

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF FAIRBANKS
ALASKA



JANUARY 1, 2016
TO
DECEMBER 31, 2016

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



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Jim Matherly
Mayor

Prepared by
Finance Department

Carmen Randle, CPA, Chief Financial Officer
Margarita Bell, CPA, Controller



CITY OF FAIRBANKS, ALASKA

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016

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List of Principal Officials





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Fairbanks, AK 99701

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June 29, 2017

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, 2016. 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, 2016, 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, 2016. 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 360 road miles north of Anchorage and 120 miles south of the Arctic Circle. The City has a land area of 33.8 square miles and a population of approximately 31,957. 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 98,957, 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 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 2016 edition*, tourism revenue from hotel-motel receipts increased by 10.2 percent from \$59,720,454 in 2015 to \$65,791,217 in 2016. Foreclosures decreased by 26.4 percent from 178 in 2015 to 131 in 2016. The average annual unemployment rate in 2016 increased to 5.7 percent from 5.4 percent in 2015. The annual average monthly employment decreased for Mining and Logging by 53.3 percent; Trade, Transportation, and Utilities by 2.5 percent; and Professional & Business Services by 4.2 percent. The annual average monthly employment remained the same for Manufacturing, Information, and Financial Activities. The annual average monthly employment for Government decreased by 2.7 percent with an increase in Federal Government by 3.4 percent, with decreases in State Government by 5.8 percent, and Local Government by 3.2 percent.

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

The campus of the University of Alaska Fairbanks is located to the west of the City's boundaries. Enrollment at the University was 9,330 students as of Fall 2016. The University employs 2,603 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. Petro Star Inc. operates refineries nearby in the borough.

The City financial outlook is positive, despite the State of Alaska's budget problems due to low oil prices. New businesses have recently come to our City and more are coming; Fort Wainwright has expanded with the AH-64 Apache helicopters transferred from Germany (the only Apache battalion in Alaska and one of only 20 in the U.S. Army) and the scheduled arrival of Grey Eagle drones. Eielson Air Force Base was selected as the new home for the first F-35As in the Pacific with construction scheduled to begin in 2017.

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, 2016, the unassigned fund balance in the City's general fund was \$8,132,918. 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 Utilities 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, 2016 the fund balance was \$119,264,416. 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 2016, \$4,469,551 was transferred from the permanent fund to the general fund and \$558,694 was transferred from the permanent fund to the capital fund. In 2017, it is estimated that \$4,625,478 and \$578,185 will be transferred to the general fund and capital fund respectively.

Relevant Financial Policies

Comprehensive financial policies are reviewed annually and provide the basic framework for the overall fiscal management of the City. The policies are designed to operate independently of changing circumstances and conditions to safeguard assets, promote effective and efficient operations, and support the achievement of City's goals. In 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

During the year, the City focused on providing essential services such as police, fire, and public works. The City continued funding the Emergency Services Patrol (ESP), a program that 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 area, the City worked with local Native and community leaders to pursue the development of a sobering center.

The City also focused on infrastructure improvements by reconstructing various streets and preparing the designs to reconstruct additional streets. These projects are funded by both grant and local revenues and are as follows:

Design Phase (City assisting the Alaska Department of Transportation):

- Cowles Street Reconstruction: Project will reconstruct Cowles Street from First Avenue to East Cowles Street, to include sidewalk, drainage, and illumination improvements.
- Chena Riverwalk, Phase III: Project will construct approximately 5,500 linear feet of pathway and up to three pedestrian bridges.
- Old Steese Highway Upgrades: Project will reconstruct Old Steese Highway from Wendell Avenue Bridge and intersection at Johansen Expressway.
- Third Street Widening: Project will reconstruct Third Street between Old Steese Highway and Hamilton intersections.
- Tenth Avenue Improvements: Project will reconstruct new sidewalks and road surface on 10th Avenue between Cushman and Lacey Street.
- Wembley Avenue Improvements: Project will reconstruct Wembley Avenue from Aurora Drive to Danby Street and construct a pedestrian facility.

Construction Phase:

- Bjerremark Subdivision Improvements Phase I: Project includes new sidewalks, additional street lighting, school zone flashing, and traffic calming techniques – Anticipated completion date of October 2017
- Gateway Subdivision Improvements: Project includes roadway reconditioning and repaving, storm sewer improvements, sanitary sewer improvements, and water system improvements - Anticipated completion date of October 2017

- Noble Street: Project will be managed by Alaska Department of Transportation and will reconstruct Noble Street from First Avenue to Gaffney Road. Anticipated completion date of October 2018
- Rickert Subdivision Improvements: Project includes, complete reconstruction of roadway, installation of new concrete sidewalks, reconstruction of storm drain system, and replacement of existing sewer and water. Anticipated completion date of October 2017
- Hilton Avenue Storm Drain Replacement: Project includes replacing the storm drain. Anticipated completion date of October 2017

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, 2015. The City received this prestigious award for the past fourteen consecutive years (2002 - 2015). 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,



Carmen Randle, CPA
Chief Financial Officer



Margarita Bell, CPA
Controller



Government Finance Officers Association

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

Presented to

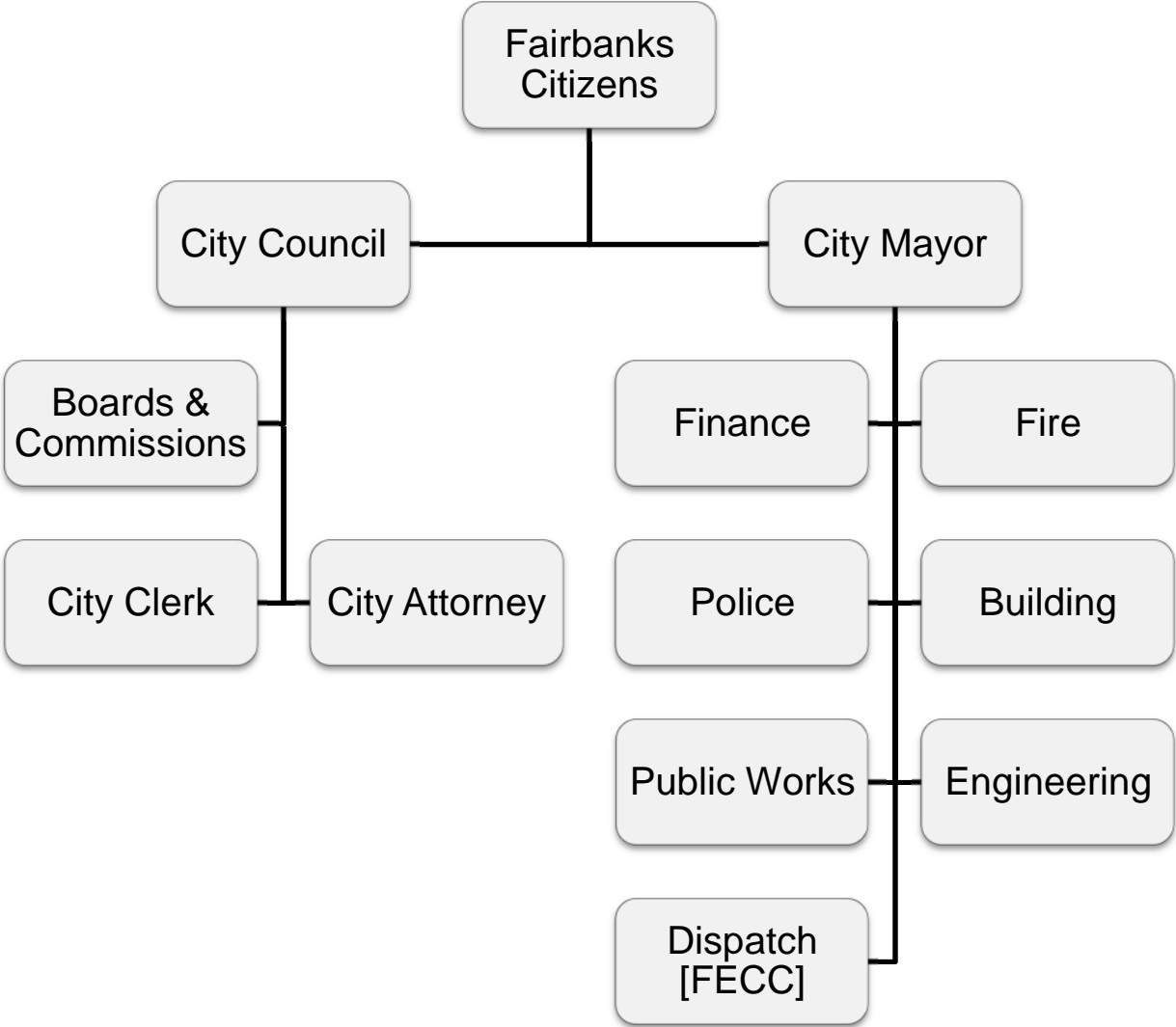
**City of Fairbanks
Alaska**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

CITY OF FAIRBANKS, ALASKA ORGANIZATIONAL CHART



CITY OF FAIRBANKS, ALASKA

LIST OF PRINCIPAL OFFICIALS

For the Fiscal Year Ended December 31, 2016

MAYOR

Jim Matherly

CITY COUNCIL MEMBERS

Joy Huntington, Seat A
June Rogers, Seat B
Valerie Therrien, Seat C
Jerry Norum, Seat D
Jerry Cleworth, Seat E
David Pruhs, Seat F

APPOINTED OFFICIALS

Diana Snider, City Clerk
Paul Ewers, City Attorney

ADMINISTRATION

Jim Matherly, Mayor
Michael Meeks, Chief of Staff
Carmen Randle, Chief Financial Officer
James Styers, Fire Chief
Eric Jewkes, Police Chief
Clem Clooten, Building Official
Jeff Jacobson, Public Works Director
Jackson Fox, City Engineer
Stephanie Johnson, Fairbanks Emergency Communications Center Manager

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements and Required Supplementary Information (RSI)
Combining and Individual Fund Statements





KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

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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, 2016, and the related notes to the financial statements, which collectively comprise the City of Fairbanks, Alaska's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of December 31, 2016, 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 2015 financial statements and, in our report dated October 31, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages M-1 through M-11, budgetary comparison information on pages 56 through 57, and pension liability and contribution information on pages 58 through 65 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

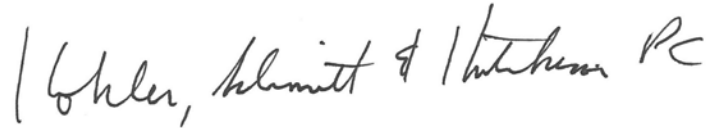
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairbanks, Alaska's basic financial statements. The introductory section, combining and individual fund financial statements, supplementary information section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and are also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 29, 2017, 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 the reports 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. The reports are 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 that reads "Gohler, Schmidt & Johnson PC".

June 29, 2017
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA

Management's Discussion and Analysis For the Year Ended December 31, 2016

As management of the City of Fairbanks (City), we offer readers this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at December 31, 2016 by \$259,824,112 (net position). Of this amount, \$3,746,624 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$2,390,744 during the fiscal year compared to a decrease of \$984,876 in the prior year, due to an increase in net pension liability. The governmental activities experienced a decrease in net position of \$3,406,678 compared to a decrease of \$860,358 in the prior year and the business-type activities experienced an increase of \$1,015,934 compared to a decrease of \$124,518 in the prior year.
- At December 31, 2016, the City's governmental funds reported combined ending fund balances of \$138,005,675, an increase of \$1,132,137 in comparison with the prior year. Approximately 13.2 percent of this total amount (\$18,208,837) is for spending at the government's discretion (committed, assigned, or unassigned).
- At December 31, 2016, unassigned fund balance for the general fund was \$8,132,918 or 24.1 percent of total general fund expenditures.
- During 2016, 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 \$1,025,398 and \$475,149, respectively. The City had a decrease of \$2,358,933 in comparison with the prior year from the State of Alaska due to declines in pension contributions and oil revenues, respectively.
- Standard and Poor's Rating Services rated the City of Fairbanks "AA".

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 to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both 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 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 later in this report.

The City of Fairbanks adopts annual budgets for its general fund and capital fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets. The basic governmental fund financial statements and budgetary comparison schedule for the general fund can be found in the Basic Financial Statements and RSI subsection of this report. The budgetary comparison schedule for the capital fund is located in the nonmajor capital projects funds subsection.

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.



FINANCIAL ANALYSIS OF GOVERNMENT-WIDE STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$259,824,112 at December 31, 2016.

Net Position - December 31, 2016			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 146,894,888	4,723,336	151,618,224
Capital assets, net	127,230,310	9,539,147	136,769,457
Total assets	<u>274,125,198</u>	<u>14,262,483</u>	<u>288,387,681</u>
Deferred outflows of resources	<u>3,842,368</u>	-	<u>3,842,368</u>
Liabilities			
Long-term liabilities outstanding	2,639,222	600	2,639,822
Other liabilities	24,726,370	4,810,305	29,536,675
Total liabilities	<u>27,365,592</u>	<u>4,810,905</u>	<u>32,176,497</u>
Deferred inflows of resources	<u>229,440</u>	-	<u>229,440</u>
Net position			
Net investment in capital assets	127,230,310	9,539,147	136,769,457
Restricted	119,308,031	-	119,308,031
Unrestricted	<u>3,834,193</u>	<u>(87,569)</u>	<u>3,746,624</u>
Total net position	<u>\$ 250,372,534</u>	<u>9,451,578</u>	<u>259,824,112</u>

Net Position - December 31, 2015			
	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 145,708,301	4,848,490	150,556,791
Capital assets, net	126,445,168	8,392,465	134,837,633
Total assets	<u>272,153,469</u>	<u>13,240,955</u>	<u>285,394,424</u>
Deferred outflows of resources	<u>1,963,051</u>	-	<u>1,963,051</u>
Liabilities			
Long-term liabilities outstanding	2,402,864	3,320	2,406,184
Other liabilities	17,662,937	4,801,991	22,464,928
Total liabilities	<u>20,065,801</u>	<u>4,805,311</u>	<u>24,871,112</u>
Deferred inflows of resources	<u>271,507</u>	-	<u>271,507</u>
Net position			
Net investment in capital assets	126,445,168	8,392,465	134,837,633
Restricted	116,661,227	-	116,661,227
Unrestricted	<u>10,672,817</u>	<u>43,179</u>	<u>10,715,996</u>
Total net position	<u>\$ 253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>

The largest portion of the City's net position (52.6 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.

Another large portion of the total net position (45.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,746,624 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. The same situation held true for the prior fiscal year.

Analysis of Changes in Net Position

Overall, the total change in net position decreased by \$2,390,744, this is a decrease of \$1,405,868 from the prior fiscal year. The reasons are discussed in the following sections for governmental activities and business-type activities.

Changes in Net Position - December 31, 2016

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 7,673,790	574,731	8,248,521
Operating grants and contributions	4,859,777	-	4,859,777
Capital grants and contributions	6,215,414	-	6,215,414
General revenues:			
Property taxes	14,966,473	-	14,966,473
Other taxes	6,466,784	-	6,466,784
Investment gain (loss)	6,949,838	-	6,949,838
Other	2,125,085	21	2,125,106
Total revenues	<u>49,257,161</u>	<u>574,752</u>	<u>49,831,913</u>
Expenses:			
General government	20,663,070	-	20,663,070
Public safety	20,535,541	-	20,535,541
Public works	9,788,380	-	9,788,380
Building inspections	703,223	-	703,223
Fairbanks Transportation Center	-	497,436	497,436
Municipal Utilities System	-	35,007	35,007
Total expenses	<u>51,690,214</u>	<u>532,443</u>	<u>52,222,657</u>
Increase (decrease) in net position before transfers	(2,433,053)	42,309	(2,390,744)
Transfers	(973,625)	973,625	-
Increase (decrease) in net position	<u>(3,406,678)</u>	<u>1,015,934</u>	<u>(2,390,744)</u>
Net position - beginning	<u>253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>
Net position - ending	<u>\$ 250,372,534</u>	<u>9,451,578</u>	<u>259,824,112</u>

Changes in Net Position - December 31, 2015

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 8,627,742	585,334	9,213,076
Operating grants and contributions	4,826,073	-	4,826,073
Capital grants and contributions	9,245,556	-	9,245,556
General revenues:			
Property taxes	14,875,855	-	14,875,855
Other taxes	6,116,410	-	6,116,410
Investment gain (loss)	269,253	-	269,253
Other	2,838,868	18	2,838,886
Total revenues	<u>46,799,757</u>	<u>585,352</u>	<u>47,385,109</u>
Expenses:			
General government	17,684,053	-	17,684,053
Public safety	16,554,512	-	16,554,512
Public works	13,000,898	-	13,000,898
Building inspections	675,169	-	675,169
Fairbanks Transportation Center	-	424,153	424,153
Municipal Utilities System	-	31,200	31,200
Total expenses	<u>47,914,632</u>	<u>455,353</u>	<u>48,369,985</u>
Increase (decrease) in net position before transfers	(1,114,875)	129,999	(984,876)
Transfers	<u>254,517</u>	<u>(254,517)</u>	<u>-</u>
Increase (decrease) in net position	(860,358)	(124,518)	(984,876)
Net position - beginning, restated	<u>254,639,570</u>	<u>8,560,162</u>	<u>263,199,732</u>
Net position - ending	<u>\$ 253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>

Governmental activities

Governmental activities decreased the City's net position by \$3,406,678. Key elements of the changes in net position are as follows:

- Additional pension expense of \$3,326,449 to reflect the net pension liability in accordance with GASB 68.
- Investment earnings of \$6,949,791, including net unrealized gains which offset increases in expenses and decreases in revenues.
- Pollution remediation obligation and other self-insurance losses increased general government expenses; however, this was offset by decreases in public work expenses.

Business-type activities

Business-type activities increased the City's net position by \$1,015,934. Key element of the increase is due to a contribution in the amount of \$1,370,525 to the MUS Fund for the purchase of a generator.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUND STATEMENTS

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

Governmental Funds

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 \$138,005,675, an increase of \$1,132,137 in comparison to the prior year. Of the amount, \$8,132,918 (5.9 percent) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is prepaid assets (\$488,807, nonspendable), restricted for investments or law enforcement (\$119,264,416 and \$43,615, respectively), committed for snow removal or capital projects (\$250,000 and \$1,027,552, respectively), and reserved for contractual obligations and self-insurance losses (\$8,798,367, assigned).

The **general fund** is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$8,132,918 while total fund balance is \$12,045,605. 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 (24.1 percent) of total general fund expenditures, while total fund balance represents (35.7 percent) of total general fund expenditures.

The general fund's fund balance decreased by \$1,209,400 during the current fiscal year. The general fund's unassigned fund balance decreased by \$3,354,256. City Code 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. Twenty percent of the budgeted operational expenditures are \$7,296,400, which is \$836,518 less than the 2016 unassigned fund balance.

