines and forfeitures	529,902	998,236	878,889	990,800
Special assessments	136,291	95,758	17,917	12,162
Investment earnings	3,241,679	10,044,318	6,194,223	(20,549,751)
Other revenues	1,543,830	2,343,657	1,870,313	2,161,822
Total revenues	36,798,951	43,258,403	42,684,892	21,137,221
Expenditures				
Current				
General government	7,025,918	7,982,040	12,853,392	13,020,533
Public safety	11,895,356	13,219,842	12,694,343	14,437,113
Public works	5,853,668	6,018,677	6,381,213	7,636,407
Building inspections	592,315	620,551	607,066	623,616
Capital outlay	14,202,067	6,328,739	4,712,401	7,614,509
Debt service - principal	1,160,000	1,130,000	1,175,000	1,230,000
Debt service - interest	413,661	438,158	393,395	346,645
Debt service - legal defeasance	-	-	-	-
Total expenditures	41,142,985	35,738,007	38,816,810	44,908,823
Other financing sources (uses)				
Transfers in	5,937,038	6,776,657	6,976,461	8,505,516
Transfers out	(5,740,138)	(6,546,667)	(6,395,669)	(8,308,616)
Sale of capital assets	531,911	572,211	1,351,569	745,323
Refunding bonds issued	5,435,000	-	-	-
Payment to refund bond	(5,427,085)	-	-	-
Bonds issued	-	-	-	-
Capital leases	469,177	-	-	-
Total other financing sources (uses)	1,205,903	802,201	1,932,361	942,223
Net change in fund balances	\$ (3,138,131)	\$ 8,322,597	\$ 5,800,443	\$ (22,829,379)
Capitalized expenditures	\$ 12,071,710	\$ 4,197,548	\$ 3,739,895	\$ 10,067,611
 Debt service as a percentage of noncapital expenditures	 5.41%	 4.97%	 4.47%	 4.53%

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	17,502,079	\$	19,463,078	\$	19,578,233	\$	19,674,483	\$	20,044,201	\$	20,150,036
	5,783,500		3,968,793		4,135,457		4,739,263		4,566,999		4,632,461
	8,741,524		11,675,023		11,603,423		11,883,068		21,265,762		18,656,516
	1,767,207		1,469,761		1,835,062		1,985,385		1,775,851		1,612,546
	854,260		895,650		1,076,167		1,061,959		993,619		895,919
	64,382		4,878		6,975		4,416		2,674		16,277
	10,710,958		10,756,343		2,431,202		10,179,569		10,787,731		8,358,470
	1,781,787		1,806,320		1,598,932		2,044,516		2,054,612		1,851,311
	<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>		<u>56,173,536</u>
	8,997,667		9,998,624		10,580,853		10,508,964		10,816,850		12,282,236
	14,519,135		15,801,264		16,055,925		16,230,668		15,887,630		17,018,011
	7,739,414		11,287,376		10,911,650		10,654,648		13,024,157		14,600,343
	580,013		618,059		637,456		643,830		666,819		636,884
	5,701,742		2,532,930		1,879,300		4,196,815		12,133,923		6,337,499
	1,280,000		1,325,000		1,380,000		830,000		855,000		-
	297,620		246,320		195,570		55,190		28,215		-
	-		-		2,083,137		-		-		-
	<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>		<u>50,874,973</u>
	6,047,025		8,535,857		6,468,415		7,878,534		6,199,600		10,041,759
	(5,850,125)		(8,338,957)		(8,189,946)		(7,481,634)		(5,802,700)		(9,644,859)
	28,603		1,653,250		491,514		551,591		488,147		419,535
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	<u>225,503</u>		<u>1,850,150</u>		<u>(1,230,017)</u>		<u>948,491</u>		<u>885,047</u>		<u>816,435</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>6,114,998</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>	\$	<u>6,337,499</u>
	4.57%		4.00%		8.74%		2.27%		2.14%		0.00%

