

CITY OF NORTH POLE, ALASKA

ANNUAL FINANCIAL REPORT

December 31, 2015

CITY OF NORTH POLE, ALASKA

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CITY OF NORTH POLE, ALASKA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of North Pole, 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 North Pole, Alaska, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of North Pole, 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. 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 North Pole, Alaska, as of December 31, 2015, 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 North Pole's 2014 financial statements and, in our report dated June 16, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the PERS Pension Liability information on pages 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Pole, Alaska's basic financial statement. The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of State Financial Assistance is required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

The accompanying Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules listed in the table of contents 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 Schedule of State Financial Assistance and the combining and individual fund financial statements and schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our reports dated October 24, 2016, on our consideration of the City of North Pole, 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 these reports is to describe the scope of our testing on internal controls 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering City of North Pole, Alaska's internal control over financial reporting and compliance.

Fairbanks, Alaska
October 24, 2016

Wohler, Schmidt & Johnson PC

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BASIC FINANCIAL STATEMENTS

CITY OF NORTH POLE
STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equity	\$ 2,641,799	1,409,430	4,051,229
Receivables, net of allowance for doubtful accounts of \$45,959	547,868	283,001	830,869
Special assessments, net of allowance for doubtful accounts of \$25,520	636,854	-	636,854
Restricted cash	-	129,541	129,541
Capital Assets			
Land and construction in progress	370,316	1,466,703	1,837,019
Other capital assets, net of depreciation	3,508,084	19,188,890	22,696,974
Total assets	<u>7,704,921</u>	<u>22,477,565</u>	<u>30,182,486</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred pension outflows	827,968	118,181	946,149
Total deferred outflows of resources	<u>827,968</u>	<u>118,181</u>	<u>946,149</u>
Total assets and deferred outflows of resources	<u>\$ 8,532,889</u>	<u>22,595,746</u>	<u>31,128,635</u>
<u>LIABILITIES</u>			
Accounts payable	168,467	111,858	280,325
Accrued liabilities	70,951	17,241	88,192
Healthcare payable	70,775	-	70,775
Customer deposits	-	34,834	34,834
Unearned revenue	25,406	53,799	79,205
Due within one year			
Accrued vacation and sick leave	184,884	29,833	214,717
Bonds and notes payable	78,942	63,540	142,482
Capital leases	43,225	-	43,225
Due in more than one year			
Notes payable	-	913,718	913,718
General obligation bond	755,000	-	755,000
Special assessment bonds	48,107	-	48,107
Revenue bonds	-	488,133	488,133
Unamortized bond premium	58,954	-	58,954
PERS pension liability-employer portion	4,185,139	597,374	4,782,513
Total liabilities	<u>5,689,850</u>	<u>2,310,330</u>	<u>8,000,180</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pension inflows	74,094	10,576	84,670
Total deferred inflows of resources	<u>74,094</u>	<u>10,576</u>	<u>84,670</u>
<u>NET POSITION</u>			
Net investment in capital assets	2,894,172	19,190,202	22,084,374
Restricted for:			
Public safety	130,847	-	130,847
Unrestricted	(256,074)	1,084,638	828,564
Total net position	<u>2,768,945</u>	<u>20,274,840</u>	<u>23,043,786</u>
Total liabilities, deferred inflows and net position	<u>\$ 8,532,889</u>	<u>22,595,746</u>	<u>31,128,635</u>

See notes to financial statements.

CITY OF NORTH POLE
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,392,882	295,204	109,193	(988,485)	-	(988,485)
Public safety	4,535,036	661,080	61,126	(3,698,279)	-	(3,698,279)
Public works	798,108	-	72,000	(726,108)	-	(726,108)
Debt service:						
Interest	16,436	-	-	(16,436)	-	(16,436)
Total governmental activities	6,742,462	956,284	242,319	(5,429,308)	-	(5,429,308)
Business-type activities:						
Water and sewer utility	2,984,447	1,603,143	363,556	(1,017,748)	(1,017,748)	(1,017,748)
Total business-type activities	2,984,447	1,603,143	363,556	(1,017,748)	(1,017,748)	(1,017,748)
General revenues:						
Taxes, grants and revenues not restricted to specific purposes:						
Sales tax				3,282,559	-	3,282,559
Property tax				819,274	-	819,274
Bed tax				83,100	-	83,100
Grants				313,781	-	313,781
Interest				36,579	-	36,579
Other				6,626	31,763	38,389
Total general revenues				4,541,919	31,763	4,573,682
Changes in net position				(887,389)	(985,985)	(1,873,374)
Beginning net position, as restated				3,656,335	21,260,825	24,917,160
Ending net position				\$ 2,768,945	20,274,840	23,043,786

See notes to financial statements.