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

- Revenue from all taxes increased by \$440,992
- Revenue from charges for services decreased by \$776,617
- Revenue from employer relief payments from State of Alaska Public Employees Retirement System (PERS) decreased by \$1,858,864 and other intergovernmental revenues decreased by \$500,069 primarily due to decrease in funding from the State of Alaska
- Revenue from licenses and permits decreased by \$278,817
- Salaries and wages with benefits decreased by \$342,581. The decreases were due to position vacancies and outsourcing information technology.
- Transfers to other funds increased by \$1,393,369, while transfers from other funds increased by \$125,033

The **permanent fund** has a total fund balance of \$119,264,416 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 \$2,687,847 during 2016. Fund balance was decreased by authorized transfers to the general fund for general operations and capital expenditures of \$4,469,551 and \$558,694, respectively. Significant increases to fund balance was a \$396,900 transfer from MUS fund from rental income, \$520,777 transfer from the general fund for sale of assets and investments, \$16,761 received from the sale of real property, and the fund's earnings of \$6,949,791. Detailed information about the permanent fund is located in Note 3.O. in the basic financial statements.

Proprietary Funds

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

The net position of the MUS and the FTC at the end of the fiscal year was \$2,519,274 and \$6,932,304 respectively, most of which is invested in capital assets. The total increase in net position was \$1,335,518 for the MUS fund and a decrease of \$319,584 for the FTC fund. The increase in MUS is primarily due to a transfer in the amount of \$1,370,525 for a generator.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Difference between the **original budget** for total revenues and the final amended budget is a decrease of \$128,328; this amount excludes inter-fund transfers. The significant difference is summarized as follows:

- \$ 197,200 decrease in fines and forfeitures

Difference between the **original budget** for total expenditures and the final amended budget is an increase of \$1,221,084. Significant differences are briefly summarized as follows:

- \$ 959,599 increase in general government and administrative activities
- \$ 300,046 increase allocated to public works

During the year, revenues were less than **budgetary estimates** by \$917,212. Expenditures and encumbrances were less than budgetary estimates by \$2,492,707. The most significant differences were as follows:

- Charges for services were \$273,671 and intergovernmental revenue was \$895,311 less than anticipated due to reduction in engineering chargeable projects and State of Alaska revenue, respectively.
- General government expenditures were \$1,245,581, public safety expenditures were \$568,491, and public works expenditures were \$671,740 less than anticipated due to State of Alaska Public Retirement System on-behalf contributions and salary and wages decreases due to position vacancies and outsourcing information technology.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Information regarding the capitalization policy and other information is contained in Note 1.D.5 in the basic financial statements.

The City's investment in capital assets for its governmental and business type activities is \$136,769,457 (net of accumulated depreciation). The investment in capital assets includes land, buildings, construction in progress, equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$1,931,825, approximately 1.4 percent.

Capital Assets (net of depreciation) - December 31, 2016

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,209,673	454,356	9,664,029
Construction in progress	25,494,232	-	25,494,232
Buildings	20,176,536	6,750,873	26,927,409
Equipment	9,255,829	1,366,718	10,622,547
Infrastructure	63,094,040	967,200	64,061,240
Total	<u>\$ 127,230,310</u>	<u>9,539,147</u>	<u>136,769,457</u>

Capital Assets (net of depreciation) - December 31, 2015

	Governmental Activities	Business-type Activities	Total
Land and land improvements	\$ 9,209,673	454,356	9,664,029
Construction in progress	19,548,946	-	19,548,946
Buildings	20,983,105	6,939,709	27,922,814
Equipment	8,227,825	-	8,227,825
Infrastructure	68,475,619	998,400	69,474,019
Total	<u>\$ 126,445,168</u>	<u>8,392,465</u>	<u>134,837,633</u>

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

- Completion of tank farm at Public Works in the amount of \$1,463,027
- Wastewater treatment plant generator project in the amount of \$1,370,525
- Construction in progress related to streets, sidewalks, and storm water drains at a total cost of \$6,734,596
- Vehicles and equipment purchased (\$1,548,467) and donated (\$6,900) at a total cost of \$1,555,367

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$25,827,307. The total increase in long-term liabilities in the amount of \$5,613,481 is primarily due to an increase in the net pension liability (\$5,247,833). Additional information on the City's long-term liabilities can be found in Note 3.J. of the basic financial statements.

Long Term Liabilities - December 31, 2016

	Governmental Activities	Business-type Activities	Total
Alaska clean water loans	\$ -	\$ 4,379,941	\$ 4,379,941
Self-Insurance losses	863,734	-	863,734
Net pension liability	<u>20,583,632</u>	<u>-</u>	<u>20,583,632</u>
Total	<u>\$ 21,447,366</u>	<u>4,379,941</u>	<u>25,827,307</u>

Long Term Liabilities - December 31, 2015

	Governmental Activities	Business-type Activities	Total
Alaska clean water loans	\$ -	4,458,183	4,458,183
Self-Insurance losses	419,844	-	419,844
Net pension liability	<u>15,335,799</u>	<u>-</u>	<u>15,335,799</u>
Total	<u>\$ 15,755,643</u>	<u>4,458,183</u>	<u>20,213,826</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

On December 12, 2016, City Council passed *Ordinance No. 6037 As Amended* adopting the 2017 budget for the general fund. The original budget projects revenues and other financing sources to be \$35,576,190 and expenditures in the amount of \$35,192,614 increasing fund balance by \$383,576.

On May 8, 2017, *Ordinance No. 6046 As Amended* was passed. This ordinance amended the 2017 operating budget for the general fund by reducing revenues and other financing sources in the amount of \$1,940,870 and increasing expenditures by \$764,536.

On May 8, 2017, *Ordinance No. 6047* was passed. This ordinance amended the 2017 operating budget to fund the Firefighters Union arbitration award by increasing expenditures by \$224,280. Total fund balance in the general fund is projected to be \$9,499,495 with an unassigned balance of \$8,760,688.

The FY2018 State fiscal year budget appropriates \$505,404 in shared revenue to the City; this is a decrease of \$519,994 from the previous year.

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.

REQUESTS FOR INFORMATION

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



BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information (RSI)

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

Schedule of Proportionate Share of Net Pension Liability

Schedules of Contributions

Notes to Required Supplementary Information



BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

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

Fund Financial Statements

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

Notes to Financial Statements

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



CITY OF FAIRBANKS, ALASKA

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	2016	2015
ASSETS				
Equity in central treasury	\$ 19,370,264	2,964	19,373,228	18,803,371
Restricted cash and cash equivalents	10,168,775	-	10,168,775	6,467,881
Investments, restricted	108,777,507	-	108,777,507	109,814,506
Accounts receivable (net)	3,501,446	501,572	4,003,018	5,900,607
Internal balances	161,141	(161,141)	-	-
Inventory	1,355,179	-	1,355,179	1,231,555
Prepaid expenses	488,807	-	488,807	499,031
Noncurrent receivables	3,071,769	4,379,941	7,451,710	7,839,840
Capital assets				
Non-depreciable	9,209,673	454,356	9,664,029	9,664,029
Construction in progress	25,494,232	-	25,494,232	19,548,946
Depreciable, net of accumulated depreciation	92,526,405	9,084,791	101,611,196	105,624,658
Total assets	274,125,198	14,262,483	288,387,681	285,394,424
DEFERRED OUTFLOWS OF RESOURCES	3,842,368	-	3,842,368	1,963,051
Total assets and deferred outflows of resources	\$ 277,967,566	14,262,483	292,230,049	287,357,475
LIABILITIES				
Accounts payable and other current liabilities	\$ 2,320,224	-	2,320,224	2,109,057
Unearned revenue	318,998	600	319,598	297,127
Pollution remediation obligation	1,464,005	-	1,464,005	-
Other liabilities				
Due within one year	1,814,999	430,364	2,245,363	2,251,102
Due in more than one year	21,447,366	4,379,941	25,827,307	20,213,826
Total liabilities	27,365,592	4,810,905	32,176,497	24,871,112
DEFERRED INFLOWS OF RESOURCES	229,440	-	229,440	271,507
NET POSITION				
Net Investment in capital assets	127,230,310	9,539,147	136,769,457	134,837,633
Restricted for:				
Law enforcement	43,615	-	43,615	84,658
Subsequent year transfers	5,203,663	-	5,203,663	5,028,245
Permanent fund investment	114,060,753	-	114,060,753	111,548,324
Unrestricted	3,834,193	(87,569)	3,746,624	10,715,996
Total net position	250,372,534	9,451,578	259,824,112	262,214,856
Total liabilities, deferred inflows of resources and net position	\$ 277,967,566	14,262,483	292,230,049	287,357,475

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Statement of Activities

For the Year Ended December 31, 2016

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	2016	2015
Governmental Activities:								
General government	\$ 20,663,070	1,919,721	2,419,349	5,386,153	(10,937,847)	-	(10,937,847)	(7,292,435)
Public safety	20,535,541	3,016,870	1,269,441	496,226	(15,753,004)	-	(15,753,004)	(12,027,674)
Public works	9,788,380	1,961,288	1,170,987	333,035	(6,323,070)	-	(6,323,070)	(6,306,489)
Building inspections	703,223	775,911	-	-	72,688	-	72,688	411,337
Total governmental activities	<u>51,690,214</u>	<u>7,673,790</u>	<u>4,859,777</u>	<u>6,215,414</u>	<u>(32,941,233)</u>	<u>-</u>	<u>(32,941,233)</u>	<u>(25,215,261)</u>
Business-type activities:								
Municipal Utilities System	35,007	396,900	-	-	-	361,893	361,893	365,700
Fairbanks Transportation Center	497,436	177,831	-	-	-	(319,605)	(319,605)	(235,719)
Total business-type activities	<u>532,443</u>	<u>574,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,288</u>	<u>42,288</u>	<u>129,981</u>
Total	<u>\$ 52,222,657</u>	<u>8,248,521</u>	<u>4,859,777</u>	<u>6,215,414</u>	<u>(32,941,233)</u>	<u>42,288</u>	<u>(32,898,945)</u>	<u>(25,085,280)</u>
General Revenues:								
Property tax					14,966,473	-	14,966,473	14,875,855
Hotel motel tax					3,210,422	-	3,210,422	2,869,170
Alcohol beverage tax					2,293,100	-	2,293,100	2,309,214
Tobacco tax					930,924	-	930,924	938,026
Marijuana tax					32,338	-	32,338	-
Unrestricted shared revenue					1,761,295	-	1,761,295	2,257,980
Investment income					6,949,838	-	6,949,838	269,253
Interest income					152,119	21	152,140	156,764
Miscellaneous					211,671	-	211,671	424,142
Transfers - internal activity					(973,625)	973,625	-	-
Total general revenues and transfers					<u>29,534,555</u>	<u>973,646</u>	<u>30,508,201</u>	<u>24,100,404</u>
Change in net position					(3,406,678)	1,015,934	(2,390,744)	(984,876)
Net position - beginning					<u>253,779,212</u>	<u>8,435,644</u>	<u>262,214,856</u>	<u>263,199,732</u>
Net position- ending					<u>\$ 250,372,534</u>	<u>9,451,578</u>	<u>259,824,112</u>	<u>262,214,856</u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Governmental Funds

Balance Sheet

December 31, 2016

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in central treasury	\$ 10,992,442	-	-	6,660,778	17,653,220
Restricted cash and cash equivalents	7,500	10,118,246	-	43,029	10,168,775
Restricted investments	-	108,777,507	-	-	108,777,507
Receivables (net of allowance for uncollectibles)	4,230,477	562,250	1,779,756	-	6,572,483
Prepaid assets	488,807	-	-	-	488,807
Due from other funds	1,980,418	-	-	586	1,981,004
Total assets	<u>\$ 17,699,644</u>	<u>119,458,003</u>	<u>1,779,756</u>	<u>6,704,393</u>	<u>145,641,796</u>
LIABILITIES					
Accounts payable	\$ 2,269,292	1,487	16,498	8,739	2,296,016
Deposits	24,208	-	-	-	24,208
Unearned revenue	310,508	-	8,490	-	318,998
Due to other funds	586	-	1,754,768	-	1,755,354
Total liabilities	<u>2,604,594</u>	<u>1,487</u>	<u>1,779,756</u>	<u>8,739</u>	<u>4,394,576</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,049,445</u>	<u>192,100</u>	<u>-</u>	<u>-</u>	<u>3,241,545</u>
FUND BALANCES					
Nonspendable	488,807	-	-	-	488,807
Restricted	-	119,264,416	-	43,615	119,308,031
Committed	250,000	-	-	1,027,552	1,277,552
Assigned	3,173,880	-	-	5,624,487	8,798,367
Unassigned	8,132,918	-	-	-	8,132,918
Total fund balances	<u>12,045,605</u>	<u>119,264,416</u>	<u>-</u>	<u>6,695,654</u>	<u>138,005,675</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,699,644</u>	<u>119,458,003</u>	<u>1,779,756</u>	<u>6,704,393</u>	<u>145,641,796</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, 2016

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>\$ 138,005,675</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Infrastructure	491,918,576
Land and land improvements	9,209,673
Construction in progress	25,494,232
Buildings	33,634,565
Equipment	28,339,997
Accumulated depreciation	<u>(461,366,733)</u>
	<u>127,230,310</u>
Inventories are reported under the purchases method within the funds and under the consumption method on the government-wide statements.	
	<u>1,355,179</u>
Deferred outflows represent costs incurred at the fund level, but future costs in the Statement of Net Position.	
Deferred pension costs	<u>3,842,368</u>
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.	
Pollution remediation obligation	(1,464,005)
Self-insurance losses	(1,025,466)
Net pension liability	<u>(20,583,632)</u>
	<u>(23,073,103)</u>
Certain deferred inflows represent resources or benefits received at the fund level but future resources in the Statement of Net Position.	
Deferred pension costs	<u>(229,440)</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	19,418
Deferred sales tax, penalties and interest	30,027
Deferred Tract I and Tract II note receivable	192,100
Deferred Techite note receivable	<u>3,000,000</u>
	<u>3,241,545</u>
Net position of governmental activities (page 5)	<u>\$ 250,372,534</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, 2016

	<u>General</u>	<u>Permanent</u>	<u>Grants and Contracts</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 21,433,257	-	-	-	21,433,257
Charges for services	4,370,505	-	-	-	4,370,505
Intergovernmental	2,259,089	-	9,456,340	586	11,716,015
Licenses and permits	1,984,184	-	-	-	1,984,184
Fines and forfeitures	577,534	-	-	-	577,534
Special assessments	12,603	-	-	-	12,603
Investment earnings	-	6,949,791	-	47	6,949,838
Other revenues	587,097	-	1,226,522	1,066,086	2,879,705
Total revenues	31,224,269	6,949,791	10,682,862	1,066,719	49,923,641
Expenditures					
Current					
General government	10,481,243	168,137	2,409,425	1,396,438	14,455,243
Public safety	14,870,287	-	1,232,674	178,076	16,281,037
Public works	7,598,111	-	1,170,987	50,947	8,820,045
Building inspections	700,485	-	-	-	700,485
Capital outlay					
General government	-	-	5,373,550	2,149,007	7,522,557
Public safety	12,203	-	496,226	531,861	1,040,290
Public works	46,900	-	-	369,733	416,633
Total expenditures	33,709,229	168,137	10,682,862	4,676,062	49,236,290
Excess (deficiency) of revenues over expenditures	(2,484,960)	6,781,654	-	(3,609,343)	687,351
Other financing sources (uses)					
Transfers in	4,469,551	917,677	-	3,263,033	8,650,261
Transfers out	(3,225,116)	(5,028,245)	-	-	(8,253,361)
Sale of capital assets	31,125	16,761	-	-	47,886
Total other financing sources (uses)	1,275,560	(4,093,807)	-	3,263,033	444,786
Net change in fund balances	(1,209,400)	2,687,847	-	(346,310)	1,132,137
Fund balances - beginning	13,255,005	116,576,569	-	7,041,964	136,873,538
Fund balances - ending	\$ 12,045,605	119,264,416	-	6,695,654	138,005,675

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, 2016

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

Net change in fund balances - total governmental funds (page 13)	<u>\$ 1,132,137</u>
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	
Capital outlays and expenditures	8,979,480
Depreciation expense	<u>(8,178,538)</u>
	<u>800,942</u>
Asset contributed to MUS was reported as expenditures in governmental funds. In the statement of activities, a contribution is recorded for the cost of the asset. This contribution resulted in a decrease in construction in progress for prior year expenditures.	
Capital asset transferred	(1,370,525)
Capital outlays and expenditures	<u>1,347,824</u>
	<u>(22,701)</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.	
Equipment donated during the year	<u>6,900</u>
Inventories are reported under the purchase method in the governmental funds, and under the consumption method in the statement of activities.	
	<u>123,624</u>
Collections on receivables provide current financial resources to governmental funds. However, the collection on notes receivable decreases the notes receivable balance in the statement of net position. In the current period, proceeds were received from:	
Tract I and Tract II receivable	(16,761)
Techite note receivable	<u>(200,000)</u>
	<u>(216,761)</u>
Collections on special assessments receivable	<u>(3,002)</u>
Collections on special assessments penalties and interest	<u>(26,354)</u>
Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of:	
Change in reserve for self-insurance losses	(411,010)
Pollution remediation obligation	(1,464,005)
Net increase in net pension liability and related deferred accounts	<u>(3,326,448)</u>
	<u>(5,201,463)</u>
Change in net position of governmental activities (page 7)	<u><u>\$ (3,406,678)</u></u>

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA

Proprietary Funds
Statement of Net Position
December 31, 2016

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
ASSETS				
Current assets				
Cash	\$ -	2,964	2,964	1,717,044
Accounts receivable	-	71,208	71,208	732
GHU Clean Water loan receivable	430,364	-	430,364	-
Total current assets	430,364	74,172	504,536	1,717,776
Noncurrent assets				
GHU Clean Water loan receivable	4,379,941	-	4,379,941	-
Capital assets				
Land	185,356	269,000	454,356	-
Plant in service	23,859,031	-	23,859,031	-
Buildings	-	9,550,693	9,550,693	-
Infrastructure	1,560,000	-	1,560,000	-
Less accumulated depreciation	(23,085,113)	(2,799,820)	(25,884,933)	-
Total noncurrent assets	6,899,215	7,019,873	13,919,088	-
Total assets	\$ 7,329,579	7,094,045	14,423,624	1,717,776
LIABILITIES				
Current liabilities				
Alaska Clean Water loan payable	\$ 430,364	-	430,364	-
Due to general fund	-	161,141	161,141	64,509
Compensated absences	-	-	-	1,653,267
Unearned revenue	-	600	600	-
Total current liabilities	430,364	161,741	592,105	1,717,776
Noncurrent liabilities				
Alaska Clean Water loan payable	4,379,941	-	4,379,941	-
Compensated absences	-	-	-	-
Total noncurrent liabilities	4,379,941	-	4,379,941	-
Total liabilities	4,810,305	161,741	4,972,046	1,717,776
NET POSITION				
Net investment in capital assets	2,519,274	7,019,873	9,539,147	-
Unrestricted	-	(87,569)	(87,569)	-
Total net position	2,519,274	6,932,304	9,451,578	-
Total liabilities and net position	\$ 7,329,579	7,094,045	14,423,624	1,717,776