CITY OF FAIRBANKS, ALASKA
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Farm Land	Vacant Land
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
2014	1,128,870,786	961,291,098	549,950,300	1,449,607	77,785,461

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>
		1,746,439,420	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
68,771,830	3,544,251	2,791,663,333	217,109,235	2,574,554,098	5.549

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 *	
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
2014	0.270		0.379	4.900	5.549	11.356	16.905

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, 2014
Current Year and Nine Years Ago

Taxpayer	2014 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(a)	2005 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(b)
Doyon Utilities	\$ 277,700,122	1	10.79%			
Fred Meyer Stores	53,074,109	2	2.06%	\$ 18,895,036	4	1.08%
Wal-Mart Stores Inc.	33,939,477	3	1.32%	22,362,412	2	1.28%
Westmark Hotel	33,251,338	4	1.29%	31,674,072	1	1.81%
GCI Cable Fairbanks Inc.	31,360,615	5	1.22%			
Tanana Clinic	28,807,585	6	1.12%			
Bentley Mall	27,872,047	7	1.08%	16,814,768	6	0.96%
Jillian Square Apartments LLC	21,800,439	8	0.85%	17,875,887	5	1.02%
Wal-Mart - Sam's Club	19,860,560	9	0.77%	14,708,044	8	0.84%
Safeway	19,602,018	10	0.76%			
Marriot Hotel				15,150,038	7	0.87%
North Star Alaska Housing Corp. - Wainwright				21,670,713	3	1.24%
Lowe's				11,944,220	9	0.68%
Tempt Alaska (Regal Cinema)				11,849,577	10	0.68%
	<u>\$ 547,268,310</u>		<u>21.26%</u>	<u>\$ 182,944,767</u>		<u>10.46%</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) \$ 2,574,554,098

^(b) \$ 1,746,439,420

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
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%	282,467	11,715,090	99.88%
2007	12,580,818	12,238,969	97.28%	344,913	12,583,882	100.02%
2008	12,372,632	11,844,752	95.73%	398,655	12,243,407	98.96%
2009	12,849,334	12,385,454	96.39%	304,044	12,689,498	98.76%
2010	14,035,430	13,696,885	97.59%	265,634	13,962,519	99.48%
2011	14,098,558	13,668,914	96.95%	365,576	14,034,490	99.55%
2012	14,063,990	13,585,718	96.60%	254,626	13,840,344	98.41%
2013	14,311,224	13,866,487	96.89%	124,850	13,991,337	97.76%
2014	14,284,970	13,914,834	97.41%	N/A	13,914,834	97.41%

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			
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
2014	-	-	5,055,215	-	5,055,215	0.35%	159

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

See page ST-21 for personal income and population data.

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

General Bonded Debt Outstanding

Fiscal Year	General Obligation Bonds	Cash With Fiscal Agents	Net General Bonded Debt	Assessed Value ^(a)	Population ^(b)	Net Bonded Debt to Assesed Value	Net Debt Per Capita
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	-	-
2014	-	-	-	2,791,663,333	31,721	-	-

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 2014. 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, 2014

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	118,515,000	30.49%	<u>36,133,147</u>
			<u>\$ 36,133,147</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				
	2005	2006	2007	2008	2009
Debt limit	\$ 239,002,164	\$ 263,456,598	\$ 289,338,351	\$ 315,221,249	\$ 336,781,763
Total debt applicable to limit	<u>11,095,000</u>	<u>9,965,000</u>	<u>8,790,000</u>	<u>7,560,000</u>	<u>6,280,000</u>
Legal debt margin	<u>\$ 227,907,164</u>	<u>\$ 253,491,598</u>	<u>\$ 280,548,351</u>	<u>\$ 307,661,249</u>	<u>\$ 330,501,763</u>
Total debt applicable to limit as a percentage of debt limit	4.64%	3.78%	3.04%	2.40%	1.86%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt limit	\$ 362,956,558	\$ 380,929,801	\$ 364,302,182	\$ 368,137,138	\$ 376,214,627
Total debt applicable to limit	<u>4,955,000</u>	<u>1,685,000</u>	<u>855,000</u>	<u>0</u>	<u>0</u>
Legal debt margin	<u>\$ 358,001,558</u>	<u>\$ 379,244,801</u>	<u>\$ 363,447,182</u>	<u>\$ 368,137,138</u>	<u>\$ 376,214,627</u>
Total debt applicable to limit as a percentage of debt limit	1.37%	0.44%	0.23%	0.00%	0.00%