CITY OF NORTH POLE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equity	\$ 1,974,594	257,348	(10,935)	420,792	2,641,799
Receivables (net)					
Accounts, net of allowance for doubtful accounts of \$-0-	458,508	-	60,965	24,716	544,189
Special assessments, net of allowance for doubtful accounts of \$25,520	-	617,569	-	-	617,569
Other governments	3,679	-	-	-	3,679
Total assets	\$ 2,436,782	874,917	50,030	445,508	3,807,237
LIABILITIES					
Accounts payable	140,000	44	17,738	7,644	165,426
Accrued liabilities	56,426	-	-	-	56,426
Healthcare payable	70,775	-	-	-	70,775
Unearned revenue	-	-	25,406	-	25,406
Total liabilities	267,201	44	43,144	7,644	318,033
Deferred inflows - deferred assessments	-	558,072	-	-	558,072
FUND BALANCES					
Fund balances:					
Restricted-public safety	-	-	-	130,847	130,847
Committed					
Debt service	-	316,798	-	-	316,798
General government	178,196	-	-	-	178,196
Public safety	110,382	-	-	-	110,382
Public works	-	-	-	-	-
Assigned:					
General government	-	-	6,885	277,178	284,063
Public safety	-	-	-	9,592	9,592
Community services	-	-	-	20,248	20,248
Unassigned	1,881,011	-	-	-	1,881,011
Total fund balances	2,169,589	316,798	6,885	437,867	2,931,137
Total liabilities, deferred inflows, and fund balances	\$ 2,436,782	874,917	50,030	445,508	3,807,237

See notes to financial statements.

CITY OF NORTH POLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total fund balances for governmental funds	\$	2,931,137
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets and related accumulated depreciation are as follows:		
Land, land improvements and construction in process	\$ 370,316	
Buildings	4,020,757	
Office furniture and equipment	1,991,260	
Vehicles and equipment	3,931,101	
Infrastructure	1,733,206	
Accumulated depreciation	<u>(8,168,238)</u>	
		3,878,401
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of deferred assessments receivable.		
		574,316
Long-term liabilities related to the PERS pension liability are not due and payable in the current period and therefore are not reported as fund liabilities. Deferred inflows and deferred outflows recorded in relation to these pension liabilities are also not reported as fund assets and liabilities.		
These liabilities, deferred inflows and deferred outflows consist of:		
PERS pension liability - employer portion	(4,185,139)	
Deferred outflows of resources	827,968	
Deferred inflows of resources	<u>(74,094)</u>	
		<u>(3,431,265.00)</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities.		
These liabilities consist of:		
Bonds payable	\$ (882,057)	
Capital leases	(43,225)	
Unamortized bond premium	(58,954)	
Accrued interest on bonds	(14,525)	
Accrued leave	<u>(184,884)</u>	
		<u>(1,183,645)</u>
Net assets of governmental activities	\$	<u><u>2,768,945</u></u>

See notes to financial statements.

CITY OF NORTH POLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year ended December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,101,833	-	-	-	4,101,833
Special assessments	-	123,897	-	-	123,897
Intergovernmental	933,015	-	242,319	114,551	1,289,885
Charges for services	515,985	-	-	267,895	783,880
Interest income	2,609	36,579	-	-	39,188
Other	169,795	-	-	89,725	259,520
	<u>5,723,237</u>	<u>160,476</u>	<u>242,319</u>	<u>472,171</u>	<u>6,598,203</u>
EXPENDITURES					
Current:					
General government	904,072	-	-	-	904,072
Public safety	3,425,098	-	-	-	3,425,098
Public works	605,763	-	-	-	605,763
Debt service	-	-	-	-	-
Principal	42,967	78,318	-	-	121,285
Interest	3,978	41,747	-	-	45,725
Legal Fees	-	1,663	-	-	1,663
PERS on-behalf	619,234	-	-	-	619,234
Special revenue	-	-	239,704	279,875	279,875
Capital outlay	-	-	239,704	-	239,704
	<u>5,601,112</u>	<u>121,728</u>	<u>239,704</u>	<u>279,875</u>	<u>6,242,419</u>
Excess (deficiency) of revenues over expenditures	122,125	38,748	2,615	192,296	355,784
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	25,565	-	-	(25,565)	-
Total other financing sources (uses)	<u>25,565</u>	<u>-</u>	<u>-</u>	<u>(25,565)</u>	<u>-</u>
Net changes in fund balances	147,690	38,748	2,615	166,731	355,784
Beginning fund balances	2,021,899	278,050	4,270	271,136	2,575,355
Ending fund balances	<u>\$ 2,169,589</u>	<u>316,798</u>	<u>6,885</u>	<u>437,867</u>	<u>2,931,137</u>

See notes to financial statements.

CITY OF NORTH POLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2015

Net change in fund balances - total governmental funds	\$	355,784
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However, on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation exceeded capital outlays.		
		(367,239)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of the decrease in deferred assessments.		
		(126,944)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Payments on bonds	\$ 78,318	
Payments on capital leases	42,967	
Amortization of bond premium and loss on refunding	<u>(22,018)</u>	
		99,267
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount is the increase in accrued interest payable.		
		15,125
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net increase in accrued leave.		
		(11,848)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the expense recorded in relation to the change in the PERS pension liability and the related deferred inflows and outflows		
		<u>(851,534)</u>
Changes in net position of governmental activities	\$	<u><u>(887,389)</u></u>

See notes to financial statements.