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, 2016

	Business-type Activities Enterprise Funds		Total	Governmental Activities- Internal Service Fund
	MUS	FTC		
Operating revenues				
Rental income	\$ 396,900	177,831	574,731	-
Other revenue	-	-	-	1,816,448
Total operating revenues	<u>396,900</u>	<u>177,831</u>	<u>574,731</u>	<u>1,816,448</u>
Operating expenses				
Employee benefits	-	-	-	1,816,448
Management fees	-	219,502	219,502	-
Operating expenses	-	89,098	89,098	-
Depreciation	-	188,836	188,836	-
Total operating expenses	<u>-</u>	<u>497,436</u>	<u>497,436</u>	<u>1,816,448</u>
Operating income (loss)	<u>396,900</u>	<u>(319,605)</u>	<u>77,295</u>	<u>-</u>
Nonoperating revenues (expenses)				
Interest income	-	21	21	-
Rental depreciation	(35,007)	-	(35,007)	-
Total nonoperating revenue (expenses)	<u>(35,007)</u>	<u>21</u>	<u>(34,986)</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>361,893</u>	<u>(319,584)</u>	<u>42,309</u>	<u>-</u>
Capital contribution	1,370,525	-	1,370,525	-
Transfers out	(396,900)	-	(396,900)	-
Total contributions and transfers	<u>973,625</u>	<u>-</u>	<u>973,625</u>	<u>-</u>
Change in net position	1,335,518	(319,584)	1,015,934	-
Total net position - beginning	<u>1,183,756</u>	<u>7,251,888</u>	<u>8,435,644</u>	<u>-</u>
Total net position - ending	<u>\$ 2,519,274</u>	<u>6,932,304</u>	<u>9,451,578</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, 2016

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Fund
	MUS	FTC	Total	Fund
Cash flows from operating activities				
Receipts from customers	\$ 396,900	170,321	567,221	-
Receipts for interfund services provided	-	-	-	1,697,747
Payments for interfund services provided	-	-	-	(1,816,448)
Payments to management	-	(78,777)	(78,777)	-
Payments for operating expenses	-	(89,098)	(89,098)	-
Net cash provided (used) by operating activities	396,900	2,446	399,346	(118,701)
Cash flows from noncapital financing activities				
Transfer to permanent fund	(396,900)	-	(396,900)	-
Net cash provided (used) by noncapital financing activities	(396,900)	-	(396,900)	-
Cash flows from capital and other related financing activities				
Payment to Alaska DEC for plant upgrade loans	(411,382)	-	(411,382)	-
Payment to Golden Heart Utilities for plant upgrade	(352,122)	-	(352,122)	-
Receipt from Alaska DEC for plant upgrade	352,122	-	352,122	-
Receipt from Golden Heart Utilities plant upgrade loans	411,382	-	411,382	-
Net cash provided (used) by capital and other related financing activities	-	-	-	-
Cash flows from investing activities				
Interest received	-	21	21	-
Net cash provided by investing activities	-	21	21	-
Net increase (decrease) in cash	-	2,467	2,467	(118,701)
Cash at beginning of the year	-	497	497	1,835,745
Cash at end of the year	\$ -	2,964	2,964	1,717,044
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 396,900	(319,605)	77,295	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	-	188,836	188,836	-
(Increase) decrease in assets				
Accounts receivable	-	(8,159)	(8,159)	(666)
(Decrease) increase in liabilities				
Prepaid rent	-	(2,720)	(2,720)	-
Compensated absences	-	-	-	(59,414)
Due to other funds	-	144,094	144,094	(58,621)
Net cash provided (used) by operating activities	\$ 396,900	2,446	399,346	(118,701)

Noncash investing, capital, and financing activities

In December, the City transferred a generator with a book value of \$1,370,525 to MUS from the grants and contracts fund.

See accompanying notes to the basic financial statements



CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity
- B. Basis of Presentation – Basic Financial Statements
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance
 - 1. Equity in central treasury, cash and investments
 - 2. Restricted assets
 - 3. Receivables and payables
 - 4. Inventory and prepaid items
 - 5. Capital assets
 - 6. Deferred outflows of resources
 - 7. Unearned revenue
 - 8. Long-term obligations
 - 9. Deferred inflows of resources
 - 10. Fund equity
 - 11. Interfund transfers
 - 12. Encumbrances
 - 13. Use of estimates
 - 14. Comparative data/reclassifications
 - 15. Rounding
- E. Revenues and Expenditures/Expenses
 - 1. Program revenues
 - 2. Property taxes
 - 3. Compensated absences
 - 4. Proprietary funds operating and nonoperating revenues and expenses

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

- A. Minimum Fund Balance Requirement
- B. Audit Requirement
- C. Deficit Fund Equity
- D. Excess of Expenditures and Encumbrances over Appropriations

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

- A. Cash Deposits
- B. Investments
- C. Interfund Receivables, Payables, and Transfers
- D. Capital Assets
- E. Pension Obligations
- F. Other Postemployment Benefits (OPEB) Obligations
- G. Defined Compensation Plan
- H. Deferred Outflows/Inflows of Resources
- I. Fund Balance Detail – Governmental Fund
- J. Other Liabilities
- K. Leases
- L. Risk Management
- M. Pollution Remediation Obligation
- N. Contingent Liabilities
- O. Permanent Fund

CITY OF FAIRBANKS, ALASKA
Notes to Financial Statements
December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the City are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes departments that provide public safety, public works, building, and general government services. The operation of these departments are directly controlled by the Council through the budgetary process. Component units are legally separate organizations for which the City is financially accountable; the City does not have any component units.

B. Basis of Presentation – Basic Financial Statements

The **government-wide financial statements** (statement of net position and statement of activities) report information on all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements except for the government's compensated absences function and various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports the financial condition of the governmental and business-type activities at year-end. The City's net position is reported in three parts as net investment in capital assets, restricted net position, and unrestricted net position. The statement of activities reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The **fund financial statements** report information about the City's funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds (type of proprietary fund) are reported as separate columns in the statements. All remaining governmental funds are aggregated and reported as nonmajor funds presented in a single column.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

The City also reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 180 days of the end of the current fiscal period. Property, hotel/motel, liquor, 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.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Equity in central treasury, cash and investments

Cash resources of the City are combined to form a central treasury of cash and investments. A participating fund's share in the central treasury is displayed in the accompanying financial statements as equity in central treasury. Excluded from the central treasury are certain restricted cash and cash equivalents and restricted investments. Sources of revenue outside the general government do not participate in the central treasury. The central treasury provides short-term loans to those funds which are displayed as an interfund receivable or payable.

Investment earnings are recorded in the general fund, except for the earnings of the permanent fund, enterprise funds, and other funds whose earnings are required to provide funding for a program or project. Investment earnings are reported at fair value. See Investments Note 3.B.

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Restricted assets

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

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other fund" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds as reported in the fund financial statements are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The governmental funds statement reports accounts and property tax receivables net of an allowance for uncollectible accounts. Individual fund statements report receivables at full value with a reduction for the allowance.

4. Inventory and prepaid items

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

5. Capital assets

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

Initially the City recorded its infrastructure at estimated cost. As the City constructs or acquires additional capital assets, including infrastructure, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at acquisition value, the price that would be paid to acquire an asset with equivalent service potential.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

<u>Description</u>	<u>Governmental Activities Useful Life (Years)</u>	<u>Business Activities Useful Life (Years)</u>
Buildings	50	50
Infrastructure	30	50
Equipment	3-20	N/A
Plant in service (includes equipment)	N/A	15-40

6. Deferred outflows of resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City had deferred outflows related to pension plans. See Pension Note 3.E.

7. Unearned revenue

Unearned revenue is recorded when resources are received by the City before it has a legal claim to them, as when cash from grants are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, or cash is received from long-term receivables, the liability or deferred inflow of resources is removed and revenue is recognized.

8. Long-term obligations

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

9. Deferred inflows of resources

In addition to liabilities, the statement of net position report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City had deferred inflows related to pension plans. In governmental funds balance sheet, deferred inflows of resources are recorded when assets are recognized before the revenue recognition criteria are met. The City budgets receipts from long-term receivables on the cash basis and defers revenue which has not been collected by year-end.

10. Fund equity

In the government-wide financial statements net position is displayed in three components as follows:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if any.

Restricted for law enforcement - includes federal asset forfeiture funds restricted by the United States Department of Justice for law enforcement purpose.

Restricted for subsequent year transfers - includes the Permanent Fund 5 year average market value available for General Fund and Capital Fund appropriations. See Permanent Fund Note 3.O.

Restricted for permanent fund investment - includes net position restricted for permanent fund investment.

Unrestricted - This category includes all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

In the governmental fund statements, fund equity is classified as "fund balance". The five classifications of fund balance based on constraints imposed on the use of these resources are as follows:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

11. Interfund transfers

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental funds and transfers between enterprise funds are eliminated on the government-wide statements.

12. Encumbrances

Encumbrance accounting, 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, 2016:

General Fund	\$	684,409
Grants & Contracts Fund*		944,231
Other Governmental Funds		<u>2,069,074</u>
Total	\$	<u><u>3,697,714</u></u>

*Encumbrances are funded with next year’s revenues and are not included in fund balance.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

13. Use of estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses/expenditures, and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

14. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the 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.

15. Rounding

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

E. Revenues and Expenditures/Expenses

1. Program revenues

Program revenue reported on the government-wide financial statements include 1) charges to customers or applicants for goods, services, or privileges provided, 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.

2. Property taxes

The City's taxing authority is limited by the terms of the City Charter. The total amount of tax that can be levied during a year cannot exceed the total amount levied for the preceding year except as provided in the Charter. In October 2007, Proposition A was approved by the voters of the City reducing the maximum base mill rate for commercial and residential property to 4.9 mills (\$490 per \$100,000 taxable assessed value). The limitation does not apply to 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. For computation purposes, the preceding year's tax levy is adjusted for inflation, new construction, additional voter approved services, new judgments against the City, and special appropriations necessary on an emergency basis.

Property is assessed 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

3. Compensated absences

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

4. Proprietary funds operating and nonoperating revenues and expenses

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Minimum Fund Balance Requirement

City ordinances require that the unassigned general fund balance be set at 20 percent of budgeted annual expenditures but not less than \$4,000,000. At December 31, 2016, 20 percent of annual budgeted expenditures were \$7,296,400. The unassigned fund balance in the general fund financial statement was \$8,132,918.

B. Audit Requirement

City Charter requires an independent audit to be performed annually and submitted to City Council within 180 days after the end of the fiscal year unless extended by Council due to regulatory changes beyond the City's control. The audit was issued prior to the deadline of June 30, 2017.

C. Deficit Fund Equity

There were no funds with a deficit in total fund balance at December 31, 2016.

D. Excess of Expenditures and Encumbrances over Appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations in the general fund for the Engineering Department (\$138,824), Risk Department (\$20,703), and Finance Department (\$10,697).

Budget variances are reviewed by the Finance Committee. The committee recommends amendments to the budget for City Council consideration. Significant budget variances are discussed in the Management's Discussion and Analysis.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits

At December 31, 2016, the carrying amount of the City's cash and deposits was \$4,682,899 and the bank balances totaled \$5,159,924. The bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name. Banking services are provided to the City under agreements with KeyBank and Mt. McKinley Bank. Mt. McKinley provides lock box services for the collection of the City's garbage service accounts and ambulance billings. See Supplementary Information Section for a schedule of the City's total deposits and investments.

B. Investments

Fairbanks General Code Sections 2-676 to Section 2-688 describe the objectives, policies, and procedures for investing City funds, except for assets accounted for in the permanent fund. The primary goal is to have long-term investment of funds while considering the probable safety of capital and income. Investments include demand deposits; U.S. treasury bills; treasury notes or bonds maturing within one year; insured or fully collateralized certificates of deposit of banks and savings and loan associations maturing within one year; repurchase agreements collateralized by U.S. treasury securities and market-to-market; money market mutual funds whose portfolios consist entirely of U.S. government securities; obligations of any agency or instrumentality of the federal government; and Alaska Municipal League Investment Pool.

Fairbanks General Code Section 2-260 describes the policies, procedures, and governance of the permanent fund's assets. The purpose of the permanent fund is to maximize income for capital and operating expenses of the City and preserve trust assets for present and future generations. The principal goal is to preserve principal and maintain purchasing power. Investments include:

- a) Obligations of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;
- b) Bonds or other taxable yield U.S. dollar denominated debt instruments of this state, its agencies, municipalities, any other state, or corporation which at the time of investment have an investment grade rating of a nationally recognized rating agency; if the rating of a bond becomes less than investment grade and has a maturity greater than one year, it must be sold in an orderly manner within 90 days of down grading.
- c) Bank certificates of deposit which are insured or secured as to the payment of principal and interest;
- d) Corporate obligations of investment grade quality as recognized by a nationally recognized rating organization. If, after purchase, these obligations are downgraded below investment grade, they shall be sold in an orderly manner within 90 days of down grading. In no circumstance shall any bonds be purchased after January 1, 2009 with a yield to maturity that exceeds 600 basis points above a comparable duration treasury note/bond at the date of purchase;
- e) Short-term investment funds (STIF) which are limited to investments set forth in sections (2) (A)-(D) of this section or the Alaska Municipal League Investment Pool as set forth in state statute;
- f) Domestic equities, which taken as a whole, attempt to replicate the Standard & Poor's 500 Index, 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 or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar 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;

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

- 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 or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar 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; and
- 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.

External Investment Pool

The Alaska Municipal League Investment Pool (AMLIP) provides a means for eligible political subdivisions in the State of Alaska (Public Entities) to secure the maximum investment return consistent with preservation of capital and liquidity by pooling money temporarily available for investment. The Pool's membership is limited to Public Entities, including municipalities and their subdivisions, school districts and regional educational attendance areas. AMLIP is not SEC-registered, but is a 2a7-like pool, operating in a manner consistent with that rule. Standard & Poor's Rating Services affirmed its AAA 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 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 weekly basis, the investments in the pool are reviewed for fair value by comparing amortized cost to market value provided by an independent pricing service.

As of December 31, 2016, the fair value of the investments in the pool approximated amortized cost at which the investments were reported in the amount of \$24,859,104. Fair value was determined by reference to quoted market prices. The fair value of the City's investment in AMLIP is the same as the value of its pool units.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

Fair Value Measurements

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized by the valuation inputs used to measure an asset's fair value in accordance with generally accepted accounting principles. Categories are as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

City Level 2 investments are valued using matrix pricing technique that values securities on a summary basis and not on an individual basis; however, the external investment pool are valued using amortized cost which approximates the current fair value. As of December 31, 2016, the City had the following recurring fair value measurements:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity mutual funds	\$ 56,581,061	-	56,581,061	-
U.S. treasuries and agencies	30,907,555	-	30,907,555	-
Corporate bonds	17,042,991	-	17,042,991	-
Foreign bonds	1,259,950	-	1,259,950	-
Foreign mutual funds	2,985,950	-	2,985,950	-
	<u>\$ 108,777,507</u>	<u>-</u>	<u>108,777,507</u>	<u>-</u>

Investment Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to losses arising from changes in interest rates by limiting investment maturities in all funds except the permanent fund.

As of December 31, 2016, the City had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Investments and Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More Than 10
U.S. treasuries and agencies	\$ 30,907,555	705	9,692,711	5,315,918	15,898,221
External investment pool	24,859,104	24,859,104	-	-	-
Corporate bonds	17,042,991	1,538,005	9,392,598	2,011,942	4,100,446
Foreign bonds	1,259,950	-	1,259,950	-	-
	<u>\$ 74,069,600</u>	<u>26,397,814</u>	<u>20,345,259</u>	<u>7,327,860</u>	<u>19,998,667</u>

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

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

B. Investments, Continued

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires all investment securities held in third-party to be issued a safekeeping receipt listing the specific instrument, rate, maturity and other pertinent information. Deposit-type securities (i.e., certificates of deposit, repurchase agreements) are collateralized at 102 percent of the invested amount for any amount exceeding Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Corporation (FSLIC) coverage. Other investments are collateralized by the actual security held in safekeeping.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits exposure to concentration risk in the permanent fund but has no other investment policy that would further limit its concentration of credit risk. GAAP requires disclosure of any investment in a single issuer of 5 percent or more except for U.S. government obligations and obligations explicitly guaranteed by the U.S. government.

At December 31, 2016, the City's exposure to credit and concentration risk is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating^(A)</u>	<u>Percentage of total Investments</u>
Equity mutual funds	\$ 56,581,061	N/A	42.35%
Foreign mutual funds	2,985,950	N/A	2.23%
U.S. treasuries and agencies	3,670,468	AA+/Aaa	
U.S. treasuries and agencies	17,920,148	Unrated/Aaa	
U.S. treasuries and agencies	9,316,939	N/A	
Total U.S. treasuries and agencies ^(B)	<u>30,907,555</u>		23.13%
Corporate bonds	1,420,005	A/A1	
Corporate bonds	1,952,348	A/A2	
Corporate bonds	518,465	A/A3	
Corporate bonds	741,060	A-/A2	
Corporate bonds	2,484,630	A-/A3	
Corporate bonds	805,830	A-/Baa1	
Corporate bonds	1,005,090	A+/A1	
Corporate bonds	527,005	A+/A2	
Corporate bonds	1,450,177	AA-/Aa3	
Corporate bonds	1,346,293	AAA/Aaa	
corporate bonds	3,173,761	BBB+/A3	
Corporate bonds	1,618,327	BBB+/Baa1	
Total Corporate Bonds ^(B)	<u>17,042,991</u>		12.75%
Foreign bonds	1,259,950	Unrated/Aaa	0.94%
External investment pool	<u>24,859,104</u>	AAA/Aaa	<u>18.60%</u>
	<u>\$ 133,636,611</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 ACTIVITIES AND FUNDS, CONTINUED

C. Interfund Receivables, Payables, and Transfers

Interfund balances are short-term loans to provide interim financing of construction projects, programs or other purposes. All outstanding balances are expected to be repaid within one year. The composition of interfund balances at December 31, 2016 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	\$ 1,754,768
	Fairbanks Transportation Center	161,141
	Internal Service fund	64,509
Asset Forfeiture fund	General Fund	586
	Total	<u>\$ 1,981,004</u>

Interfund transfers are used for funding capital projects, general operations, or authorized transactions in accordance with City code. The composition of interfund transfers at December 31, 2016 was as follows:

<u>Transfers In:</u>	<u>Transfers Out:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Permanent Fund</u>	<u>Grants and Contracts</u>	<u>MUS Enterprise</u>	
General fund	\$ -	4,469,551	-	-	4,469,551
Permanent fund	520,777	-	-	396,900	917,677
Nonmajor governmental funds	2,704,339	558,694	-	-	3,263,033
Total	<u>\$ 3,225,116</u>	<u>5,028,245</u>	<u>-</u>	<u>396,900</u>	<u>8,650,261</u>

The General Fund transfer of \$3,225,116 is authorized in accordance with City code and council approval. The amount transferred to the permanent fund for sale of real estate was \$20,777 and \$500,000 for investments. The amount transferred to the capital fund for capital projects was \$2,704,339.