Computation of current year debt limit

Assessed valuation 2012	2,452,798,320
Assessed valuation 2013	2,496,940,119
Assessed valuation 2014	<u>2,574,554,098</u>
Total three year assessed valuation	<u>\$ 7,524,292,537</u>
Divided by three; average assessed value	<u>\$ 2,508,097,512</u>
15% of average assessed value; Debt limit	\$ 376,214,627
General obligation bonds outstanding	<u>-</u>
Legal debt margin	<u>\$ 376,214,627</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)
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%
2014	31,721	45,313	1,437,373,673	5.7%

Sources:

- (a) Alaska Department of Labor and Workforce Development (ADOL), Alaska Population Overview 2014.
- (b) U.S. Department of Commerce Bureau of Economic Analysis. Data for calendar year 2014 is not readily available. Statistics for calendar year 2014 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

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

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

Notes: The above information has not been published for 2014. 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.



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			
	2005	2006	2007	2008
General Government				
Mayor	5.00	6.00	5.00	6.00
City attorney	3.00	2.50	2.50	2.50
City clerk	2.00	2.00	3.00	3.00
Finance	6.00	7.00	7.50	8.00
Information systems	4.00	5.00	5.00	5.00
Public Safety				
Police				
Administration	5.50	5.50	5.50	5.50
Investigations	5.00	5.00	3.00	6.00
Patrol	34.00	36.00	39.00	40.00
Dispatch	13.00	15.00	16.00	18.00
Fire				
Administration	4.00	4.00	4.00	4.00
Suppression	36.00	36.00	37.00	36.00
Police Corp	1.00	0.00	0.00	0.00
Public Works				
Works	32.50	32.50	33.50	33.20
Engineering	9.00	9.00	11.00	12.30
FMATS	0.00	0.00	0.00	0.00
Building Inspections	<u>6.25</u>	<u>6.75</u>	<u>6.50</u>	<u>6.50</u>
Total	<u>166.25</u>	<u>172.25</u>	<u>178.50</u>	<u>186.00</u>

Source: City Finance Department.

Full-time Equivalent Employees as of December 31

2009	2010	2011	2012	2013	2014
5.00	5.00	5.00	5.00	4.00	4.00
2.50	2.50	2.50	2.50	2.50	3.00
3.00	3.00	3.00	3.00	3.00	3.00
8.00	8.00	8.00	8.00	8.00	8.00
6.00	6.00	6.00	6.00	6.00	6.00
5.50	6.00	5.50	6.50	6.50	9.50
6.00	6.00	6.00	7.00	5.00	7.00
40.00	43.00	41.38	38.00	40.00	34.00
18.00	18.00	18.00	18.00	17.50	19.00
5.00	5.00	5.00	4.00	4.00	5.00
39.00	39.00	39.00	39.00	39.00	39.00
0.00	0.00	0.00	0.00	0.00	0.00
33.50	32.20	33.70	38.00	37.50	38.00
10.30	10.30	12.05	12.00	12.50	11.00
2.00	2.00	2.00	2.00	2.50	2.50
6.00	6.00	6.00	7.00	6.00	6.00
<u>189.80</u>	<u>192.00</u>	<u>193.21</u>	<u>196.00</u>	<u>194.00</u>	<u>195.00</u>