CITY OF NORTH POLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended December 31, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Taxes	\$ 4,178,514	4,109,764	4,101,833	(7,931)
Licenses and permits	16,000	16,000	16,460	460
Charges for services - ambulance service	496,000	501,637	515,985	14,348
Intergovernmental:				
Federal government	106,500	103,000	86,888	(16,112)
State of Alaska	587,283	253,434	846,127	592,693
Investment income	2,750	2,750	2,609	(141)
Other revenues	147,500	142,700	153,335	10,635
Total revenues	5,534,547	5,129,285	5,723,237	593,952
Expenditures:				
General government	877,701	876,373	904,072	(27,699)
Public safety	3,900,482	3,644,161	3,425,098	219,063
Public works	622,341	606,641	605,763	878
Debt service:				-
Capital lease principal	46,945	46,945	42,967	3,978
Capital lease interest	-	-	3,978	(3,978)
PERS on-behalf	-	-	619,234	(619,234)
Total expenditures	5,447,469	5,174,120	5,601,112	(426,992)
Excess of revenues over (under) expenditures	87,078	(44,835)	122,125	166,960
Other financing sources (uses):				
Transfers out	(60,000)	-	(28)	(28)
Transfers in	5,000	5,000	25,593	20,593
Net other financing sources (uses)	(55,000)	5,000	25,565	20,565
Net change in fund balance	\$ 32,078	(39,835)	147,690	187,525
Beginning fund balance			2,021,899	
Ending fund balance			\$ 2,169,589	

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2015

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equity	\$ 1,409,430
Receivables	
Grants	92,063
Accounts	236,897
Allowance for doubtful accounts	(45,959)
Total current assets	<u>1,692,431</u>
NONCURRENT ASSETS	
Property, plant and equipment	49,472,805
Less accumulated depreciation	<u>(28,817,212)</u>
Total property, plant and equipment	<u>20,655,593</u>
Restricted cash	<u>129,541</u>
DEFERRED OUTFLOWS	<u>118,181</u>
Total assets	<u>\$ 22,595,746</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	111,858
Accrued liabilities	47,073
Customer deposits	34,834
Unearned revenues	53,799
Current portion of bond and note payable	63,540
Total current liabilities	<u>311,104</u>
BOND AND NOTES PAYABLE, less current portion	<u>1,401,852</u>
Total liabilities	<u>1,712,956</u>
PERS PENSION LIABILITY- EMPLOYER PORTION	<u>597,374</u>
DEFERRED INFLOWS	<u>10,576</u>
<u>NET POSITION</u>	
Net investment in capital assets	19,190,202
Unrestricted	<u>1,084,638</u>
Total net position	<u>20,274,840</u>
Total liabilities and net position	<u>\$ 22,595,746</u>

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended December 31, 2015

OPERATING REVENUES - charges for services	\$ <u>1,603,143</u>
OPERATING EXPENSES	
Water	
Salaries and benefits	209,937
Defined benefit unfunded liability expense	53,480
Other operating expenses	267,565
Depreciation	616,022
	<u>1,147,004</u>
Sewer	
Salaries and benefits	260,006
Defined benefit unfunded liability expense	68,066
Other operating expenses	322,370
Depreciation	1,144,041
	<u>1,794,483</u>
Operating loss	<u>(1,338,344)</u>
NONOPERATING REVENUES (EXPENSES)	
Alaska Clean Water Loan debt forgiveness	31,763
State of Alaska PERS relief	82,437
State of Alaska PERS on-behalf payment	(82,437)
Interest expense	(42,960)
	<u>(11,197)</u>
Loss before contributions and transfers	(1,349,541)
Interfund transfer in (out)	-
Capital contributions	363,556
	<u>363,556</u>
Changes in net position	(985,985)
Beginning net postion, as restated	<u>21,260,825</u>
Ending net position	<u>\$ 20,274,840</u>

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
Year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 2,092,034
Cash paid to suppliers	(1,003,482)
Cash paid to employees	(316,523)
Net cash provided (used) by operating activities	<u>772,029</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>-</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to property, plant, and equipment	(412,975)
Proceeds of long term debt	18,644
Capital contributions received	363,556
Payment of revenue bond principal and interest	(105,530)
Net cash provided (used) by capital and related financing activities	<u>(136,305)</u>
Net increase (decrease) in cash	635,724
CASH AND CASH EQUIVALENTS, January 1	<u>903,247</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 1,538,971</u>
 Cash and cash equivalents at end of year:	
Cash and cash equity	1,409,430
Restricted cash	<u>129,541</u>
	<u>\$ 1,538,971</u>
Operating loss	(1,338,344)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	1,760,063
Loss on disposal of assets	2,806
Unfunded PERS liability	121,546
Decrease (increase) in:	
Receivables	488,891
Increase (decrease) in:	
Accounts payable	(244,149)
Accrued liabilities	3,790
Customer deposits	1,907
Unearned revenues	<u>(24,481)</u>
Net cash provided (used) by operating activities	<u>\$ 772,029</u>
 NONCASH FINANCING ACTIVITIES	
Loan debt forgiveness	<u>\$ 31,763</u>

See notes to financial statements.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of North Pole, Alaska (City) was incorporated as a Home Rule Charter on January 16, 1953, under the provisions of Alaska Statute, Title 29, as amended. The legislative branch of the government is comprised of a mayor and six council members. Individual departments are under the direction of the mayor, with the exception of the city clerk, who is under the direction of the City Council. There are no other entities considered for possible inclusion in the City's financial reporting entity.

Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are 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 they are 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 are recorded only to the extent they have matured.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and sales taxes, charges for services, leases, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds:

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Debt Service Fund* accounts for the proceeds from water and sewer special assessments and the payment of general obligation and special assessment debt principal and interest.

The *Capital Projects Fund* is used to account for the City's various capital improvement projects that are not included in the Water and Sewer Enterprise Fund.

Major proprietary fund:

The *Water and Sewer Enterprise Fund* is used to account for the operations of the City water and sewer systems.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State of Alaska entitlement revenues.

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 Water and Sewer Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets - The annual City operating budget for the subsequent year is prepared by management eight weeks before the end of the current fiscal year. The budget is then submitted to the City Council for review and approval. Amendments to the budget can occur any time during the fiscal year through City Council action. The legal level of budgetary control for all funds is at the function or activity level. Unencumbered funds remaining at the end of the current fiscal year may be reallocated for the purposes set forth in the budget proposal. The Capital Projects Fund has project-length budgets.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

An annual budget for the General Fund is legally adopted on the same modified accrual basis used to reflect actual revenues and expenditures.

Annual budgets are also adopted for the Water and Sewer Enterprise Fund. However, generally accepted accounting principles do not require the adoption of budgets for Enterprise Funds, and budgetary comparisons are not included for this fund since the measurement focus is upon determination of net income and financial position.

Central Treasury - A central treasury is used to account for cash from the funds of the City to maximize interest income. Investments are stated at fair value.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Water and Sewer Enterprise Fund considers all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Interfund Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent 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."

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales taxes, special assessment receivables, and state and federal grants. Business-type activities report fees for water and sewer services and other receivables from customers as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for sales taxes, special assessment receivables, and grants and other similar intergovernmental revenues, since they are usually both measurable and available. Nonexchange transactions measurable but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Fees for water and sewer services and other receivables from customers compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Grants and Other Intergovernmental Revenues - In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered "earned"; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions - During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences - The City allows employees to accumulate unused vacation and sick leave benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g., the employee has terminated employment).

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets (e.g., roads, sidewalks, etc.) have been capitalized on a prospective basis. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15 - 37 years
Vehicles	5 - 20 years
Equipment	5 - 20 years
Infrastructure	20 years
Sewer and water system	20 - 30 years

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Unearned Grant Revenue - Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended uses are shown as unearned revenue.

Long-Term Debt - In the government-wide and the proprietary 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 are deferred and amortized over the life of the bonds using the straight-line method.

Fund Equity - In the government-wide and proprietary fund financial statements, fund equity is classified as "net position". Net position is further classified as invested in capital assets, restricted funds, or unrestricted funds.

In the fund financial statements, governmental funds report fund equity as "fund balance", and aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions, or ordinances of the City Council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified requirement by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and Mayor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Deferred inflows and outflows- A *deferred outflow* represents the consumption of the government's net assets or fund balance that is applicable to a future reporting period. A *deferred inflow* represents the acquisition of net assets or fund balance that is applicable to a future reporting period. For example, revenues that have been earned but are not yet available in the governmental funds are now reported as *deferred inflows*.

Pension Plan - Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

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 amounts 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.

New Accounting Pronouncements - The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes GASB Statement 75 will result in the biggest reporting change.

GASB 72- Fair Value Measurement and Application- Effective for year ended December 31, 2016- This statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value.

GASB 73- Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68- Effective for year-end December 31, 2016- This statement will establish a single framework for the presentation of information about pensions.

GASB 75 -Accounting and Financial Reporting for Post-employment Benefits other than Pensions- Effective for year-end December 31, 2018- This standard will improve the usefulness of information about postemployment benefits.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

2. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 11 to the financial statements, the City participates in the Alaska Public Employee Retirement System (PERS) plan. In 2015, the City adopted the provisions of GASB No. 68 *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which, among other accounting and reporting criteria, requires the City to recognize its proportionate share of the Net Pension Liability (and related deferred inflow/outflow accounts), as of the beginning of the fiscal year. As a result of the implementation of this statement, the City has recorded opening balance adjustments to increase assets and liabilities and to decrease opening net position as follows:

	Opening net position, as originally presented	Change in accounting principle adjustment	Opening net position, as restated
City of North Pole			
Governmental Activities	\$ 6,236,066	(2,579,731)	3,656,335
Business-type Activities	21,629,048	(368,223)	21,260,825

3. CASH AND CASH EQUITY

The City of North Pole utilizes a central treasury that is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and cash equity."

Investment Policy - The City does not have formal policies governing the types of investments it is authorized to hold.

Reconciliation of Deposit and Investment Balances - The following is a reconciliation of the City's deposit and investment balances to the financial statements as of December 31, 2015.