The Permanent Fund transfer of \$5,028,245 is authorized annually in accordance with City Charter. The amount transferred to the general fund for operations was \$4,469,551 and to the capital fund for capital acquisitions was \$558,694.

The MUS fund transferred \$396,900 to the permanent fund from plant lease payments received in accordance with City code.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 9,209,673	-	-	9,209,673
Construction in progress	19,548,946	6,734,596	(789,310)	25,494,232
Total capital assets, not being depreciated	<u>28,758,619</u>	<u>6,734,596</u>	<u>(789,310)</u>	<u>34,703,905</u>
Capital assets, being depreciated				
Infrastructure	491,918,576	-	-	491,918,576
Buildings	33,634,565	-	-	33,634,565
Equipment	25,661,730	3,018,394	(340,127)	28,339,997
Total capital assets, being depreciated	<u>551,214,871</u>	<u>3,018,394</u>	<u>(340,127)</u>	<u>553,893,138</u>
Less accumulated depreciation				
Infrastructure	(423,442,957)	(5,381,579)	-	(428,824,536)
Buildings	(12,651,460)	(806,569)	-	(13,458,029)
Equipment	(17,433,905)	(1,990,390)	340,127	(19,084,168)
Total accumulated depreciation	<u>(453,528,322)</u>	<u>(8,178,538)</u>	<u>340,127</u>	<u>(461,366,733)</u>
Total capital assets being depreciated, net	<u>97,686,549</u>	<u>(5,160,144)</u>	<u>-</u>	<u>92,526,405</u>
Governmental activities capital assets, net	<u>\$ 126,445,168</u>	<u>1,574,452</u>	<u>(789,310)</u>	<u>127,230,310</u>
Business-type activities				
Capital assets, not being depreciated				
Land and land improvements	\$ 454,356	-	-	454,356
Total capital assets, not being depreciated	<u>454,356</u>	<u>-</u>	<u>-</u>	<u>454,356</u>
Capital assets, being depreciated				
Infrastructure	1,560,000	-	-	1,560,000
Buildings	19,101,501	-	-	19,101,501
Equipment	12,937,698	1,370,525	-	14,308,223
Total capital assets being depreciated	<u>33,599,199</u>	<u>1,370,525</u>	<u>-</u>	<u>34,969,724</u>
Less accumulated depreciation				
Infrastructure	(561,600)	(31,200)	-	(592,800)
Buildings	(12,161,792)	(188,836)	-	(12,350,628)
Equipment	(12,937,698)	(3,807)	-	(12,941,505)
Total accumulated depreciation	<u>(25,661,090)</u>	<u>(223,843)</u>	<u>-</u>	<u>(25,884,933)</u>
Total capital assets being depreciated, net	<u>7,938,109</u>	<u>1,146,682</u>	<u>-</u>	<u>9,084,791</u>
Business-type activities capital assets, net	<u>\$ 8,392,465</u>	<u>1,146,682</u>	<u>-</u>	<u>9,539,147</u>
Depreciation expense was charged to activities/programs of the primary government as follows:				
Governmental activities				
General government			\$ 5,680,636	
Public safety			1,403,205	
Public works			1,091,959	
Building Inspections			2,738	
Total depreciation expense - governmental activities			<u>\$ 8,178,538</u>	
Depreciation expense for business-type activities is allocated over the following programs:				
Fairbanks Transportation Center			\$ 188,836	
Municipal Utility System			35,007	
Total depreciation expense - business type activities			<u>\$ 223,843</u>	

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations

Labor Contracts

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

A negotiated agreement is in effect with IBEW and will expire on May 31, 2017. The AFL-CIO agreement expired on December 31, 2016, the FPDEA agreement expired on December 31, 2013, and the IFFA agreement expired on May 1, 2015; all contracts are currently being negotiated.

City employees participate in a collective bargaining agreement retirement plan, special agreement retirement plan or the State of Alaska Public Employees' Retirement System (PERS).

Defined Benefit (DB) Pension Plan – Alaska Electrical Pension Plan

Plan Description

The City has employees that participate in the Alaska Electrical Pension Plan (AEPP) of the Alaska Electrical Pension Fund through a collective bargaining or special agreement. AEPP is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. AEPP provides defined benefit pensions predominately to non-government employees. Summary financial information for the plan can be obtained at www.aetf.com on the internet.

Benefit Terms

On December 31, 2016, the City had 45 employees participate in AEPP. AEPP provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the AEPP Board of Trustees.

Contribution Requirements

In 2016, the City contributed \$5.75 per compensable hour for employees earning \$50,000 or less and \$6.75 per compensable hour for employees earning more than \$50,000 under the collective bargaining agreement. In regards to the special agreement, the City contributed \$5.50 per compensable hour for employees earning \$50,000 to \$54,999 and \$1,039.98 semi-monthly for employees earning over \$60,000. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The total contribution to AEPP for 2016 was \$648,068 of which \$51,860 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – Alaska Laborers-Employers Retirement Fund

Plan Description

The City has employees that participate in the Alaska Laborers-Employers Retirement Fund (AL-ERF) through the AFL-CIO collective bargaining agreement. AL-ERF is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. AL-ERF provides defined benefit pensions predominately to non-government employees. Summary financial information for the plan can be obtained at www.aklaborerstrust.com on the internet.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Benefit Terms

On December 31, 2016, the City had 12 employees participate in AL-ERF. In 2016, the City also had 14 temporary employees participating in the plan. AL-ERF provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the AL-ERF Board of Trustees.

Contribution Requirements

In 2016, the City contributed \$10.09 per compensable hour for permanent and temporary laborers and \$12.13 per compensable hour for engineering technicians. In addition, the City contributed \$1.68 per compensable hour for permanent and temporary laborers and \$2.02 per compensable hour for engineering technicians in a non-accruing pension Funding Improvement Plan. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2016. The total contribution to AL-ERF for 2016 was \$365,143 of which \$31,589 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan

Plan Description

The City has employees that participate in the Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan (IUOERP) through the AFL-CIO collective bargaining agreement. IUOERP is administered by a joint labor management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. IUOERP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.EngineersTrust.com on the internet.

Benefit Terms

On December 31, 2016, the City had 19 employees participate in IUOERP. In 2016, the City also had 42 temporary employees participating in the plan. IUOERP provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the IUOERP Board of Trustees.

Contribution Requirements

In 2016, the City contributed \$7.35 per compensable hour for regular and temporary employees. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2016. The total contribution to IUOERP for 2016 was \$360,898 of which \$55,175 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – Northern Alaska Carpenters Retirement Plan

Plan Description

The City has employees that participate in the Northern Alaska Carpenters Retirement Plan (NACRP) through the AFL-CIO collective bargaining agreement. NACRP is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. NACRP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.alaskacarpenterstrusts.com on the internet.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Benefit Terms

On December 31, 2016, the City had one employee participate in NACRP. NACRP provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the NACRP Board of Trustees.

Contribution Requirements

In 2016, the City contributed \$6.85 per compensable hour for the employee and the employee does not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2016. The total contribution to NACRP for 2016 was \$22,405 of which \$2,271 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – Alaska Plumbing and Pipefitting Industry Pension Fund

Plan Description

The City has employees that participate in the Alaska Plumbing and Pipefitting Industry Pension Fund (APPIPF) through the AFL-CIO collective bargaining agreement. APPIPF is administered by a joint labor-management board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. APPIPF provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.akpipetrades.com on the internet.

Benefit Terms

On December 31, 2016, the City had one employee participate in APPIPF. APPIPF provides several levels of retirement benefits, including early retirement, normal retirement, late retirement, and disability retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the APPIPF Board of Trustees.

Contribution Requirements

In 2016, the City contributed \$8.40 per compensable hour for the employee and the employee does not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2016. The total contribution to APPIPF for 2016 was \$22,507 of which \$1,478 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – Alaska Teamster-Employer Pension Plan

Plan Description

The City has employees that participate in the Alaska Teamster-Employer Pension Plan (ATEPP) through the AFL-CIO collective bargaining agreement. ATEPP is administered by a joint board of trustees and is a cost-sharing multiple-employer pension plan that is not a state or local governmental pension plan. ATEPP provides defined benefit pensions predominately to non-government employers. Summary financial information for the plan can be obtained at www.959trusts.com on the internet.

Benefit Terms

On December 31, 2016, the City had three employees participate in ATEPP. ATEPP provides several levels of retirement benefits, including early retirement, normal retirement, and deferred retirement. The benefits are based on the hours of service and contributions during various time periods. The benefit terms are established and amended by the ATEPP Board of Trustees.

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

NOTE 3 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Contribution Requirements

In 2016, the City contributed \$10.53 per compensable hour for employees. Employees do not contribute to the plan. The hourly rate paid by the City is determined by the collective bargaining process and the City's obligation is limited to the amount paid under the agreement. The collective bargaining agreement expires on December 31, 2016. The total contribution to ATEPP for 2016 was \$83,336 of which \$9,309 was payable as of December 31, 2016.

Defined Benefit (DB) Pension Plan – PERS

Plan Description

On December 31, 2016, the City had 100 employees participate in the State of Alaska Public Employees' Retirement System (PERS). Stand-alone financial statements for the PERS plan can be obtained by contacting the Alaska Department of Administration, Division of Retirement and Benefits, PO Box 110203, Juneau, Alaska 99811-0203; by calling 907-465-4460 or by accessing the division's web site at www.state.ak.us/drj on the internet. Employer contributions to the PERS are actuarially determined and have been paid or accrued by the City of Fairbanks.

The Defined Benefit Pension Plan is administered by the State of Alaska (State) and was established to provide pension, post-employment healthcare, survivor, and disability benefits to eligible employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. Tiers I, II, and III are a defined benefit plan. Effective July 1, 2006, the State Legislature (Senate Bill 141) closed the defined benefit plans of PERS to new members and new employees after that date participate in the Tier IV PERS Defined Contribution (DC) Plans described later in these notes. Effective July 1, 2008, the State Legislature (Senate Bill 125) converted the PERS plan from an agent multiple-employer to a cost sharing multiple-employer plan.

Employee Contribution Rates

Employee contribution rates for the defined benefit plan are 7.5 percent of compensation for City police officers and firefighters. All other employees contribute 6.75 percent.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate – This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22 percent of eligible wages, subject to a wage floor, and other termination events. This 22 percent rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate – This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost method or other assumptions used in the ARM Board valuation. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This will result in lower ARM Board Adopted Rates for current and future years.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

State (On-behalf) Contribution Rate – This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenue and expenditure. On the government-wide financial statements, the on-behalf amounts are not included in revenue and expenditure.

Contribution rates for the year ended December 31, 2016 were determined in the June 30, 2014 and June 30, 2015 actuarial valuation as follows:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>State Contribution Rate</u>
January 1 through June 30, 2016			
Pension	13.25%	16.88%	3.63%
Postemployment healthcare	8.75%	10.31%	1.56%
Total Contribution Rates	<u>22.00%</u>	<u>27.19%</u>	<u>5.19%</u>
July 1 through December 31, 2016			
Pension	14.96%	19.10%	4.14%
Postemployment healthcare	7.04%	7.04%	0.00%
Total Contribution Rates	<u>22.00%</u>	<u>26.14%</u>	<u>4.14%</u>

In 2016, the City was credited with the following contributions into the pension plan. Employee contributions were \$485,618.

	<u>December 31, 2016</u>
Employer contributions (including DBUL)	1,116,253
Nonemployer contributions (on-behalf)	<u>390,464</u>
Total Contributions	<u>1,506,717</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At December 31, 2016, the City reported a liability of \$20,583,632 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016. At December 31, 2016, the City's proportion was .36825 percent.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

For the year ended December 31, 2016, the City recognized pension expense of \$3,326,448 in the government-wide financial statements. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,893	-
Changes in assumptions	94,936	-
Net difference between projected and actual earnings on pension plan investments	2,023,272	229,440
Changes in proportion and differences between City contributions and proportionate share of contributions	1,234,344	-
City contributions subsequent to the measurement date	487,923	-
Total Deferred Outflows and Inflows Related to Pensions	\$ 3,842,368	229,440

\$487,923 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Amount Reserved</u>
FY2017	\$ 1,345,490
FY2018	\$ 418,296
FY2019	\$ 827,119
FY2020	\$ 534,099

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Inflation rate	3.12 percent
Salary Increases	Graded by years of service, from 9.66 percent to 4.92 percent for Peace Officers/Firefighters Graded by age and years of service, from 8.55 percent to 4.34 percent for all other
Investment rate of return	8.00 percent, net of pension plan investment expenses. This is based on average inflation rate of 3.12 percent and a real rate of return of 4.88 percent.
Mortality	Pre-termination mortality rates were based upon 2010-2013 actual mortality experience, 60 percent of male and 65 percent of female post-termination rates. Deaths are assumed to be occupational 70 percent of the time for Peace Officer/Firefighters, 50 percent of the time for others. Post-termination mortality rates were based on 96 percent of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Project Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage and by adding expected inflation.

The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.35%
Global equity (non-US)	5.55
Private equity	6.25
Fixed income composite	0.80
Real estate	3.65
Alternative equity	4.70

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that Employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the Retirement System's net pension liability and the City's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
System Net Pension	100.00%	\$7,199,118,000	\$5,589,598,000	\$4,232,040,000
City's proportionate share of the net pension liability - Employer portion	0.36825%	\$26,510,675	\$20,583,632	\$15,584,443

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial reports as described earlier in these notes.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

E. Pension Obligations, Continued

Defined Contribution (DC) Pension Plan - PERS

Plan Description

The Defined Contribution Pension Plan is also administered by the State of Alaska (State) and was established to provide individual pension accounts, retiree medical insurance plan, and a separate Health Reimbursement Arrangement account to provide additional resources for retired members to pay medical premiums and other eligible medical expenses not covered by the medical plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Employees hired after July 1, 2006 participate in PERS Tier IV, this defined contribution pension plan. This Plan is included in the comprehensive annual financial reports for PERS as described earlier in these notes.

Employee Contribution Rates

Employees are required to contribute 8.0 percent of their annual covered salary. This amount goes directly to the individual's account. Employees are immediately vested in their own contributions and vest 25 percent with two years of service, plus an additional 25 percent per year thereafter for full vesting at five years of service.

Employer Contribution Rates

For the year ended December 31, 2016, the City was required to contribute 5 percent of covered salary into the plan. However, the total employer contribution must equal 22 percent of covered payroll. After subtracting, the defined contribution (DC) pension rates, Occupational Death and Disability Plan, Retiree Medical Plan, and the HRA contribution, any residual amount of the 22 percent is deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

For the year ended December 31, 2016, the City and employee contributions to PERS were \$132,768 and \$212,418, respectively. The City contribution amount was recognized as pension expense.

F. Other Postemployment Benefits (OPEB) Obligations

Defined Benefit Other Post-Employment Benefit (OPEB) Plans - PERS

Plan Description

The City participates in the Alaska Retiree Healthcare Trust (ARHCT) as part of the PERS DB Plan (Tiers I, II, and III). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level and the Plan is administered by the State of Alaska. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

Employee Contribution Rates

Employees do not contribute to the DB OPEB Plans.

Employer Contribution Rates

The City was required to contribute 8.75 percent and 7.04 percent of covered payroll into the OPEB plan as of June 30, 2016 and December 31, 2016, respectively. For the year ended December 31, 2016, the City contributed \$622,072. In addition, the City received \$84,686 as an on-behalf contribution. These amounts were recognized as expense.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

F. Other Postemployment Benefits (OPEB) Obligations, Continued

Defined Contribution Other Post-Employment Benefit (OPEB) Plans - PERS

Plan Description

The City participates in the Occupational Death and Disability Plan and Retiree Medical Plan as part of the PERS DC Plan (Tiers IV). These plans provide for death, disability, and post-employment health care. In addition, PERS defined contribution members participate in the Health Reimbursement Agreement. Information on these plans is included in the comprehensive financial report for the PERS plan as described earlier in these notes.

Employee Contribution Rates

Employees do not contribute to the DC OPEB Plans.

Employer Contribution Rates

The City is required to contribute 1.05 percent for Peace Officers/Firefighters and .22 percent for other employees in the ODD Plan and 1.68 percent in the Retiree Medical Plan as of June 30, 2016 and .49 percent for Peace Officers/Firefighters and .17 percent for other employees in the ODD Plan and 1.18 percent in the Retiree Medical Plan as of December 31, 2016. State statute establishes the contribution amount for the Health Reimbursement Agreement as “three percent of the average annual employee compensation of all employees of all employers in the plan”; this amount is calculated as a flat rate for each full time employee per pay period at \$83.52 as of June 30, 2016 and \$85.39 as of December 31, 2016.

For the year ended December 31, 2016, the City contributed \$127,979 in DC OPEB costs. These amounts were recognized as expense.

G. Defined Compensation Plan

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

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

In 2015, City notified participants that MetLife was selected as the only deferred compensation plan and that all contributions to other plans would cease as of December 31, 2017. 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 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

H. Deferred Outflows/Inflows of Resources

At December 31, 2016, the City reported deferred outflows/inflows of resources in the **government-wide** financial statements related to pension. See Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Note 3. E.

At December 31, 2016, the City reported deferred inflows of resources in the **governmental funds** as follows:

	General	Permanent	Total Governmental Funds
Special assessments	\$ 49,445	-	49,445
Notes Receivable	-	192,100	192,100
Techite Receivable	3,000,000	-	3,000,000
Total deferred inflows of resources	<u>\$ 3,049,445</u>	<u>192,100</u>	<u>3,241,545</u>

I. Fund Balance Detail – Governmental Funds

	General Fund	Permanent Fund	Nonmajor Governmental	Total
Nonspendable				
Prepayments	\$ 488,807	-	-	488,807
Restricted				
Investment	-	119,264,416	-	119,264,416
Federal Asset Forfeiture	-	-	43,615	43,615
Total Restricted	-	119,264,416	43,615	119,308,031
Committed				
Snow Removal	250,000	-	-	250,000
Capital Projects	-	-	1,027,552	1,027,552
Total Committed	250,000	-	1,027,552	1,277,552
Assigned				
Contractual Obligations	684,409	-	2,069,074	2,753,483
Self Insurance	1,025,466	-	-	1,025,466
Pollution Remediation	1,464,005	-	-	1,464,005
Capital Projects	-	-	3,555,413	3,555,413
Total Assigned	3,173,880	-	5,624,487	8,798,367
Unassigned	8,132,918	-	-	8,132,918
Total Fund Balance	<u>\$ 12,045,605</u>	<u>119,264,416</u>	<u>6,695,654</u>	<u>138,005,675</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

J. Other Liabilities

City Council approved Ordinance 5889 to seek voter approval to obtain and pass-through Alaska Clean Water Fund (ACWF) loans to Golden Heart Utilities Inc. (GHU). On October 2, 2012, the citizens overwhelming voted to approve the loans (79.34% voted yes). The low interest financing of the loans lessen the rate increases that citizens pay GHU for major upgrades on the wastewater plant.