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

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General Government				
Annual final operating budget	\$ 25,307,801	\$ 27,991,203	\$ 29,821,840	\$ 32,011,673
Public Safety				
Dispatch				
Number of E-911 calls ^{(c) (d)}	35,005	36,070	115,900	117,078
Number of Dispatch Service calls ^(e)	-	-	-	-
Police				
Number of law enforcement calls	26,564	29,058	29,581	27,974
Number of major crimes ^(a)	3,313	2,796	2,411	2,138
Number of physical arrests	1,903	2,217	1,791	2,060
Number of traffic citations	3,342	5,762	4,315	4,130
Fire				
Number of fire calls	773	803	838	834
Number of emergency medical service calls	2,931	2,938	3,251	3,352
Public Works				
Works				
Refuse collected (tons)	6,210	5,990	6,243	6,087
Patching (tons)	3,428	2,462	2,677	4,132
Snow removal (cubic yards) ^(b)	209,615	169,067	224,525	410,480
Sand (tons spread) ^(b)	8,884	3,232	2,704	2,756
Building Inspections				
Number of permits issued	1,156	1,272	1,032	891

Sources: Various City departments.

- (a) The 2011 Major Crimes number was calculated using a 6 month average (following software conversion).
- (b) Amounts are available by season only.
- (c) Dispatch center became a regional dispatch center for the Fairbanks area in 2007.
- (d) Statistics for calendar year 2010 have been estimated using the most recent data available.
- (e) During 2011 the E-911 calls were segregated from other Dispatch Service calls for tracking purposes

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 32,428,579	\$ 31,134,677	\$ 34,747,137	\$ 33,037,424	\$ 34,878,988	\$ 34,663,777
121,194	121,194	43,626	46,165	70,830	30,822
-	-	53,508	65,068	43,384	40,608
30,569	31,541	41,734	30,907	32,098	40,491
2,346	2,622	2,124	2,093	2,024	1,957
2,217	3,307	2,549	1,619	1,621	1,959
4,295	3,919	4,303	4,060	2,536	2,208
907	846	730	807	1,034	928
3,323	3,535	3,222	3,223	3,300	3,239
5,893	5,776	5,100	5,510	5,348	5,352
3,299	2,260	3,110	1,520	1,272	252
375,305	172,393	275,310	528,640	674,030	327,953
2,839	2,005	3,049	2,481	3,000	2,888
917	868	990	1,023	974	961

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

Function/Program	Fiscal Year			
	2005	2006	2007	2008
General Government				
Administration square footage	64,000	64,000	64,000	64,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	62	57	58	62
Fire				
Stations				
Manned	2	2	2	2
Unmanned	1	1	-	-
Emergency response vehicles	25	20	16	17
Public Works				
Works				
Refuse trucks	6	7	8	8

Sources: Various City departments.

Fiscal Year

2009	2010	2011	2012	2013	2014
64,000	64,000	64,000	65,000	65,000	65,000
1 68	1 68	1 66	1 59	1 68	1 66
2 - 17	2 - 17	2 - 19	2 - 22	2 - 20	2 - 19
8	8	10	9	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, 2014, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements, and have issued our report thereon dated April 30, 2015.

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.

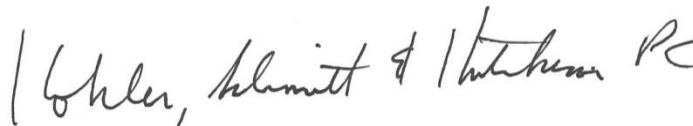
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Handwritten signature in cursive script: Gohler, Schmidt & Johnson PC

April 30, 2015
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, 2014. 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, 2014.

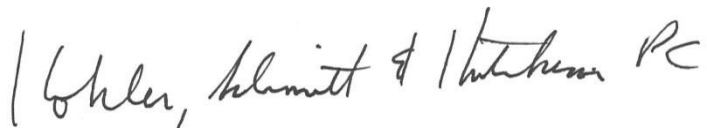
Report on Internal Control over Compliance

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.