Bank deposits and certificates	\$ 4,180,570
Other	<u>200</u>
	<u>\$ 4,180,770</u>

Reconciliation of cash and cash equity to the basic financial statements:

	Governmental Activities	Business-type Activities	Totals
Cash and cash equity	\$ 2,641,799	1,409,430	4,051,229
Restricted cash	<u>-</u>	<u>129,541</u>	<u>129,541</u>
	<u>\$ 2,641,799</u>	<u>1,538,971</u>	<u>4,180,770</u>

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. To limit its exposure to custodial credit risk, City policy requires that all deposits be fully insured or collateralized.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deletions and Transfers	Balance December 31, 2015
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 5,000	-	-	5,000
Land and land improvements	365,316	-	-	365,316
Total assets not being depreciated	<u>370,316</u>	<u>-</u>	<u>-</u>	<u>370,316</u>
<i>Capital assets being depreciated:</i>				
Buildings	3,952,682	68,075	-	4,020,757
Office furniture and equipment	1,915,662	75,598	-	1,991,260
Vehicles and equipment	3,872,933	58,168	-	3,931,101
Infrastructure	1,733,206	-	-	1,733,206
Total assets being depreciated	<u>11,474,483</u>	<u>201,841</u>	<u>-</u>	<u>11,676,324</u>
Less accumulated depreciation for:				
Buildings	2,841,792	107,041	-	2,948,833
Office furniture and equipment	1,359,218	126,067	-	1,485,285
Vehicles and equipment	2,724,235	249,312	-	2,973,547
Infrastructure	673,915	86,660	-	760,575
Total accumulated depreciation	<u>7,599,159</u>	<u>569,080</u>	<u>-</u>	<u>8,168,239</u>
Total capital assets being depreciated, net	<u>3,875,323</u>	<u>(367,239)</u>	<u>-</u>	<u>3,508,084</u>
Governmental activity capital assets, net	<u>\$ 4,245,639</u>	<u>(367,239)</u>	<u>-</u>	<u>3,878,400</u>
Business-type activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	507,815	-	-	507,815
Construction in progress	3,723,108	412,977	3,177,197	958,888
Total capital assets not being depreciated	<u>4,230,923</u>	<u>412,977</u>	<u>3,177,197</u>	<u>1,466,703</u>
<i>Capital assets being depreciated:</i>				
Sewer and water system	43,357,221	3,177,197	-	46,534,418
Machinery and equipment	1,794,634	-	322,949	1,471,685
Total assets being depreciated	<u>45,151,855</u>	<u>3,177,197</u>	<u>322,949</u>	<u>48,006,103</u>
Less accumulated depreciation for:				
Sewer and water system	26,425,866	1,655,982	-	28,081,848
Machinery and equipment	951,425	104,082	320,144	735,363
Total accumulated depreciation	<u>27,377,291</u>	<u>1,760,064</u>	<u>320,144</u>	<u>28,817,211</u>
Total capital assets being depreciated, net	<u>17,774,563</u>	<u>1,417,133</u>	<u>2,805</u>	<u>19,188,891</u>
Business-type activity capital assets, net	<u>\$ 22,005,487</u>	<u>1,830,110</u>	<u>3,180,002</u>	<u>20,655,595</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

4. CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to the functions as follows:

Governmental activities	
General government	\$ 25,317
Public safety	402,560
Public works	132,738
Community services	<u>8,465</u>
Total depreciation - governmental activities	<u>\$ 569,080</u>
Business-type activities	
Water	616,022
Sewer	<u>1,144,041</u>
Total depreciation expense - business-type activities	<u>\$ 1,760,063</u>

5. LONG-TERM DEBT

Advance Refunding - In 2012, the City issued \$835,000 in 2012 Series II General Obligation Refunding Bonds with interest rates of 2 percent to 5 percent to advance refund General Obligation Bonds of \$835,000, which was a portion of the remaining 2005 Series B general obligation bonds. The new bonds were issued at a premium of \$137,568 and after paying issuance and other costs of \$20,438, the net proceeds were \$952,130. The net proceeds from the issuance were deposited into an irrevocable trust with an escrow agent to provide debt service payments on the old bonds. The advance refunding met the requirements of an in-substance defeasance of a portion of the old bonds and \$835,000 was removed from the City's government-wide financial statements. The remaining 2005 Series B general obligation bonds at December 31, 2015 is \$-0-. At December 31, 2015, \$820,000 of the deferred bonds remain outstanding and payable by the escrow account paying agent. As a result of the advance refunding in 2012, the City recorded a deferred loss of \$110,742. The balance remaining in the deferred loss as of December 31, 2015 is \$-0-.

Alaska Clean Water Loan - In 2013, the City entered into an additional loan agreement with the Alaska Department of Environmental Conservation for \$302,500 with a loan term of 20 years at a rate of 1.5 percent per annum. The project will provide funding for three new emergency generators to be used by the City's wastewater utility in the event of a power failure. This project was still in progress at December 31, 2015, so no repayment schedule for this debt has been determined. The note payable at December 31, 2015, consists of loan advances received by the City in the amount of \$191,580, and the City received debt forgiveness in the amount of \$31,763.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