The loans are collateralized by the \$396,000 rental income recorded in the MUS enterprise fund and guaranteed by GHU's parent company Fairbanks Sewer and Water, Inc. All structures constructed with ACWF loans will remain the property of the City until the loan is paid in full by GHU. As an additional security measure to ensure repayment by GHU, the City legally assigned all of its rights and privileges to the rental income to the Department of Environmental Conservation as its successor and assignee in case of default, including the right to collect accelerated payments in certain circumstances.

As of December 31, 2016, the City owes the State of Alaska Department of Environmental Conservation and GHU owes the City the following:

ACWF Loans	Year Issued	Final Payment	Interest Rate	Total Loan	2016 Balance
Sodium Hypochloride Project	2010	2029	1.5%	\$ 708,700	\$ 460,655
Sludge Dewatering Project	2014	2028	1.5%	4,625,600	3,700,480
Clarifier Project	2016	2030	1.5%	649,170	649,170
Total					\$ 4,810,305

The following changes occurred during fiscal year 2016 for other liabilities:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year	Due in more than one year
Governmental activities:						
Compensated absences	\$ 1,712,682	1,816,449	1,875,864	1,653,267	1,653,267	-
Self-insurance losses	614,456	476,518	65,508	1,025,466	161,732	863,734
Net pension liability	15,335,799	5,247,833	-	20,583,632	-	20,583,632
Governmental activity Long-term liabilities	\$ 17,662,937	7,540,800	1,941,372	23,262,365	1,814,999	21,447,366
Business-type activities:						
Alaska clean water loans						
Dewatering Loan	\$ 4,008,853	-	308,373	3,700,480	308,373	3,392,107
Hypochlorite Loan	496,090	-	35,435	460,655	35,435	425,220
Clarifier Loan	297,048	352,122	-	649,170	86,556	562,614
Business-type activities Long-term liabilities	\$ 4,801,991	352,122	343,808	4,810,305	430,364	4,379,941

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. Compensated absences are liquidated by the ISF. Claims and judgments (self-insurance losses) are liquidated by the general fund.

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

K. Leases

Lessor operating leases

The MUS enterprise fund contains the proceeds from the lease of the wastewater treatment plant to Golden Heart Utilities Inc. (GHU) under the terms of a non-cancelable operating lease signed October 6, 1997. The lease provides for monthly rental payments to the City in the amount of \$33,075 for 30 years. A comprehensive lease security agreement was signed by the City with GHU for the plant and all subsequent additions and replacements. 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 2016.

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

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

The assets being leased as lessor are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Asset:		
Land	\$ 5,012,998	185,356
Buildings	594,662	-
Plant in service (includes equipment)	-	25,419,031
Less: Accumulated depreciation	<u>(280,752)</u>	<u>(23,085,113)</u>
Total	<u>\$ 5,326,908</u>	<u>2,519,274</u>

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

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
2017	\$ 126,235	396,900	523,135
2018	125,484	396,900	522,384
2019	98,661	396,900	495,561
2020	91,209	396,900	488,109
2021	<u>82,401</u>	<u>396,900</u>	<u>479,301</u>
Total minimum rental receipts	<u>\$ 523,990</u>	<u>1,984,500</u>	<u>2,508,490</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

L. Risk Management

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

The City retains risk for the deductible portions of the policy and workers compensation claims incurred prior to July 1, 2004. Self-insurance losses are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Self-insurance losses include estimates for expected future developments on claims already reported, as well as considering known and unknown events that might create claims, but for which none have been reported. Based on the type of claim, estimates of the ultimate cost of settling these claims are made by using case-by-case review of claims or by extrapolating historical experience. Both methods adjust for current trends and other information and the estimates include the effects of inflation and other economic and social factors. A liability for incurred but not reported claims was based on historical experience. Settlements have not exceeded coverages in each of the last three years.

The City records liabilities for all known unpaid claims in the **government-wide financial statements** when they are reported to the risk manager. The balance of these claims was \$1,025,466 for self-insurance losses and \$1,464,005 for pollution remediation.

The City assigns fund balance for all known unpaid claims in the **governmental fund financial statements** when they are reported to the risk manager. The balance of these claims was \$2,489,471 at December 31, 2016. Changes in the claims liabilities included in assigned fund balances for fiscal years 2016 and 2015 are as follows:

	Claims Liability December 31, 2016	Claims Liability December 31, 2015
January 1	\$ 614,456	793,207
Current year claims	2,479,639	15,723
Changes in estimates for claims of the prior period	114,841	(35,813)
Claims payments	<u>(719,465)</u>	<u>(158,661)</u>
December 31	<u>\$ 2,489,471</u>	<u>614,456</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

M. Pollution Remediation Obligation

In 2016, the City was alerted to concentrations of Perfluorinated Compounds (PFCs) in the groundwater at the Regional Fire Training Center (RFTC). Firefighters from the City and other agencies used Aqueous Film Forming, a firefighting agent that contained PFCs, during training to extinguish petroleum fires in a burn pit at the RFTC from 1984 to 2004. Test results indicate that PFCs were present at concentrations above the health advisory level in 33 drinking wells northwest of the RFTC. The City was able to connect six of the affected homes to the municipal water system and is actively working to connect the remaining 27 homes and businesses. The City is also working on a plan with Alaska Department of Environmental Conservation and local consultants to remove and remediate the contaminated soils at the burn pit. In 2016, the City paid \$535,995 in remediation costs. The current estimable pollution remediation obligation is \$1,464,005. Actual cost may vary due to inflation or deflation, changes in services, or changes in regulations.

N. Contingent Liabilities

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

O. Permanent Fund

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

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

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

	<u>2016</u>	<u>2015</u>
Interest income	\$ 1,847,054	1,898,743
Dividends	1,561,222	1,471,224
Net realized (losses) gains	411,016	4,916,822
Net unrealized (losses) gains	<u>3,130,499</u>	<u>(8,017,582)</u>
	<u>\$ 6,949,791</u>	<u>269,207</u>

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

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS, CONTINUED

O. Permanent Fund, Continued

During 2002, the City passed Ordinance 5485 which placed before the voters an amendment to the City Charter's permanent fund. The amendment, which was approved by the voters in 2003, provides that the amount available for annual appropriation for general operations is limited to 4 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 restricted amount for subsequent year transfers for general operations and capital expenditures in 2016 (based on an average of 2012-2016) and 2015 (based on an average of 2011-2015) is calculated as follows:

	2016	2015
Total average investments held in trust	\$ 115,235,157	111,136,048
Total average other assets	406,643	609,793
Total average liabilities	(4,842)	(7,063)
Total average fund value	\$ 115,636,958	111,738,778
Available for general operations	4,625,478	4,469,551
Available for capital expenditures	578,185	558,694
Subsequent year transfers	\$ 5,203,663	5,028,245

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual
Schedule of Proportionate Share of Net Pension Liability
Schedules of Contributions
Notes to Required Supplementary Information

CITY OF FAIRBANKS, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 21,319,723	21,346,128	21,433,257	87,129
Charges for services	4,650,061	4,644,176	4,370,505	(273,671)
Intergovernmental	3,143,100	3,154,400	2,259,089	(895,311)
Licenses and permits	1,863,700	1,904,462	1,984,184	79,722
Fines and forfeitures	787,075	589,875	577,534	(12,341)
Rental	168,550	153,590	154,933	1,343
Interest and penalties	115,000	126,250	152,119	25,869
Other	222,600	222,600	292,648	70,048
Total revenues	<u>32,269,809</u>	<u>32,141,481</u>	<u>31,224,269</u>	<u>(917,212)</u>
Expenditures				
General government				
Mayor and city council	611,663	648,219	646,472	1,747
City attorney	182,401	214,788	200,914	13,874
City clerk	348,581	341,174	329,532	11,642
Finance	948,407	886,613	897,310	(10,697)
Information systems	1,968,288	1,991,167	1,827,611	163,556
Risk management	1,428,817	2,049,934	2,070,637	(20,703)
General account	5,472,342	5,788,203	4,702,041	1,086,162
Total general government	<u>10,960,499</u>	<u>11,920,098</u>	<u>10,674,517</u>	<u>1,245,581</u>
Public safety				
Police	6,989,701	6,884,905	6,631,657	253,248
Dispatch	2,149,696	2,162,007	2,075,326	86,681
Fire	6,360,510	6,396,346	6,167,784	228,562
Total public safety	<u>15,499,907</u>	<u>15,443,258</u>	<u>14,874,767</u>	<u>568,491</u>
Public works				
Works	7,500,425	7,790,936	6,980,372	810,564
Engineering	620,780	630,315	769,139	(138,824)
Total public works	<u>8,121,205</u>	<u>8,421,251</u>	<u>7,749,511</u>	<u>671,740</u>
Building inspections				
	<u>679,306</u>	<u>697,394</u>	<u>690,499</u>	<u>6,895</u>
Total expenditures	<u>35,260,917</u>	<u>36,482,001</u>	<u>33,989,294</u>	<u>2,492,707</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,991,108)</u>	<u>(4,340,520)</u>	<u>(2,765,025)</u>	<u>1,575,495</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, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 4,473,094	4,469,551	4,469,551	-
Transfers out	(492,509)	(3,192,509)	(3,225,116)	(32,607)
Sale of capital assets	-	-	31,125	31,125
Total other financing sources (uses)	<u>3,980,585</u>	<u>1,277,042</u>	<u>1,275,560</u>	<u>(1,482)</u>
Net change in fund balances	<u>\$ 989,477</u>	<u>(3,063,478)</u>	<u>(1,489,465)</u>	<u>1,574,013</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.

280,065

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

\$ (1,209,400)

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Proportionate Share of Net Pension Liability
 Public Employees Retirement System - Defined Benefit
 Last Two Fiscal Years

Year Ended December 31	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.36825%	\$ 20,583,532	\$ 2,594,007	\$ 23,177,539	\$ 6,430,280	320.10%	59.55%
2015	0.31620%	\$ 15,335,799	\$ 4,109,038	\$ 19,444,837	\$ 6,853,107	223.78%	63.96%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Public Employees Retirement System - Defined Benefit
 Last Two Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 1,414,662	\$ 1,414,662	\$ -	\$ 6,430,280	22.0%
2015	\$ 1,507,684	\$ 1,505,698	\$ 1,986	\$ 6,853,107	22.0%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA

Required Supplementary Information
Schedule of Contributions
Alaska Electrical Pension Plan
Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 648,068	\$ 648,068	\$ -	\$ 3,469,521	18.7%
2015	\$ 695,301	\$ 695,301	\$ -	\$ 3,982,228	17.5%
2014	\$ 690,026	\$ 690,026	\$ -	\$ 3,809,823	18.1%
2013	\$ 676,779	\$ 676,779	\$ -	\$ 3,641,988	18.6%
2012	\$ 670,714	\$ 670,714	\$ -	\$ 3,517,303	19.1%
2011	\$ 671,207	\$ 671,207	\$ -	\$ 3,393,556	19.8%
2010	\$ 639,684	\$ 639,684	\$ -	\$ 3,114,949	20.5%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Laborers-Employers Retirement Fund
 Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 365,143	\$ 365,143	\$ -	\$ 796,261	45.9%
2015	\$ 347,032	\$ 347,032	\$ -	\$ 790,272	43.9%
2014	\$ 318,973	\$ 318,973	\$ -	\$ 791,609	40.3%
2013	\$ 332,229	\$ 332,229	\$ -	\$ 796,118	41.7%
2012	\$ 307,815	\$ 307,815	\$ -	\$ 759,856	40.5%
2011	\$ 289,816	\$ 289,816	\$ -	\$ 740,777	39.1%
2010	\$ 265,468	\$ 265,468	\$ -	\$ 685,423	38.7%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Locals 302 and 612 of the International Union of Operating Engineers -
 Employers Construction Industry Retirement Plan
 Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 360,898	\$ 360,898	\$ -	\$ 1,535,525	23.5%
2015	\$ 412,078	\$ 412,078	\$ -	\$ 1,779,776	23.2%
2014	\$ 370,424	\$ 370,424	\$ -	\$ 1,629,693	22.7%
2013	\$ 383,948	\$ 383,948	\$ -	\$ 1,658,519	23.2%
2012	\$ 366,928	\$ 366,928	\$ -	\$ 1,546,638	23.7%
2011	\$ 341,234	\$ 341,234	\$ -	\$ 1,471,070	23.2%
2010	\$ 298,540	\$ 298,540	\$ -	\$ 1,226,383	24.3%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Northern Alaska Carpenters Retirement Plan
 Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 22,405	\$ 22,405	\$ -	\$ 105,088	21.3%
2015	\$ 14,358	\$ 14,358	\$ -	\$ 63,271	22.7%
2014	\$ 14,311	\$ 14,311	\$ -	\$ 59,992	23.9%
2013	\$ 14,426	\$ 14,426	\$ -	\$ 58,459	24.7%
2012	\$ 14,344	\$ 14,344	\$ -	\$ 56,053	25.6%
2011	\$ 15,527	\$ 15,527	\$ -	\$ 62,097	25.0%
2010	\$ 11,176	\$ 11,176	\$ -	\$ 54,019	20.7%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Plumbing and Pipefitting Industry Pension Fund
 Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 22,507	\$ 22,507	\$ -	\$ 85,712	26.3%
2015	\$ 21,737	\$ 21,737	\$ -	\$ 100,271	21.7%
2014	\$ 17,833	\$ 17,833	\$ -	\$ 83,794	21.3%
2013	\$ 17,515	\$ 17,515	\$ -	\$ 82,707	21.2%
2012	\$ 18,528	\$ 18,528	\$ -	\$ 84,051	22.0%
2011	\$ 16,062	\$ 16,062	\$ -	\$ 75,481	21.3%
2010	\$ 15,848	\$ 15,848	\$ -	\$ 72,640	21.8%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA
 Required Supplementary Information
 Schedule of Contributions
 Alaska Teamster-Employer Pension Plan
 Last Seven Fiscal Years

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 83,336	\$ 83,336	\$ -	\$ 479,517	17.4%
2015	\$ 66,768	\$ 66,768	\$ -	\$ 369,905	18.1%
2014	\$ 58,860	\$ 58,860	\$ -	\$ 351,846	16.7%
2013	\$ 55,126	\$ 55,126	\$ -	\$ 356,915	15.4%
2012	\$ 52,645	\$ 52,645	\$ -	\$ 360,569	14.6%
2011	\$ 55,508	\$ 55,508	\$ -	\$ 284,489	19.5%
2010	\$ 54,434	\$ 54,434	\$ -	\$ 199,754	27.3%

See accompanying notes to RSI

CITY OF FAIRBANKS, ALASKA

Notes to Required Supplementary Information

Note 1 – Schedule of Revenues, Expenditures and Changes in Fund Balance Budget

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

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

Budgets for the general and the capital fund were originally adopted by City Council on December 14, 2015 and amended by ordinances during 2016. Budgets for the general and capital fund are annual appropriations that lapse at year-end to the extent that expenditures have not been encumbered. Budgets for the grants and contracts fund are adopted by project which may extend over multiple years. Formal budgetary integration is employed as a management control device during the year.

The City is required to present budgetary comparison schedules for the general fund and for each major special revenue fund. The City does not have an adopted budget for a major special revenue fund; therefore, budgetary information is presented for the general fund. Budgetary comparisons presented in this report are on a budgetary basis whereas budgets are adopted on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase.

Note 2 – Schedule of Proportionate Share of Net Pension Liability

The information presented in this schedule is based on the Plan measurement date. For December 31, 2016, the Plan measurement date is June 30, 2016. The City did not have changes in benefit terms or assumptions from the prior measurement period. This schedule will present 10 years of information as it becomes available.

Note 3 – Schedules of Contributions

State of Alaska Public Employees' Retirement System (PERS)

The information presented in this schedule is based on the City's contribution during the last two years. The 2016 contribution is reported as a deferred outflow on the December 31, 2016 basic financial statements. This schedule will present 10 years of information as it becomes available.

Alaska Electrical Pension Plan

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. The decrease in City's covered employee payroll in 2016 is due to a loss in positions for outsourcing Information Technology. This schedule will present 10 years of information as it becomes available.

Alaska Laborers-Employers Retirement Fund

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. In 2016, the City contributed additional funds in a Funding Improvement Plan per collective bargaining agreement. This schedule will present 10 years of information as it becomes available.

Locals 302 and 612 of the International Union of Operating Engineers-Employers Construction Industry Retirement Plan

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. This schedule will present 10 years of information as it becomes available.

Northern Alaska Carpenters Retirement Plan

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. In 2016, the City had an overlap in staffing as a staff member was promoted. This schedule will present 10 years of information as it becomes available.

Alaska Plumbing and Pipefitting Industry Pension Fund

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. In 2015, the City had an overlap in staffing as a staff member prepared for retirement. This schedule will present 10 years of information as it becomes available.

Alaska Teamster-Employer Pension Plan

The information presented in this schedule is based on the City's contribution during the last seven years. City's covered employee payroll is defined as payroll on which contributions to the pension plan are based. This schedule will present 10 years of information as it becomes available.



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.

Grants and Contracts Special Revenue Fund

This Special Revenue fund accounts for the receipt and expenditures of grants and contracts which provide resources for operations, equipment, and capital activities. Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.



CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Balance Sheet

December 31, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
ASSETS		
Equity in central treasury	\$ 10,992,442	\$ 9,886,391
Restricted cash and cash equivalents	7,500	500
	<u>10,999,942</u>	<u>9,886,891</u>
Receivables		
Taxes	1,061,429	997,428
Accounts	913,003	1,305,223
Special assessments	19,418	22,420
Interest and penalties	38,293	58,234
Notes	192,540	278,945
Techite	3,000,000	3,200,000
Less allowance for uncollectible receivables	(994,206)	(1,130,851)
	<u>4,230,477</u>	<u>4,731,399</u>
Prepaid assets	488,807	499,031
Due from other funds	1,980,418	3,709,978
	<u>17,699,644</u>	<u>18,827,299</u>
Total assets	\$ 17,699,644	\$ 18,827,299
LIABILITIES		
Accounts payable	\$ 2,269,292	\$ 1,931,648
Deposits	24,208	46,438
Unearned revenue	310,508	293,807
Due to other funds	586	21,600
	<u>2,604,594</u>	<u>2,293,493</u>
Total liabilities	2,604,594	2,293,493
DEFERRED INFLOWS OF RESOURCES		
Assessments and long-term receivables	<u>3,049,445</u>	<u>3,278,801</u>
FUND BALANCE		
Nonspendable	488,807	499,031
Committed	250,000	250,000
Assigned	3,173,880	1,018,800
Unassigned	8,132,918	11,487,174
	<u>12,045,605</u>	<u>13,255,005</u>
Total fund balance	12,045,605	13,255,005
Total liabilities, deferred inflows, and fund balance	\$ 17,699,644	\$ 18,827,299

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
Revenues		
Taxes		
Real property	\$ 14,966,473	\$ 14,875,855
Hotel / motel	3,210,422	2,869,170
Alcoholic beverages	2,293,100	2,309,214
Tobacco distribution	930,924	938,026
Marijuana	32,338	-
Charges for services	4,370,505	5,147,122
Intergovernmental		
PERS relief payments	475,149	2,334,013
Other	1,783,940	2,294,608
Licenses and permits	1,984,184	2,263,001
Fines and forfeitures	577,534	672,646
Special assessments	12,603	8,360
Other revenues		
Interest and penalties	152,119	156,746
Rental	154,933	163,128
Techite settlement	200,000	200,000
Other	80,045	36,840
Total revenues	<u>31,224,269</u>	<u>34,268,729</u>
Expenditures		
Current		
General government		
Mayor and city council		
Salaries and wages	473,846	435,899
Employee benefits	152,437	129,079
Other services	36,895	47,181
Inter-departmental	(16,717)	(16,539)
Total mayor and city council	<u>646,461</u>	<u>595,620</u>
City attorney		
Salaries and wages	236,010	236,627
Employee benefits	76,967	71,410
Other services	24,015	28,732
Inter-departmental	(165,763)	(163,860)
Total city attorney	<u>171,229</u>	<u>172,909</u>
City clerk		
Salaries and wages	197,004	198,664
Employee benefits	84,197	73,727
Other services	44,718	44,471
Total city clerk	<u>325,919</u>	<u>316,862</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, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
Expenditures - continued		
General government, continued		
Finance		
Salaries and wages	573,280	631,470
Employee benefits	222,558	207,574
Other services	101,444	98,604
Total finance	<u>897,282</u>	<u>937,648</u>
Information technology		
Salaries and wages	354,269	483,512
Employee benefits	133,440	155,551
Other services	1,265,595	940,783
Total information technology	<u>1,753,304</u>	<u>1,579,846</u>
Risk Management		
Salaries and wages	30,745	78,335
Employee benefits	11,416	26,354
Other services	1,938,268	1,290,820
Total risk management	<u>1,980,429</u>	<u>1,395,509</u>
Non-departmental		
Community services	1,696,470	1,743,486
PERS relief payments	475,149	2,334,013
Hotel / motel distributions	2,535,000	2,165,825
Total non-departmental	<u>4,706,619</u>	<u>6,243,324</u>
Total general government	<u>10,481,243</u>	<u>11,241,718</u>
Public safety		
Police		
Salaries and wages	4,408,580	4,404,312
Employee benefits	1,566,450	1,626,389
Other services	633,845	696,099
Total police	<u>6,608,875</u>	<u>6,726,800</u>
Dispatch		
Salaries and wages	1,304,907	1,246,192
Employee benefits	537,603	513,047
Other services	229,775	225,600
Total dispatch	<u>2,072,285</u>	<u>1,984,839</u>
Fire		
Salaries and wages	3,987,620	3,979,921
Employee benefits	1,547,218	1,565,258
Other services	654,289	915,924
Total fire	<u>6,189,127</u>	<u>6,461,103</u>
Total public safety	<u>14,870,287</u>	<u>15,172,742</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, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
Expenditures - continued		
Public works		
Works		
Salaries and wages	2,736,716	2,989,548
Employee benefits	1,601,371	1,631,226
Other services	2,491,558	2,521,235
Total works	<u>6,829,645</u>	<u>7,142,009</u>
Engineering		
Salaries and wages	513,263	453,802
Employee benefits	194,185	170,495
Other services	61,018	40,534
Total engineering	<u>768,466</u>	<u>664,831</u>
Total public works	<u>7,598,111</u>	<u>7,806,840</u>
Building inspections		
Salaries and wages	487,225	498,790
Employee benefits	185,874	152,580
Other services	27,386	14,871
Total building inspections	<u>700,485</u>	<u>666,241</u>
Capital outlay		
General government		
Information Technology	-	36,600
Total general government	<u>-</u>	<u>36,600</u>
Public safety		
Police	12,203	-
Total public safety	<u>12,203</u>	<u>-</u>
Public works		
Works	46,900	34,070
Total public works	<u>46,900</u>	<u>34,070</u>
Total capital outlay	<u>59,103</u>	<u>70,670</u>
Total expenditures	<u>33,709,229</u>	<u>34,958,211</u>
Excess (deficiency) of revenues over expenditures	<u>(2,484,960)</u>	<u>(689,482)</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, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
Other financing sources (uses)		
Transfers in	\$ 4,469,551	\$ 4,344,518
Transfers out	(3,225,116)	(1,831,747)
Sale of capital assets	31,125	71,471
Total other financing sources (uses)	1,275,560	2,584,242
Net change in fund balances	(1,209,400)	1,894,760
Fund balance - beginning	13,255,005	11,360,245
Fund balance - ending	\$ 12,045,605	\$ 13,255,005

CITY OF FAIRBANKS, ALASKA

Major Governmental Fund

Permanent Fund

Balance Sheet

December 31, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
ASSETS		
Restricted cash and cash investments		
Cash and cash equivalents	\$ 10,118,246	\$ 6,382,723
Investments	108,777,507	109,814,506
Receivables		
Interest	370,150	365,279
Notes	192,100	208,861
Due from general fund	-	21,600
Total assets	<u>\$ 119,458,003</u>	<u>\$ 116,792,969</u>
LIABILITIES		
Accounts payable	<u>\$ 1,487</u>	<u>\$ 7,539</u>
DEFERRED INFLOWS OF RESOURCES	<u>192,100</u>	<u>208,861</u>
FUND BALANCE		
Restricted for subsequent year transfers	5,203,663	5,028,245
Restricted for investments	<u>114,060,753</u>	<u>111,548,324</u>
Total fund balance	<u>119,264,416</u>	<u>116,576,569</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 119,458,003</u>	<u>\$ 116,792,969</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, 2016
(With comparative totals for 2015)

	Totals	
	2016	2015
Revenues		
Investment earnings	\$ 6,949,791	\$ 269,207
Expenditures		
Current		
General government	168,137	168,257
Excess (deficiency) of revenues over expenditures	6,781,654	100,950
Other financing sources (uses)		
Transfers in	917,677	454,449
Transfers out	(5,028,245)	(4,887,583)
Sale of capital assets	16,761	23,216
Total other financing sources (uses)	(4,093,807)	(4,409,918)
Net change in fund balance	2,687,847	(4,308,968)
Fund balance - beginning	116,576,569	120,885,537
Fund balance - ending	\$ 119,264,416	\$ 116,576,569

CITY OF FAIRBANKS, ALASKA

Major Special Revenue Fund

Grants and Contracts Fund

Balance Sheet

December 31, 2016

(With comparative totals for 2015)

	Totals	
	2016	2015
ASSETS		
Receivables		
Accounts	\$ 236,109	\$ 479,633
Intergovernmental	1,543,647	3,090,170
Total assets	<u>\$ 1,779,756</u>	<u>\$ 3,569,803</u>
LIABILITIES		
Accounts payable	\$ 16,498	\$ -
Unearned revenue	8,490	-
Due to general fund	1,754,768	3,569,803
Total liabilities	<u>1,779,756</u>	<u>3,569,803</u>
FUND BALANCE	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,779,756</u>	<u>\$ 3,569,803</u>

CITY OF FAIRBANKS, ALASKA
Major Special Revenue Fund
Grants and Contracts Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended December 31, 2016
(With comparative totals for 2015)

	Totals	
	2016	2015
Revenues		
Intergovernmental	\$ 9,456,340	\$ 11,677,462
Other	1,226,522	1,565,806
Total revenues	10,682,862	13,243,268
Expenditures		
Current		
General government	2,409,425	-
Public safety	1,232,674	726,431
Public works	1,170,987	3,968,397
Capital outlay		
General government	5,373,550	8,180,380
Public safety	496,226	368,060
Public works	-	-
Total expenditures	10,682,862	13,243,268
Excess (deficiency) of revenues over expenditures	-	-
Fund balance - beginning	-	-
Fund balance - ending	\$ -	\$ -



NONMAJOR GOVERNMENTAL FUNDS

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

CITY OF FAIRBANKS, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2016

	Special Revenue	Capital Projects	Total Other Governmental Funds
ASSETS			
Equity in central treasury	\$ -	6,660,778	6,660,778
Restricted cash and cash equivalents	43,029	-	43,029
Due from general fund	586	-	586
	<hr/>	<hr/>	<hr/>
Total assets	\$ 43,615	6,660,778	6,704,393
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Accounts payable	\$ -	8,739	8,739
FUND BALANCES			
Restricted	43,615	-	43,615
Committed	-	1,027,552	1,027,552
Assigned	-	5,624,487	5,624,487
	<hr/>	<hr/>	<hr/>
Total fund balances	43,615	6,652,039	6,695,654
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 43,615	6,660,778	6,704,393
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF FAIRBANKS, ALASKA
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the year ended December 31, 2016

	Special Revenue	Capital Projects	Total Other Governmental Funds
Revenues			
Intergovernmental	\$ 586	-	586
Investment earnings	47	-	47
Asset replacement and repair charges	-	1,066,086	1,066,086
Total revenues	633	1,066,086	1,066,719
Expenditures			
Current			
General government	-	1,396,438	1,396,438
Public safety	24,667	153,409	178,076
Public works	-	50,947	50,947
Capital outlay			
General government	-	2,149,007	2,149,007
Public safety	17,009	514,852	531,861
Public works	-	369,733	369,733
Total expenditures	41,676	4,634,386	4,676,062
Excess (deficiency) of revenues over expenditures	(41,043)	(3,568,300)	(3,609,343)
Other financing sources			
Transfers in	-	3,263,033	3,263,033
Total other financing sources (uses)	-	3,263,033	3,263,033
Net change in fund balances	(41,043)	(305,267)	(346,310)
Fund balances - beginning	84,658	6,957,306	7,041,964
Fund balances - ending	<u>\$ 43,615</u>	<u>6,652,039</u>	<u>6,695,654</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, 2016

ASSETS

Restricted cash and cash equivalents	\$	43,029
Due from general fund		<u>586</u>
Total assets	\$	<u><u>43,615</u></u>

FUND BALANCES

Restricted	\$	<u>43,615</u>
Total fund balances		<u>43,615</u>
Total liabilities and fund balances	\$	<u><u>43,615</u></u>

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, 2016

Revenues	
Intergovernmental	\$ 586
Investment earnings	47
	633
Expenditures	
Current	
Public safety	24,667
Capital outlay	
Public safety	17,009
	41,676
Excess (deficiency) of revenues over expenditures	(41,043)
Other financing sources (uses)	
	-
Net change in fund balance	(41,043)
Fund balance - beginning	84,658
	43,615
Fund balance - ending	\$ 43,615



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, 2016

ASSETS

Equity in central treasury \$ 6,660,778

LIABILITIES

Accounts payable \$ 8,739

Total liabilities 8,739

FUND BALANCE

Committed 1,027,552

Assigned 5,624,487

Total fund balance 6,652,039

Total liabilities and fund balance \$ 6,660,778

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, 2016

Revenues

Asset replacement and repair charges	<u>\$ 1,066,086</u>
--------------------------------------	---------------------

Expenditures

Current

General government	1,396,438
--------------------	-----------

Public safety	153,409
---------------	---------

Public works	50,947
--------------	--------

Capital outlay

General government	2,149,007
--------------------	-----------

Public safety	514,852
---------------	---------

Public works	<u>369,733</u>
--------------	----------------

Total expenditures	<u>4,634,386</u>
--------------------	------------------

Excess (deficiency) of revenues over expenditures	<u>(3,568,300)</u>
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Other financing sources (uses)

Transfers in	<u>3,263,033</u>
--------------	------------------

Total other financing sources (uses)	<u>3,263,033</u>
--------------------------------------	------------------

Net change in fund balance	(305,267)
----------------------------	-----------

Fund balance - beginning	<u>6,957,306</u>
--------------------------	------------------

Fund balance - ending	<u><u>\$ 6,652,039</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, 2016

	<u>Final Budgeted Amounts</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Asset replacement and repair charges	\$ 1,066,086	1,066,086	-
Expenditures			
Capital outlay			
General government	5,169,620	3,540,981	1,628,639
Public safety	1,008,636	542,286	466,350
Public works	1,335,500	1,075,101	260,399
Total expenditures	<u>7,513,756</u>	<u>5,158,368</u>	<u>2,355,388</u>
Deficiency of revenues over expenditures	<u>(6,447,670)</u>	<u>(4,092,282)</u>	<u>(2,355,388)</u>
Other financing sources (uses)			
Transfers in	<u>3,251,203</u>	<u>3,263,033</u>	<u>11,830</u>
Total other financing sources (uses)	<u>3,251,203</u>	<u>3,263,033</u>	<u>11,830</u>
Net change in fund balances	<u>\$ (3,196,467)</u>	<u>(829,249)</u>	<u>2,367,218</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

523,982

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

\$ (305,267)

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, 2016

	Fair Value of Cash Invested	Deposits and Cash on Hand	Total
Petty cash	\$ -	\$ 10,889	\$ 10,889
Mt. McKinley Bank	-	2,954,966	2,954,966
Key Trust	-	1,717,044	1,717,044
Key Trust			
U.S. treasuries and agencies	30,907,555	-	30,907,555
Equity mutual funds	56,581,061	-	56,581,061
Fixed income mutual fund	2,985,950	-	2,985,950
Corporate bonds	17,042,991	-	17,042,991
Foreign bonds	1,259,950	-	1,259,950
Alaska Municipal League Investment Pool	<u>24,859,104</u>	<u>-</u>	<u>24,859,104</u>
Total cash and investments	<u>\$ 133,636,611</u>	<u>\$ 4,682,899</u>	<u>\$ 138,319,510</u>
Reconciliation of cash and investments to governmental and proprietary funds			
Governmental funds			
Equity in central treasury			\$ 17,653,220
Restricted cash and cash equivalents			10,168,775
Restricted investments			<u>108,777,507</u>
Total governmental funds			<u>136,599,502</u>
Proprietary funds			
Enterprise funds			
Equity in central treasury			2,964
Internal service fund			
Cash			<u>1,717,044</u>
Total proprietary funds			<u>1,720,008</u>
Total cash and investments			<u>\$ 138,319,510</u>

CITY OF FAIRBANKS, ALASKA

Calculation of the Change in the Fair Value of Investments - Permanent Fund
Aggregate Method
December 31, 2016

Equity Securities

Fair value at December 31, 2016	\$ 56,581,061
Cost of investments sold in 2016	4,285,110
Cost of investments purchased in 2016	(667,289)
Fair value at December 31, 2015	<u>(56,098,231)</u>
Change in fair value of equity investments	<u>4,100,651</u>

Fixed-Income Securities

Fair value at December 31, 2016	52,196,446
Cost of investments sold in 2016	19,360,412
Cost of investments purchased in 2016	(18,399,719)
Fair value at December 31, 2015	<u>(53,716,275)</u>
Change in fair value of fixed-income investments	<u>(559,136)</u>

Total change in fair value of investments	<u><u>\$ 3,541,515</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.

CITY OF FAIRBANKS, ALASKA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 134,158,187	\$ 133,654,529	\$ 124,732,269	\$ 118,868,255
Restricted	110,063,456	85,671,713	91,962,459	100,016,447
Unrestricted	<u>2,964,919</u>	<u>18,751,881</u>	<u>21,196,951</u>	<u>23,174,926</u>
Total governmental activities net position	<u>\$ 247,186,562</u>	<u>\$ 238,078,123</u>	<u>\$ 237,891,679</u>	<u>\$ 242,059,628</u>
Business-type activities				
Net investment in capital assets	\$ 9,301,982	\$ 8,874,961	\$ 8,446,799	\$ 8,087,929
Unrestricted	<u>92,000</u>	<u>78,687</u>	<u>79,419</u>	<u>39,971</u>
Total business-type activities net position	<u>\$ 9,393,982</u>	<u>\$ 8,953,648</u>	<u>\$ 8,526,218</u>	<u>\$ 8,127,900</u>
Primary government				
Net investment in capital assets	\$ 143,460,169	\$ 142,529,490	\$ 133,179,068	\$ 126,956,184
Restricted	110,063,456	85,671,713	91,962,459	100,016,447
Unrestricted	<u>3,056,919</u>	<u>18,830,568</u>	<u>21,276,370</u>	<u>23,214,897</u>
Total primary government net position	<u>\$ 256,580,544</u>	<u>\$ 247,031,771</u>	<u>\$ 246,417,897</u>	<u>\$ 250,187,528</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 114,439,424	\$ 108,299,354	\$ 125,595,200	\$ 123,621,505	\$ 126,445,168	\$ 127,230,310
98,863,876	106,020,888	113,515,303	120,914,019	116,661,227	119,308,031
<u>21,652,792</u>	<u>23,083,794</u>	<u>23,885,855</u>	<u>22,170,564</u>	<u>10,672,817</u>	<u>3,834,193</u>
<u>\$ 234,956,092</u>	<u>\$ 237,404,036</u>	<u>\$ 262,996,358</u>	<u>\$ 266,706,088</u>	<u>\$ 253,779,212</u>	<u>\$ 250,372,534</u>
\$ 7,670,987	\$ 9,080,636	\$ 8,867,682	\$ 8,624,217	\$ 8,392,465	\$ 9,539,147
<u>1,953,252</u>	<u>-</u>	<u>(51,535)</u>	<u>(64,055)</u>	<u>43,179</u>	<u>(87,569)</u>
<u>\$ 9,624,239</u>	<u>\$ 9,080,636</u>	<u>\$ 8,816,147</u>	<u>\$ 8,560,162</u>	<u>\$ 8,435,644</u>	<u>\$ 9,451,578</u>
\$ 122,110,411	\$ 117,379,990	\$ 134,462,882	\$ 132,245,722	\$ 134,837,633	\$ 136,769,457
98,863,876	106,020,888	113,515,303	120,914,019	116,661,227	119,308,031
<u>23,606,044</u>	<u>23,083,794</u>	<u>23,834,320</u>	<u>22,106,509</u>	<u>10,715,996</u>	<u>3,746,624</u>
<u>\$ 244,580,331</u>	<u>\$ 246,484,672</u>	<u>\$ 271,812,505</u>	<u>\$ 275,266,250</u>	<u>\$ 262,214,856</u>	<u>\$ 259,824,112</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
<i>Governmental activities</i>				
General government	\$ 22,594,438	\$ 23,273,670	\$ 20,321,564	\$ 17,744,737
Public safety	17,030,460	16,276,165	16,875,480	17,079,301
Public works	7,602,159	8,874,555	9,277,145	12,001,873
Building inspections	607,066	623,616	580,013	618,059
Interest on long-term debt	393,395	346,645	297,620	246,320
Total governmental activities expenses	<u>48,227,518</u>	<u>49,394,651</u>	<u>47,351,822</u>	<u>47,690,290</u>
<i>Business-type activities</i>				
Municipal Utilities	385,442	312,607	312,607	295,803
Fairbanks Transportation Center	531,759	557,147	520,108	593,308
Total business-type activities expenses	<u>917,201</u>	<u>869,754</u>	<u>832,715</u>	<u>889,111</u>
 Total primary government expenses	 <u>\$ 49,144,719</u>	 <u>\$ 50,264,405</u>	 <u>\$ 48,184,537</u>	 <u>\$ 48,579,401</u>
 PROGRAM REVENUES				
<i>Governmental activities</i>				
Charges for services				
General government	\$ 209,694	\$ 1,863,445	\$ 1,705,629	\$ 1,949,147
Public safety	2,490,598	2,902,062	2,790,139	2,928,498
Public works	1,472,602	1,527,349	1,678,645	1,490,336
Building inspections	1,174,600	765,310	810,814	596,717
Operating grants and contributions	5,372,484	6,398,067	3,336,122	1,939,065
Capital grants and contributions	5,590,651	12,521,293	6,165,773	8,471,559
Total governmental activities program revenues	<u>16,310,629</u>	<u>25,977,526</u>	<u>16,487,122</u>	<u>17,375,322</u>
<i>Business-type activities</i>				
Charges for services				
Municipal Utilities	396,900	396,900	396,900	396,900
Fairbanks Transportation Center	221,440	228,858	204,977	218,717
Operating grants and contributions	-	-	159	-
Total business-type activities program revenues	<u>618,340</u>	<u>625,758</u>	<u>602,036</u>	<u>615,617</u>
Total primary government program revenues	<u>\$ 16,928,969</u>	<u>\$ 26,603,284</u>	<u>\$ 17,089,158</u>	<u>\$ 17,990,939</u>