April 30, 2015
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

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	\$ 52,103
Total U.S. Department of Housing and Urban Development			52,103
U.S. DEPARTMENT OF JUSTICE			
JAG Program Cluster			
Direct Programs			
Bureau of Justice Assistance			
FY2013 Edward Byrne Memorial Justice Assistance Grant	16.738		8,836
FY2014 Edward Byrne Memorial Justice Assistance Grant	16.738		23,913
Passed through Program from:			
Alaska Department of Public Safety FY2014 Edward Byrne Memorial Justice Assistance Grant	16.738	15-203	25,000
Total JAG Program Cluster			57,749
Direct Programs			
Office of Justice Programs			
Bulletproof Vest Program	16.607		7,929
Community Oriented Policing Services			
COPS Technology Grant # 2007CKWX0022	16.710		1,079,928
Department of Justice			
Equitable Sharing Program	16.922		3,110
Passed through Program from:			
Municipality of Anchorage Internet Crimes Against Children	16.543	2013-MC-FX-K011	4,642
Total U.S. Department of Justice			1,153,358
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Program			
Division of Preservation and Access Preservation Assistance Grant	45.149		6,000
Total National Endowment for the Humanities			6,000
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	15,523
Illinois Street Reconstruction Project	20.205	STP-F-M-0663(4)	9,738
Noble Street Project	20.205	STP-000S(413)	3,648
Pedestrian Facility Upgrades	20.205	CMG-0655(12)	78,651
South Cushman Project	20.205	STP-F-M-0663(013)	170,500
Third Street Widening Project	20.205	MGL-M-0670(1)	89,439
Safe Routes to School Grant Nordale	20.205	LU-20-12-0002	58,339
13/14 FMATS Program	20.205	PROJECT 77198	172,214
14/15 FMATS Program	20.205	PROJECT 77198	70,005
Total Highway Planning and Construction Cluster			668,057

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			
13/14 Travel and Training Grant	20.600	402PT-14-06-00(C)-2	\$ 5,432
13/14 High Visibility Enforcement CIOT	20.600	402PT-14-06-00(A)-4	1,171
14/15 High Visibility Enforcement CIOT	20.600	402PT-15-06-00(E)-4	546
Total Highway Safety Cluster			<u>7,149</u>
Passed through Programs from:			
Alaska Highway Safety Office			
13/14 DUI Traffic Unit	20.607	154AL-14-01-00(B)	139,735
13/14 High Visibility Enforcement DUI	20.607	154AL-14-01-00(A)-4	881
14/15 DUI Traffic Unit	20.608	164AL-15-01-00(B)	55,705
14/15 High Visibility Enforcement DUI	20.608	164AL-15-01-00(A)-4	2,003
Total U.S. Department of Transportation			<u><u>873,530</u></u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program			
Office of the Chief Financial Officer			
Wickersham Stormwater Upgrade	66.202		141,511
Passed through Programs from:			
Alaska Department of Environmental Conservation			
ACWF Clarifier Project Loan	66.458	ACWF #339051	206,464
Total Environmental Protection Agency			<u><u>347,975</u></u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Homeland Security Cluster			
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2011 State Homeland Security Program	97.067	11SHSP-GR34076	17,767
2012 State Homeland Security Program	97.067	12SHSP-GR34077	454,582
2013 State Homeland Security Program	97.067	13SHSP-GR34078	263,756
Total Homeland Security Cluster			<u>736,105</u>
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs			
2013 Emergency Management Performance Grant	97.042	13EMPG-GR34457	2,325
2014 Emergency Management Performance Grant	97.042	14EMPG-GR34457	3,130
Direct Programs			
Federal Emergency Management Agency			
Assistance to Firefighter EMW-2012-FO-02560	97.044		10,192
Total U. S. Department of Homeland Security			<u><u>751,752</u></u>
Grand Total - Federal Financial Assistance			<u><u>\$ 3,184,718</u></u>

See accompanying notes to schedule of expenditures of federal awards.