5. LONG-TERM DEBT, CONTINUED

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Retired	Balance December 31, 2015	Due Within One Year
Governmental activities					
General Obligation Bonds -					
\$1,350,000 2005 Series B bonds, due in annual installments of \$55,000 to \$105,000 through May 1, 2015; including interest at 5 percent.	\$ 65,000	-	65,000	-	-
General Obligations Refunding Bonds -					
\$835,000 2012 Series 2 bonds, due in annual installments of \$5,000 to \$100,000 through September 1, 2025; plus variable interest at 2 percent to 5 percent.	820,000	-	-	820,000	65,000
Special Assessment Bonds -					
\$300,000 2002 utility special assessment bonds, due in annual installments of \$16,890 through June 20, 2019; including interest at 4.75 percent.	75,367	-	13,318	62,049	13,942
Capital Lease					
Obligation for a fire pumper truck, payable in annual installments of \$46,944 through 2016 including interest at 4.615 percent.	86,192	-	42,967	43,225	43,225
Accrued leave	<u>173,036</u>	<u>239,781</u>	<u>227,933</u>	<u>184,885</u>	<u>184,884</u>
Total governmental activities	1,219,595	<u>239,781</u>	<u>349,218</u>	1,110,159	<u>307,051</u>
Unamortized bond premium	<u>73,850</u>		<u>14,896</u>	<u>58,954</u>	
	<u>\$ 1,293,445</u>			<u>1,169,113</u>	

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

5. LONG-TERM DEBT, CONTINUED

	Balance January 1, 2015	Additions	Retired	Balance December 31, 2015	Due Within One Year
Business-type activities					
Revenue bonds -					
\$647,600 1998 utility revenue bonds, due in semi-annual installments of \$18,483 including interest at 4.875 percent through March 1, 2036. \$	512,916	-	12,098	500,818	12,685
Note payables -					
\$500,000 2007 Water Utility Alaska Drinking Water loan, due in annual installments of \$25,000 plus interest at 1.5 percent through April 1, 2026.	300,000	-	25,000	275,000	25,000
\$580,326 Alaska Clean Water loan, due in annual installments of \$33,801 including interest at 1.5 percent through October 1, 2033.	555,229	-	25,473	529,756	25,855
Note payable - construction in progress, \$302,500 Alaska Clean Water Loan	172,936	18,644	31,763	159,817	-
Accrued leave	28,649	31,162	29,978	29,833	29,833
Total business-type activities \$	<u>1,569,730</u>	<u>49,806</u>	<u>124,312</u>	<u>1,495,224</u>	<u>93,373</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

5. LONG-TERM DEBT, CONTINUED

Governmental activities

The annual debt service requirements of the general obligation bonds and notes payable at December 31, 2015 that are in repayment status follow:

Year Ending December 31,	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 65,000	36,550	101,550	13,942	2,948	16,890
2017	70,000	33,950	103,950	14,605	2,285	16,890
2018	70,000	31,150	101,150	15,298	1,592	16,890
2019	75,000	27,650	102,650	18,204	865	19,069
2020	80,000	23,900	103,900	-	-	-
2021-2025	<u>460,000</u>	<u>58,650</u>	<u>518,650</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 820,000</u>	<u>211,850</u>	<u>1,031,850</u>	<u>62,049</u>	<u>7,690</u>	<u>69,739</u>

Business type activities

Year Ending December 31,	Revenue Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 12,685	24,280	36,965	50,855	12,071	62,926
2017	13,310	23,655	36,965	51,243	11,309	62,552
2018	13,967	22,998	36,965	51,637	10,540	62,177
2019	14,656	22,309	36,965	52,036	9,765	61,801
2020	15,380	21,585	36,965	52,442	8,985	61,427
2021-2025	89,060	95,766	184,826	268,508	33,000	301,508
2026-2030	113,310	71,515	184,825	179,599	14,784	194,383
2031-2035	144,164	40,661	184,825	98,436	2,968	101,404
2036	<u>84,286</u>	<u>3,727</u>	<u>88,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 500,818</u>	<u>326,496</u>	<u>827,314</u>	<u>804,756</u>	<u>103,422</u>	<u>908,178</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

6. CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the acquisition of a fire pumper truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments. The following is a summary of the asset acquired with the capital lease that has an outstanding balance as of December 31, 2015:

	<u>General Fund</u>
Fire pumper truck	\$ 420,452
Less accumulated depreciation	<u>(378,407)</u>
Carrying value	<u>\$ 42,045</u>

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at December 31, 2015:

<u>Year Ending December 31,</u>	<u>General Fund</u>
2016	\$ <u>45,220</u>
Total minimum lease payments	45,220
Less interest portion	<u>1,995</u>
Present value of future minimum lease payments	43,225
Less current portion	<u>43,225</u>
Long-term portion	<u>\$ -</u>

7. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at December 31, 2015. A schedule of interfund transfers for the year ended December 31, 2015, follows:

Transfers:	
From the non-major governmental funds to the general fund	\$ 25,593
From the general fund to the non-major funds	<u>(28)</u>
	<u>\$ 25,565</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

8. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	<u>Budget</u>	<u>Actual</u>	<u>Variances</u>
Administration - General			
Government	\$ 876,373	904,072	(27,699)

The variance is due primarily to payroll expenses.

9. DEFERRED COMPENSATION PLAN

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are available to all employees and permit them to defer a portion of their salary to future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the plans require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

10. RISK MANAGEMENT

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees.

The City is self-insured for employee health benefits and group life insurance. An umbrella policy covers individual claims in excess of \$25,000 and liabilities are recorded for all claims when they are reported to the City. The self-insurance plan is administered by Great West Life and Annuity Insurance Company and the expenditures are recorded in the General Fund. The City accrues estimated costs of health care based on plan maximums.