Fiscal Year

2011	2012	2013	2014	2015	2016
\$ 18,119,261	\$ 19,777,837	\$ 17,283,253	\$ 18,534,706	\$ 17,684,053	\$ 20,663,070
17,230,789	17,473,736	17,151,562	18,277,156	16,554,512	20,535,541
11,484,960	11,179,444	13,741,033	15,617,945	13,000,898	9,788,380
641,468	653,783	676,773	646,838	675,169	703,223
195,570	55,190	28,215	-	-	-
<u>47,672,048</u>	<u>49,139,990</u>	<u>48,880,836</u>	<u>53,076,645</u>	<u>47,914,632</u>	<u>51,690,214</u>
295,803	260,098	31,200	31,200	31,200	35,007
523,742	484,643	424,602	384,291	424,153	497,436
<u>819,545</u>	<u>744,741</u>	<u>455,802</u>	<u>415,491</u>	<u>455,353</u>	<u>532,443</u>
<u>\$ 48,491,593</u>	<u>\$ 49,884,731</u>	<u>\$ 49,336,638</u>	<u>\$ 53,492,136</u>	<u>\$ 48,369,985</u>	<u>\$ 52,222,657</u>
\$ 1,920,916	\$ 1,222,012	\$ 918,736	\$ 1,947,754	\$ 2,180,127	\$ 1,919,721
2,947,032	3,085,975	3,010,712	2,956,695	3,323,851	3,016,870
1,599,410	1,804,586	1,810,491	1,966,209	2,037,256	1,961,288
871,644	916,972	717,556	505,065	1,086,506	775,911
7,297,799	5,638,466	7,711,240	10,676,943	4,826,073	4,859,777
2,169,152	5,514,809	26,379,749	6,729,479	9,245,556	6,215,414
<u>16,805,953</u>	<u>18,182,820</u>	<u>40,548,484</u>	<u>24,782,145</u>	<u>22,699,369</u>	<u>18,748,981</u>
396,900	396,900	396,900	396,900	396,900	396,900
197,345	201,061	191,245	159,481	188,434	177,831
-	-	-	-	-	-
<u>594,245</u>	<u>597,961</u>	<u>588,145</u>	<u>556,381</u>	<u>585,334</u>	<u>574,731</u>
<u>\$ 17,400,198</u>	<u>\$ 18,780,781</u>	<u>\$ 41,136,629</u>	<u>\$ 25,338,526</u>	<u>\$ 23,284,703</u>	<u>\$ 19,323,712</u>

CITY OF FAIRBANKS, ALASKA

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

	Fiscal Year			
	2007	2008	2009	2010
NET (EXPENSE) REVENUE				
<i>Governmental activities</i>	\$ (31,916,889)	\$ (23,417,125)	\$ (30,864,700)	\$ (30,314,968)
<i>Business-type activities</i>	(298,861)	(243,996)	(230,679)	(273,494)
Total primary government net expense	<u>\$ (32,215,750)</u>	<u>\$ (23,661,121)</u>	<u>\$ (31,095,379)</u>	<u>\$ (30,588,462)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
<i>Governmental activities</i>				
Property tax	\$ 12,606,799	\$ 12,316,767	\$ 12,724,692	\$ 14,107,284
Hotel motel tax	2,685,417	2,750,491	2,364,118	2,518,545
Alcohol beverage tax	1,534,542	1,542,355	1,657,726	1,919,076
Tobacco tax	625,209	620,617	748,492	917,461
Marijuana tax	-	-	-	-
Shared revenue	1,716,251	1,938,769	1,850,338	1,938,054
Investment income	6,591,339	(20,549,751)	10,710,219	10,756,324
Interest income	182,885	479,648	223,240	181,612
Gain on sale of capital assets	807,699	-	-	-
Miscellaneous	220,072	203,820	202,531	1,947,661
Special item-Write off of NPO/OPEB	-	14,809,070	-	-
Transfers - internal activity	580,792	196,900	196,900	196,900
Total governmental activities	<u>27,551,005</u>	<u>14,308,686</u>	<u>30,678,256</u>	<u>34,482,917</u>
<i>Business-type activities</i>				
Interest income		562	149	-
Miscellaneous	(151,378)	-	-	72,076
Transfers - internal activity	(580,792)	(196,900)	(196,900)	(196,900)
Total business-type activities	<u>(732,170)</u>	<u>(196,338)</u>	<u>(196,751)</u>	<u>(124,824)</u>
Total primary government	<u>\$ 26,818,835</u>	<u>\$ 14,112,348</u>	<u>\$ 30,481,505</u>	<u>\$ 34,358,093</u>
CHANGE IN NET POSITION				
<i>Governmental activities</i>	\$ (4,365,884)	\$ (9,108,439)	\$ (186,444)	\$ 4,167,949
<i>Business-type activities</i>	(1,031,031)	(440,334)	(427,430)	(398,318)
Total primary government	<u>\$ (5,396,915)</u>	<u>\$ (9,548,773)</u>	<u>\$ (613,874)</u>	<u>\$ 3,769,631</u>

Fiscal Year

2011	2012	2013	2014	2015	2016
\$ (30,866,095)	\$ (30,957,170)	\$ (8,332,352)	\$ (28,294,500)	\$ (25,215,261)	\$ (32,941,233)
<u>(225,300)</u>	<u>(146,780)</u>	<u>132,343</u>	<u>140,890</u>	<u>129,981</u>	<u>42,288</u>
<u>\$ (31,091,395)</u>	<u>\$ (31,103,950)</u>	<u>\$ (8,200,009)</u>	<u>\$ (28,153,610)</u>	<u>\$ (25,085,280)</u>	<u>\$ (32,898,945)</u>
\$ 14,047,318	\$ 14,109,307	\$ 14,333,209	\$ 14,270,470	\$ 14,875,855	\$ 14,966,473
2,476,320	2,504,130	2,632,839	2,720,456	2,869,170	3,210,422
2,117,465	2,126,694	2,147,775	2,247,924	2,309,214	2,293,100
937,129	934,351	930,378	911,185	938,026	930,924
-	-	-	-	-	32,338
2,908,426	2,935,794	2,300,539	2,339,182	2,257,980	1,761,295
2,431,203	10,179,570	10,787,731	8,358,472	269,253	6,949,838
147,689	195,278	170,011	122,993	156,746	152,119
-	-	-	-	-	-
418,540	23,090	225,292	636,648	424,142	211,671
-	-	-	-	-	-
<u>(1,721,531)</u>	<u>396,900</u>	<u>396,900</u>	<u>396,900</u>	<u>254,517</u>	<u>(973,625)</u>
<u>23,762,559</u>	<u>33,405,114</u>	<u>33,924,674</u>	<u>32,004,230</u>	<u>24,354,903</u>	<u>29,534,555</u>
108	77	68	25	18	21
-	-	-	-	-	-
<u>1,721,531</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(396,900)</u>	<u>(254,517)</u>	<u>973,625</u>
<u>1,721,639</u>	<u>(396,823)</u>	<u>(396,832)</u>	<u>(396,875)</u>	<u>(254,499)</u>	<u>973,646</u>
<u>\$ 25,484,198</u>	<u>\$ 33,008,291</u>	<u>\$ 33,527,842</u>	<u>\$ 31,607,355</u>	<u>\$ 24,100,404</u>	<u>\$ 30,508,201</u>
\$ (7,103,536)	\$ 2,447,944	\$ 25,592,322	\$ 3,709,730	\$ (860,358)	\$ (3,406,678)
<u>1,496,339</u>	<u>(543,603)</u>	<u>(264,489)</u>	<u>(255,985)</u>	<u>(124,518)</u>	<u>1,015,934</u>
<u>\$ (5,607,197)</u>	<u>\$ 1,904,341</u>	<u>\$ 25,327,833</u>	<u>\$ 3,453,745</u>	<u>\$ (984,876)</u>	<u>\$ (2,390,744)</u>

CITY OF FAIRBANKS, ALASKA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 611,282	\$ 534,862	\$ 845,087	\$ 752,332
Unreserved	7,477,759	8,814,262	10,404,015	12,032,831
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	\$ 8,089,041	\$ 9,349,124	\$ 11,249,102	\$ 12,785,163
All other governmental funds				
Reserved	\$ 110,921,017	\$ 86,859,978	\$ 95,375,460	\$ 101,486,558
Unreserved, reported in:				
Grants and Contracts fund	-	(619,571)	(1,893,375)	(612,049)
Special revenue funds	2,638,293	3,114,178	2,306,017	3,457,955
Capital projects funds	(97,377)	17,886	-	-
Restricted				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Committed				
Capital projects funds	-	-	-	-
Assigned				
Capital projects funds	-	-	-	-
JP Jones	-	-	-	-
Total all other governmental funds	\$ 113,461,933	\$ 89,372,471	\$ 95,788,102	\$ 104,332,464

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

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
403,799	394,735	424,514	473,424	499,031	488,807
-	-	-	-	-	-
250,000	250,000	250,000	250,000	250,000	250,000
823,233	891,376	967,270	1,002,385	1,018,800	3,173,880
9,515,887	10,492,755	11,628,256	9,634,436	11,487,174	8,132,918
<u>\$ 10,992,919</u>	<u>\$ 12,028,866</u>	<u>\$ 13,270,040</u>	<u>\$ 11,360,245</u>	<u>\$ 13,255,005</u>	<u>\$ 12,045,605</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
98,759,020	105,954,571	113,495,958	120,885,537	116,576,569	119,264,416
104,856	66,317	19,345	28,482	84,658	43,615
-	-	1,180,540	807,552	877,552	1,027,552
4,435,077	5,780,451	4,828,224	5,827,289	6,079,754	5,624,487
137,298	-	-	-	-	-
<u>\$ 103,436,251</u>	<u>\$ 111,801,339</u>	<u>\$ 119,524,067</u>	<u>\$ 127,548,860</u>	<u>\$ 123,618,533</u>	<u>\$ 125,960,070</u>

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

	Fiscal Year			
	2007	2008	2009	2010
Revenues				
Taxes	\$ 17,440,429	\$ 17,259,751	\$ 17,502,079	\$ 19,463,078
Charges for services	4,079,347	5,328,989	5,783,500	3,968,793
Intergovernmental	10,652,776	14,361,608	8,741,524	11,675,023
Licenses and permits	1,550,998	1,571,840	1,767,207	1,469,761
Fines and forfeitures	878,889	990,800	854,260	895,650
Special assessments	17,917	12,162	64,382	4,878
Investment earnings	6,194,223	(20,549,751)	10,710,958	10,756,343
Other revenues	1,870,313	2,161,822	1,781,787	1,806,320
Total revenues	42,684,892	21,137,221	47,205,697	50,039,846
Expenditures				
Current				
General government	12,853,392	13,020,533	8,997,667	9,998,624
Public safety	12,694,343	14,437,113	14,519,135	15,801,264
Public works	6,381,213	7,636,407	7,739,414	11,287,376
Building inspections	607,066	623,616	580,013	618,059
Capital outlay	4,712,401	7,614,509	5,701,742	2,532,930
Debt service - principal	1,175,000	1,230,000	1,280,000	1,325,000
Debt service - interest	393,395	346,645	297,620	246,320
Debt service - legal defeasance	-	-	-	-
Total expenditures	38,816,810	44,908,823	39,115,591	41,809,573
Other financing sources (uses)				
Transfers in	6,976,461	8,505,516	6,047,025	8,535,857
Transfers out	(6,395,669)	(8,308,616)	(5,850,125)	(8,338,957)
Sale of capital assets	1,351,569	745,323	28,603	1,653,250
Total other financing sources (uses)	1,932,361	942,223	225,503	1,850,150
Net change in fund balances	\$ 5,800,443	\$ (22,829,379)	\$ 8,315,609	\$ 10,080,423
Capitalized expenditures	\$ 3,739,895	\$ 10,067,611	\$ 4,559,859	\$ 2,532,930
Debt service as a percentage of noncapital expenditures	4.47%	4.53%	4.57%	4.00%

Fiscal Year

	2011	2012	2013	2014	2015	2016
\$	19,578,233	\$ 19,674,483	\$ 20,044,201	\$ 20,150,036	\$ 20,992,265	\$ 21,433,257
	4,135,457	4,739,263	4,566,999	4,632,461	5,147,122	4,370,505
	11,603,423	11,883,068	21,265,762	18,656,516	16,381,575	11,716,015
	1,835,062	1,985,385	1,775,851	1,612,546	2,263,001	1,984,184
	1,076,167	1,061,959	993,619	895,919	672,646	577,534
	6,975	4,416	2,674	16,277	8,360	12,603
	2,431,202	10,179,569	10,787,731	8,358,470	269,252	6,949,838
	1,598,932	2,044,516	2,054,612	1,851,311	3,399,020	2,879,705
	<u>42,265,451</u>	<u>51,572,659</u>	<u>61,491,449</u>	<u>56,173,536</u>	<u>49,133,241</u>	<u>49,923,641</u>
	10,580,853	10,508,964	10,816,850	12,282,236	11,999,943	14,455,243
	16,055,925	16,230,668	15,887,630	17,018,011	15,954,520	16,281,037
	10,911,650	10,654,648	13,024,157	14,600,343	11,979,771	8,820,045
	637,456	643,830	666,819	636,884	666,241	700,485
	1,879,300	4,196,815	12,133,923	6,337,499	10,917,537	8,979,480
	1,380,000	830,000	855,000	-	-	-
	195,570	55,190	28,215	-	-	-
	2,083,137	-	-	-	-	-
	<u>43,723,891</u>	<u>43,120,115</u>	<u>53,412,594</u>	<u>50,874,973</u>	<u>51,518,012</u>	<u>49,236,290</u>
	6,468,415	7,878,534	6,199,600	10,041,759	6,973,847	8,650,261
	(8,189,946)	(7,481,634)	(5,802,700)	(9,644,859)	(6,719,330)	(8,253,361)
	491,514	551,591	488,147	419,535	94,687	47,886
	<u>(1,230,017)</u>	<u>948,491</u>	<u>885,047</u>	<u>816,435</u>	<u>349,204</u>	<u>444,786</u>
\$	<u>(2,688,457)</u>	<u>\$ 9,401,035</u>	<u>\$ 8,963,902</u>	<u>\$ 6,114,998</u>	<u>\$ (2,035,567)</u>	<u>\$ 1,132,137</u>
\$	<u>1,879,300</u>	<u>\$ 4,196,815</u>	<u>\$ 12,133,923</u>	<u>\$ 6,337,499</u>	<u>\$ 10,917,537</u>	<u>\$ 8,979,480</u>
	8.74%	2.27%	2.14%	0.00%	0.00%	0.00%

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

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Farm Land	Vacant Land
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
2015	1,128,811,911	1,004,604,771	568,654,549	2,112,250	67,768,887
2016	1,166,094,555	1,026,654,352	570,987,753	1,812,879	63,336,156

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 Land is assessed on the basis of full and true value for farm use. Prior year totals are comparable to the current year. Tax rates are per \$1,000 of assessed value.