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fairbanks, Alaska, under programs of the federal government for the year ended December 31, 2014. 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.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2014

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>
20.205	Highway Planning and Construction Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.067	Homeland Security Grant Program

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

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2014

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, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements, and have issued our report thereon dated April 30, 2015.

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.

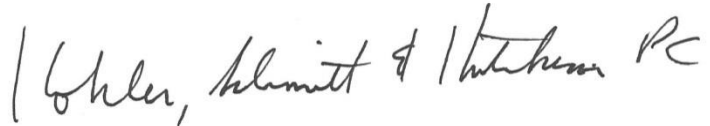
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Handwritten signature in cursive script: Gohler, Schmidt & Johnson PC

April 30, 2015
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, 2014. 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, 2014.

Report on Internal Control over Compliance

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

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

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

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



April 30, 2015
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of State Financial Assistance
For the Year Ended December 31, 2014

<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	\$ 2,716,160
Total Alaska Department of Administration		<u>2,716,160</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
FY11 Community Revenue Sharing Program*	N/A	1,630,844
Arctic Park & Council Subdivision*	13-DC-461	915,536
City Wide Road Improvements & Upgrades*	07-DC-496	155,644
Construction Additions*	14-RR-002	176,281
Heavy Duty Rescue Apparatus*	14-DC-049	256,940
Lemeta Subdivision Streets*	13-DC-505	1,665,114
Local Road Improvements (West Barnette)	14-DC-050	31,420
Road Improvements City of Fairbanks*	13-DC-587	1,775,551
Slaterville Subdivision Streets*	13-DC-500	564,980
Warm Storage Additions*	13-DC-504	280,800
Total Alaska Department of Commerce, Community & Economic Development		<u>7,453,110</u>
<u>Alaska Department of Environmental Conservation</u>		
Division of Water Clarifier Project*	MG# 33767	309,696
Division of Water Dewatering Project*	ACWF #339091	2,525,450
Total Alaska Department of Environmental Conservation		<u>2,835,146</u>
<u>Alaska Department of Military & Veterans Affairs</u>		
Local Emergency Planning Committee	14LEPC-GR35602	19,808
Local Emergency Planning Committee	15LEPC-GR35602	7,474
Total Alaska Department of Military & Veterans Affairs		<u>27,282</u>
<u>Alaska Department of Public Safety</u>		
Alaska Public Safety Council Training Funds	N/A	9,333
Alaska State Troopers Conference Funds	N/A	1,820
SART Reimbursement	N/A	33,152
State 2014 JAG Program	14-201	33,300
Total Alaska Department of Public Safety		<u>77,605</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
GO 2004 Series Bond Reimbursement*	N/A	869,108
Chena River Walk Stage III	64062	11,129
Construction Safety Zone	63917/62372/60921	15,135
Cushman/Gaffney Upgrade*	77194	173,040
FMATS 13/14 Program	77198	52,979
FMATS 14/15 Program	77198	11,691
Helmericks Avenue Extension*	63624	582,775
Historical Plaque Project	62393	3,098
Illinois Gateway Project	63951	2,998
OSSI CAD Interface Project	N/A	10,000
Pedestrian Improvement II*	61690	204,278
South Cushman Project*	62532	431,985
Wickersham Street Upgrade*	62049	1,781,159
Total Alaska Department of Transportation and Public Facilities		<u>4,149,375</u>

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
<u>Alaska Department of Revenue</u>		
Liquor License (10)	N/A	\$ 81,300
Electric and Telephone (10)*	N/A	117,212
Total Alaska Department of Revenue		<u>198,512</u>
Total State Financial Assistance		<u>\$ 17,457,190</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, 2014

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, 2014

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