The City maintains third party insurance coverage for property and liability risks. Coverage for property insurance exceeds \$7.5 million with 90 percent coinsurance and a \$10,000 deductible per incident. Liability coverage includes \$2 million in liability insurance and \$3 million in umbrella insurance with a \$10,000 deductible. Workers compensation insurance is in accordance with Alaska statutes. Additionally, the City has \$4 million in emergency medical services professional liability, \$5 million in law enforcement liability, \$1 million public officials and employment practices liability insurance, and auto and other equipment coverage.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS

Defined Benefit Pension (DB) Plan

Plan Description

The Public Employees Retirement System (PERS) is administered by the State of Alaska (State) and is 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 plan of PERS to new members and new employees after that date participate in the Tier IV PERS/TRS 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

Regular City employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.5% of their annual covered salary.

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 actual employer pay-in-rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages for PERS, subject to a wage floor, and other termination events. These rates are applied to PERS participating wages, respectively, 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 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 rates in future years.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment as mandated under current statute. Under state law, subject to annual appropriation, the state will contribute an on-behalf payment into the plan in an amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. However, in the period ended June 30, 2015, the State Legislature appropriated a one-time contribution to the plans in the amount of \$1 billion for PERS. As a result, the On-Behalf Contribution Rate for the six months ended June 30, 2015 significantly exceeds the statutory amount. On-behalf contribution amounts are recognized in the fund financial statements in the year they are appropriated by the State.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

Contribution rates for the six months ended June 30, 2015 were determined from the June 30, 2012 actuarial valuation. The contribution rates for the six months ended December 31, 2015 were determined from the June 30, 2013 actuarial valuation.

Six months ended June 30, 2015:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>On Behalf Contribution Rate</u>
Pension	12.54%	27.42%	42.41%
Post employment healthcare	9.46%	16.61%	0.00%
Total PERS contribution rate	22.00%	44.03%	42.41%

Six months ended December 31, 2015:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>On Behalf Contribution Rate</u>
Defined benefit pension	13.25%	14.43%	1.18%
Post employment healthcare	8.75%	8.15%	-0.60%
Defined contribution pension	0.00%	4.61%	4.61%
Total PERS contribution	22.00%	27.19%	5.19%

In 2015, the City was credited with the following contributions into the pension plan. Employee contributions were \$89,484.

Employer Contributions (Including DBUL)	\$ 244,181
On-behalf Contributions	<u>701,671</u>
	<u>\$ 945,852</u>

Pension Liabilities, Pension Expense, and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pension-City of North Pole

At December 31, 2015, the City reported a liability of \$4,782,513 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to the measurement date. The City's proportion of the net pension liability was based on the present value of contributions for FY2017 - FY2039, as determined by projections based on the June 30, 2014 valuation. At June 30, 2015, the City's proportion was 0.0986190% for the employer portion which was an increase of 0.03724% from its proportion measured as of June 30, 2014.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

For the year ended December 31, 2015, the City recognized pension expense of \$973,080. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on pension plan investments.	\$ -	84,670
Difference between expected and actual experience	<u>5,575</u>	<u>-</u>
Changes in assumptions	<u>279,638</u>	<u>-</u>
Changes in proportion and differences between employer contributions	<u>536,281</u>	<u>-</u>
City contributions subsequent to the measurement date.	<u>124,655</u>	<u>-</u>
	<u>\$ 946,149</u>	<u>84,670</u>

\$124,655 reported as deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Amounts recognized as deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,	Amount to be recognized:
2016	\$ 695,054
2017	17,683
2018	(54,378)
2019	78,464
2020	-
Thereafter	-

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

Actuarial assumptions

The actuarial valuation for the year ended June 30, 2014 was prepared by Buck Consultants. The actuarial assumptions used in the June 30, 2014 valuation was based on the results of an actuarial experience study performed as of June 30, 2013.

Investment Return/Discount Rate	8.00% per year (geometric), compounded annually net of expenses.
Salary Scale	Inflation- 3.12% per year. Salary increases graded by age and service, from 9.66% to 4.34%.
Payroll Growth	3.62% per year. (inflation + productivity)
Mortality	Based upon 2010-2013 actual mortality experience. 60% for male rates and 65% of post-termination mortality rates. Deaths are assumed to be occupational 70% of the time for Peace Officers/Firefighters, 50% of the time for Others (Not Peace Officers/Firefighters).
Total Turnover	Based upon the 2010-2013 actual withdrawal experience.
Disability	Incidence rates based on 2010-2013 actual experience. Disabilities are assumed to be occupational 50% of the time for Others (Not Peace Officers/Firefighters), and 70% of the time for Peace Officers/Firefighters.
Retirement	Retirement rates based upon the 2010-2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others (Not Peace Officers/Firefighter). For Peace Officers/Firefighters, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. For Others (Not Peace Officers/Firefighters) 75% of male members and 70% female members are assumed to be married. For Peace Officers/Firefighters, 85% of male members and 60% female members are assumed to be married.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

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 weighting the expected future real rates of return by the target 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 exclude the inflation component):

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.35%
Global Equity	5.55%
Private Equity	6.25%
Fixed Income Composite	0.80%
Real estate	3.65%
Alternative Equity	4.70%