<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>
	\$ 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
48,349,420	5,455,473	2,825,757,261	220,700,185	2,605,057,076	5.678
50,254,990	4,353,675	2,883,494,360	227,161,794	2,656,332,566	5.651

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 *	
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
2015	0.267		0.511	4.900	5.678	11.599	17.277
2016	0.262		0.489	4.900	5.651	11.418	17.069

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
Current Year and Nine Years Ago

Taxpayer	2016 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(a)	2007 Assessed Valuation	Rank	Percentage of Total Assessed Valuation ^(b)
Doyon Utilities	\$ 271,213,845	1	10.21%			
Fred Meyer Stores	53,874,305	2	2.03%	\$ 23,832,905	3	1.13%
Wal-Mart Stores Inc.	35,104,827	3	1.32%	24,864,040	2	1.18%
Westmark Hotel	33,251,338	4	1.25%	32,639,001	1	1.55%
GCI Cable Fairbanks Inc.	30,388,248	5	1.14%			
Bentley Mall	27,941,964	6	1.05%	18,455,085	6	0.88%
Jillian Square Apartments LLC	21,387,067	7	0.81%	21,225,075	4	1.01%
Wal-Mart - Sam's Club	20,851,986	8	0.78%	15,744,893	8	0.75%
Safeway	19,612,235	9	0.74%			
Greater Fairbanks Community Hospital Foundation	19,138,289	10	0.72%			
Marriott Hotel				13,667,706	10	0.65%
North Star Alaska Housing Corp. - Wainwright				18,945,395	5	0.90%
Lowes				13,884,314	9	0.66%
Sophie Plaza				18,332,886	7	0.87%
	<u>\$ 532,764,104</u>		<u>20.06%</u>	<u>\$ 201,591,300</u>		<u>9.58%</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) \$ 2,656,332,566

^(b) \$ 2,101,483,593

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
2007	12,580,818	12,238,969	97.28%	345,388	12,584,357	100.03%
2008	12,372,632	11,844,752	95.73%	399,176	12,243,928	98.96%
2009	12,849,334	12,385,454	96.39%	304,572	12,690,026	98.76%
2010	14,035,430	13,696,885	97.59%	266,131	13,963,016	99.48%
2011	14,098,558	13,668,914	96.95%	367,327	14,036,241	99.56%
2012	14,063,990	13,585,718	96.60%	293,519	13,879,237	98.69%
2013	14,311,224	13,866,487	96.89%	242,073	14,108,560	98.58%
2014	14,284,970	13,914,834	97.41%	235,049	14,149,883	99.05%
2015	14,878,279	14,514,761	97.56%	105,410	14,620,171	98.27%
2016	15,010,129	14,631,208	97.48%	N/A	14,631,208	97.48%

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			
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
2015	-	-	4,801,991	-	4,801,991	0.29%	150
2016	-	-	4,810,305	-	4,810,305	0.28%	151

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

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

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Cash With Fiscal Agents</u>	<u>Net General Bonded Debt</u>	<u>Assessed Value^(a)</u>	<u>Population^(b)</u>	<u>Net Bonded Debt to Assesed Value</u>	<u>Net Debt Per Capita</u>
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	-	-
2015	-	-	-	2,825,757,261	32,116	-	-
2016	-	-	-	2,883,494,360	31,957	-	-

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), Research and Analysis Section
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, 2016

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	124,240,000	30.89%	<u>38,378,821</u>
			<u>\$ 38,378,821</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				
	2007	2008	2009	2010	2011
Debt limit	\$ 289,338,351	\$ 315,221,249	\$ 336,781,763	\$ 362,956,558	\$ 380,929,801
Total debt applicable to limit	<u>8,790,000</u>	<u>7,560,000</u>	<u>6,280,000</u>	<u>4,955,000</u>	<u>1,685,000</u>
Legal debt margin	<u>\$ 280,548,351</u>	<u>\$ 307,661,249</u>	<u>\$ 330,501,763</u>	<u>\$ 358,001,558</u>	<u>\$ 379,244,801</u>
Total debt applicable to limit as a percentage of debt limit	3.04%	2.40%	1.86%	1.37%	0.44%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 364,302,182	\$ 368,137,138	\$ 376,214,627	\$ 383,827,565	\$ 391,797,187
Total debt applicable to limit	<u>855,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 363,447,182</u>	<u>\$ 368,137,138</u>	<u>\$ 376,214,627</u>	<u>\$ 383,827,565</u>	<u>\$ 391,797,187</u>
Total debt applicable to limit as a percentage of debt limit	0.23%	0.00%	0.00%	0.00%	0.00%

Computation of current year debt limit

Assessed valuation 2014	2,574,554,098
Assessed valuation 2015	2,605,057,076
Assessed valuation 2016	<u>2,656,332,566</u>
Total three year assessed valuation	<u>\$ 7,835,943,740</u>
Divided by three; average assessed value	<u>\$ 2,611,981,246.67</u>
15% of average assessed value; Debt limit	\$ 391,797,187
General obligation bonds outstanding	<u>-</u>
Legal debt margin	<u>\$ 391,797,187</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)
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%
2015	32,116	51,792	1,663,351,872	5.4%
2016	31,957	54,185	1,731,590,045	5.7%

Sources:

- (a) Alaska Department of Labor and Workforce Development (ADOL), Research and Analysis Section.
- (b) U.S. Department of Commerce Bureau of Economic Analysis. Data for calendar year 2016 is not readily available. Statistics for calendar year 2016 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

Employment by Industry Current Year and Nine Years Ago

Type of Employer	2016			2007		
	Rank	Annual Average Monthly Employment	Percentage of Total Annual Average Monthly Employment ^(a)	Rank	Annual Average Monthly Employment	Percentage of Total Annual Average Monthly Employment ^(b)
State Government	1	4,900	12.96%	1	5,200	13.65%
Retail Trade	2	4,800	12.70%	2	4,700	12.34%
Leisure & Hospitality	3	4,200	11.11%	3	4,300	11.29%
Health Care	4	4,000	10.58%	5	3,300	8.66%
Federal Government	5	3,000	7.94%	4	3,400	8.92%
Local Government	6	3,000	7.94%	6	3,200	8.40%
Construction	7	2,900	7.67%	7	3,000	7.87%
Transportation/Warehouse/Utilities	8	2,400	6.35%	8	2,400	6.30%
Professional & Business Services	9	2,200	5.82%	9	2,300	6.04%
Educational Services	10	1,500	3.97%			
Financial Activities				10	1,500	3.94%
		32,900	87.04%		33,300	87.40%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Fairbanks Metropolitan Statistical Area

^(a) 37,800

^(b) 38,100



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			
	2007	2008	2009	2010
General Government				
Mayor	5.00	6.00	5.00	5.00
City attorney	2.50	2.50	2.50	2.50
City clerk	3.00	3.00	3.00	3.00
Finance	7.50	8.00	8.00	8.00
Information systems	5.00	5.00	6.00	6.00
Risk	0.00	0.00	0.00	0.00
Public Safety				
Police				
Administration	5.50	5.50	5.50	6.00
Investigations	3.00	6.00	6.00	6.00
Patrol	39.00	40.00	40.00	43.00
Dispatch	16.00	18.00	18.00	18.00
Fire				
Administration	4.00	4.00	5.00	5.00
Suppression	37.00	36.00	39.00	39.00
Public Works				
Works	33.50	33.20	33.50	32.20
Engineering	11.00	12.30	10.30	10.30
FMATS	0.00	0.00	2.00	2.00
Building Inspections	<u>6.50</u>	<u>6.50</u>	<u>6.00</u>	<u>6.00</u>
Total	<u><u>178.50</u></u>	<u><u>186.00</u></u>	<u><u>189.80</u></u>	<u><u>192.00</u></u>

Source: City Finance Department.

Full-time Equivalent Employees as of December 31

2011	2012	2013	2014	2015	2016
5.00	5.00	4.00	4.00	4.00	6.00
2.50	2.50	2.50	3.00	2.50	2.50
3.00	3.00	3.00	3.00	3.00	3.00
8.00	8.00	8.00	8.00	7.00	8.00
6.00	6.00	6.00	6.00	6.00	0.00
0.00	0.00	0.00	0.00	1.00	0.00
5.50	6.50	6.50	9.50	8.00	7.00
6.00	7.00	5.00	7.00	5.00	6.00
41.38	38.00	40.00	34.00	34.00	28.00
18.00	18.00	17.50	19.00	16.00	16.00
5.00	4.00	4.00	5.00	4.50	4.00
39.00	39.00	39.00	39.00	38.00	37.00
33.70	38.00	37.50	38.00	36.00	36.00
12.05	12.00	12.50	11.00	10.00	12.00
2.00	2.00	2.50	2.50	2.50	2.50
6.00	7.00	6.00	6.00	6.00	6.00
193.21	196.00	194.00	195.00	183.50	174.00

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

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General Government				
Annual final operating budget	\$ 29,821,840	\$ 32,011,673	\$ 32,428,579	\$ 31,134,677
Public Safety				
Dispatch				
Number of E-911 calls ^{(c) (d)}	115,900	117,078	121,194	121,194
Number of Dispatch Service calls ^(e)	-	-	-	-
Police				
Number of law enforcement calls	29,581	27,974	30,569	31,541
Number of major crimes ^(a)	2,411	2,138	2,346	2,622
Number of physical arrests	1,791	2,060	2,217	3,307
Number of traffic citations	4,315	4,130	4,295	3,919
Fire				
Number of fire calls	838	834	907	846
Number of emergency medical service calls	3,251	3,352	3,323	3,535
Public Works				
Works				
Refuse collected (tons)	6,243	6,087	5,893	5,776
Patching (tons)	2,677	4,132	3,299	2,260
Snow removal (cubic yards) ^(b)	224,525	410,480	375,305	172,393
Sand (tons spread) ^(b)	2,704	2,756	2,839	2,005
Building Inspections				
Number of permits issued	1,032	891	917	868

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, E-911 calls were segregated from other Dispatch Service calls for tracking purposes.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 34,747,137	\$ 33,037,424	\$ 34,878,988	\$ 34,663,777	\$ 36,111,546	\$ 36,482,001
43,626	46,165	70,830	30,822	42,777	37,217
53,508	65,068	43,384	40,608	45,414	53,351
41,734	30,907	32,098	40,491	27,037	24,274
2,124	2,093	2,024	1,957	1,738	1,942
2,549	1,619	1,621	1,959	1,068	1,269
4,303	4,060	2,536	2,208	1,873	1,440
730	807	1,034	928	964	1,072
3,222	3,223	3,300	3,239	3,252	3,884
5,100	5,510	5,348	5,352	5,279	5,299
3,110	1,520	1,272	252	759	747
275,310	528,640	674,030	327,953	365,173	270,113
3,049	2,481	3,000	2,888	3,544	3,071
990	1,023	974	961	863	850

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

Function/Program	Fiscal Year			
	2007	2008	2009	2010
General Government				
Administration square footage	64,000	64,000	64,000	64,000
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	58	62	68	68
Fire				
Stations				
Manned	2	2	2	2
Emergency response vehicles	16	17	17	17
Public Works				
Works				
Refuse trucks	8	8	8	8

Sources: Various City departments.

Fiscal Year

2011	2012	2013	2014	2015	2016
64,000	65,000	65,000	65,000	65,000	65,000
1 66	1 59	1 68	1 66	1 63	1 67
2 19	2 22	2 20	2 19	2 21	2 26
10	9	9	9	11	11



SINGLE AUDIT SECTION

Reports on Federal and State Single Audit Requirements



FEDERAL SINGLE AUDIT





KOHLER, SCHMITT & HUTCHISON
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Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairbanks, Alaska as of and for the year ended December 31, 2016, 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 June 29, 2017.

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.

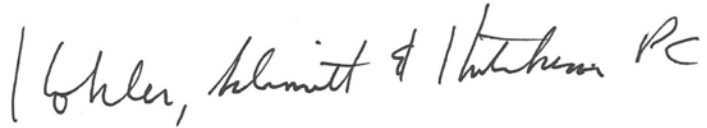
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

June 29, 2017
Fairbanks, Alaska



KOHLER, SCHMITT & HUTCHISON

A Professional Corporation

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fairbanks, Alaska's major federal programs for the year ended December 31, 2016. The City of Fairbanks, Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fairbanks, Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City of Fairbanks, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2016.

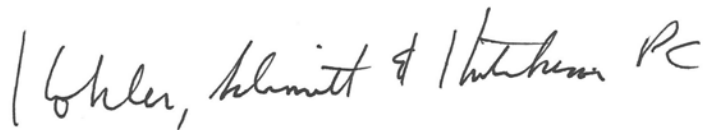
Report on Internal Control over Compliance

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

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

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

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



June 29, 2017
Fairbanks, Alaska



CITY OF FAIRBANKS, ALASKA
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Office of Justice Programs			
Bulletproof Vest Program	16.607		\$ 1,544
Office of Community Oriented Policing Services			
Community Policing Development Program	16.710		64,960
Bureau of Justice Assistance			
FY2017 Edward Byrne Memorial Justice Assistance Grant	16.738		1,495
Department of Justice			
Equitable Sharing Program	16.922		41,675
Passed through Program from:			
Anchorage Police Department			
Internet Crimes Against Children	16.543	2013-MC-FX-K011	9,338
Alaska Department of Public Safety			
SFY2016 Edward Byrne Memorial Justice Assistance Grant	16.738	16-203	21,230
Total U.S. Department of Justice			\$ 140,242
U. S. DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Cluster			
Passed through Programs from:			
Alaska Department of Transportation and Public Facilities			
Cowles Street Reconstruction	20.205	NFHWY00126	39,915
FMATS 10th Avenue	20.205	NFHWY00006	19,547
FMATS Advance Project Definition	20.205	Z630330000	5,000
FMATS Sidewalk Improvements Plan	20.205	NFHWY00138	45,714
Noble Street Project	20.205	STP-000S(413)	4,917
Pedestrian Facility Upgrades	20.205	CMG-0655(12)	71,523
Third Street Widening Project	20.205	MGL-M-0670(1)	206,225
Wembley Avenue Improvements	20.205	NFHWY00137	48,037
15/16 FMATS Program	20.205	Z605570000	271,122
16/17 FMATS Program	20.205	Z630330000	80,698
Total Highway Planning and Construction Cluster			792,698
Highway Safety Cluster			
Passed through Programs from:			
Alaska Highway Safety Office			
15/16 Traffic Unit Equipment	20.600	402 PT-16-06-00(E)	9,960
15/16 Lifesavers National Conference 2016	20.600	402 PT-16-06-00(D)-2	2,711
15/16 DUI Traffic Unit	20.616	405d-M5X-16-01-00(B)	129,319
16/17 DUI Traffic Unit	20.616	405d-M5X-17-01-00(B)	28,735
Total Highway Safety Cluster			170,725
Total U.S. Department of Transportation			\$ 963,423

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Programs from:			
Alaska Department of Environmental Conservation ACWF Clarifier Project Loan	66.458	ACWF #339051	217,026
Total Environmental Protection Agency			\$ 217,026
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs 2014 State Homeland Security Program	97.067	14SHSP-GR34094	684,358
2015 State Homeland Security Program	97.067	20SHSP-GY15	388,496
			<u>1,072,854</u>
Passed through Programs from:			
Alaska Department of Military and Veterans Affairs 2015 Emergency Management Performance Grant	97.042	20EMPG-GY15	11,294
2016 Emergency Management Performance Grant	97.042	20EMPG-GY16	2,243
			<u>13,537</u>
2014 Pre-Disaster Mitigation Competitive Grant	97.047	14PDM-GR34123	1,006,725
Direct Programs			
Federal Emergency Management Agency Assistance to Firefighter EMW-2014-FO-01726	97.044		21,819
Total U. S. Department of Homeland Security			\$ 2,114,935
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed through Programs from:			
Alaska Department of Commerce, Community, and Economic Development Community Development Block Grant (CDBG)	14.228	B-15-DC-02-0001	737,978
Total Department of Housing & Urban Development			\$ 737,978
Grand Total - Federal Financial Assistance			\$ 4,173,604

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 (SEFA) includes the federal grant activity of the City of Fairbanks, Alaska, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Indirect Cost Rate

The City did not elect to use the 10 percent de minimis indirect cost rate.

CITY OF FAIRBANKS, ALASKA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2016

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 2 CFR section 200.516(a): _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
97.047	Pre-Disaster Mitigation Competitive Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2016

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



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CITY OF FAIRBANKS, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2016

The following is an update of a prior audit finding and is prepared in accordance with Title 2 U.S. Code of Federal regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Prior audit finding 2015-001 originated in the audit for the year ended December 31, 2015 and is summarized below:

Prior Audit Finding:

2015-001 Reporting Deadline for Federal Single Audit

Summary of Prior Audit Finding:

In accordance with Uniform Guidance, 2 CFR Section 200.512(a) requires audit reporting packages to be submitted within the earlier of thirty days after receipt of the auditor's reports or nine months after the end of the audit period. The City of Fairbanks audited financial statements and federal single audit reports were not submitted to the Federal Audit Clearinghouse by September 30, 2016. The City did not receive the information from the State of Alaska required for the implementation of GASB No. 68 *Accounting and Financial Reporting for Pensions* in time to meet the federal audit deadline. The State of Alaska apologized for the delay in providing the reports and commits to providing future reports in a timely manner.

Status:

The City received the information from the State of Alaska required for the implementation of GASB No. 68 *Accounting and Financial Reporting for Pensions* to submit the December 31, 2016 audit prior to the required deadline of September 30, 2017.

Contact Person:

Carmen Randle, Chief Financial Officer
907-459-6776



STATE SINGLE AUDIT





KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

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P.O. Box 70607, Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

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

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

We have audited, 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, 2016, 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 June 29, 2017.

Internal Control over Financial Reporting

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

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

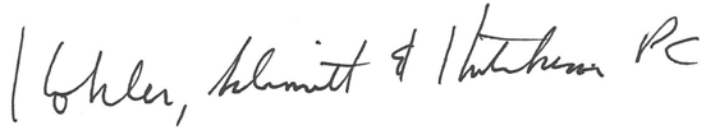
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in cursive script, appearing to read "W. G. H. & H. H. H. PC".

June 29, 2017
Fairbanks, Alaska



KOHLER, SCHMITT & HUTCHISON
A Professional Corporation
Certified Public Accountants

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

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

Report on Compliance for Each Major State Program

We have audited the City of Fairbanks, Alaska's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City of Fairbanks, Alaska's major state programs for the year ended December 31, 2016. 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 audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Fairbanks, Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Fairbanks, Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

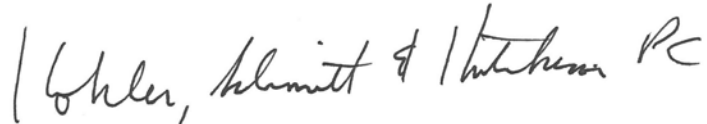
Report on Internal Control over Compliance

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.



June 29, 2017
Fairbanks, Alaska

CITY OF FAIRBANKS, ALASKA
Schedule of State Financial Assistance
For the Year Ended December 31, 2016

<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	\$ 475,150
Total Alaska Department of Administration		<u>475,150</u>
<u>Alaska Department of Commerce, Community & Economic Development</u>		
Community Revenue Sharing Program*	N/A	1,025,398
Emergency Service Patrol*	15-DC-050	116,557
Local Road Improvements City of Fairbanks	14-DC-050	26,989
Road Improvements City of Fairbanks*	13-DC-587	918,229
Total Alaska Department of Commerce, Community & Economic Development		<u>2,087,173</u>
<u>Alaska Department of Environmental Conservation</u>		
ACWF Clarifier Project Loan*	ACWF #339051	135,096
Division of Water Clarifier Project*	MG# 33767	528,183
Total Alaska Department of Environmental Conservation		<u>663,279</u>
<u>Alaska Department of Military & Veterans Affairs</u>		
Local Emergency Planning Committee	20LEPC-GY17	1,434
Local Emergency Planning Committee	20LEPC-GY16	21,204
Total Alaska Department of Military & Veterans Affairs		<u>22,638</u>
<u>Alaska Department of Public Safety</u>		
Alaska Public Safety Council Training Funds	N/A	16,710
SART Reimbursement	N/A	22,644
Total Alaska Department of Public Safety		<u>39,354</u>
<u>Alaska Department of Revenue</u>		
Liquor License	N/A	90,200
Electric and Telephone *	N/A	113,289
Marijuana License	N/A	2,500
Total Alaska Department of Revenue		<u>205,989</u>
<u>Alaska Department of Transportation and Public Facilities</u>		
Chena River Walk Stage III	64062	9,134
Cushman/Gaffney Upgrade*	77194	2,343,467
FMATS 15/16 Program	Z605570000	250
Helmericks Avenue Extension*	63624	1,412,365
Old Steese Upgrade	Z624870000	2,932
Total Alaska Department of Transportation and Public Facilities		<u>3,768,148</u>
Total State Financial Assistance		<u>\$ 7,261,731</u>

*Major Program

CITY OF FAIRBANKS, ALASKA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

1. Basis of Presentation

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

CITY OF FAIRBANKS, ALASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2016

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, 2016

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