Discount Rate

The discount rate used to measure the total pension liability was 8 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 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 one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

<u>City-PERS</u>	<u>Proportional Share</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
System Net Pension	100.00%	\$ 6,447,683,000	\$ 4,850,014,000	\$ 3,504,942,000
City's proportionate share of the net pension liability-Employer portion	0.0986190%	\$ 6,357,946	\$ 4,782,513	\$ 3,456,161

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

Pension plan fiduciary net position

Detailed information about pension plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution Pension (DC) Plan

Employees hired after July 1, 2006 participate in PERS Tier IV or TRS Tier III, defined contribution plans. These plans are administered by the State of Alaska, Department of Administration as with the defined benefit plans noted above. 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. Included in the Plan, are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial reports for PERS, as noted above.

Employee Contribution Rates

City employees are required to contribute 8% of their annual covered salary for PERS. This amount goes directly to the individual's account.

Employer Contribution Rates

For the year ended December 31, 2015, the City was required to contribute 5% of covered salary into the plan for PERS.

However, the total employer contribution must equal 22% of covered payroll. After subtracting, the defined contribution (DC) pension rates, ODD, Retiree medical, and the HRA contribution, any residual amount of the 22% 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.

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. The City and employee contributions to PERS for the year ended December 31, 2015 were \$66,636 and \$106,522, respectively. The City contribution amounts were recognized as pension expense.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

11. RETIREMENT PLANS, CONTINUED

Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

As part of its participation in the PERS DB Plans (Tiers I,II, III for PERS) the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Plan described earlier in these notes. The City was required to contribute 9.46% of covered payroll into the PERS OPEB plans for the period January 1 through June 30, 2015 and 8.75% of covered payroll for the period July 1 through December 31, 2015. In addition during 2015, the State on-behalf contributions for OPEB for the PERS plans were 0% of covered payroll for the period January 1 through July 31, 2015 and 1.56% of covered payroll for the period July 1 through December 31, 2015. Employees do not contribute to the DB OPEB plans. City contributions for the PERS DB OPEB plan was \$172,401 for the year ended December 31, 2015.

Defined Contributions OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD) and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PRS plans noted above. These plans provide for death, disability and post-employment health care. Employees do not contribute to the DC OPEB plan. Employer contribution rates for the DC OPEB plan were 2.72 % for Peace Officers/Firefighters and 1.88% for all others for the period January 1 through June 30, 2015. For the period July 1 through December 31, 2015, DC OPEB rates were 2.73% for Peace Officers/ Firefighters and 1.90% for all others.

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. Per Alaska Statute 39.30.370 this contribution amount is “three percent of the average annual employee compensation of all employees of all employers in the plan”. For the period January 1, thru June 30, 2015, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee and approximates \$1,961 per year for each full-time employee, and \$1.26 per hour for part-time employees. For the period July 1, 2015 through December 31, 2015, for actual remittance, this amount is calculated as \$2,005 per year for each full-time employee and \$1.28 per hour for part-time employees.

For the year ended December 31, 2015, the City contributed \$80,433 in DC OPEB costs. These amounts were recognized as expense.

12. CONTINGENCIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, would become a liability.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

12. CONTINGENCIES, CONTINUED

PERS Pension Liability

The City has recorded its allocated percentage of the PERS Employer Net Pension Liability. However, there is an additional allocation of the PERS Non-Employer Net Pension Liability which the City has not recorded, because a special funding arrangement exists with the State of Alaska on this portion. If this PERS Non-Employer Net Pension Liability had been recorded, there would have been an additional PERS Non-Employer Net Pension Liability of \$1,280,630 as of December 31, 2015.

13. SUBSEQUENT EVENT

The North Pole City voters authorized the City of North Pole to acquire up to \$2 million of debt for the North Pole Utilities (NPU) to construct an extension of the wastewater effluent to a main channel of the Tanana River to satisfy the NPU's discharge violation. The construction estimate for the effluent discharge extension is just over \$4 million. The NPU plans on having a funding package of \$2 million in loans, \$1 million in cash and \$1 million in grants (applications have been submitted). Per the City of North Pole Charter requirements, the voters have authorized the effluent loan, however, the City Council must still approve the contract language and package before the debt can be assigned and monies made available. The earliest that the project could be constructed would be the summer of 2018.

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Supplementary Information for the article "The effect of the COVID-19 pandemic on the mental health of the general population" published in *Journal of Affective Disorders*, 2020, 270, 1-10. doi:10.1016/j.jad.2020.07.041

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REQUIRED SUPPLEMENTARY INFORMATION

Supplementary Information for the article "The effect of the COVID-19 pandemic on the mental health of the general population" published in *Journal of Affective Disorders*, 2020, 270, 1-10. doi:10.1016/j.jad.2020.07.041

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SCHEDULE OF THE CITY OF NORTH POLE INFORMATION ON THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
December 31, 2015

EMPLOYER PORTION	2015
City proportion of the net pension liability (asset)	0.09861000%
City proportionate share of the net pension liability (asset)	\$ 4,782,513
State of Alaska proportionate share of the net pension liability	1,280,630
Total net pension liability	\$ 6,063,143
City's covered employee payroll	\$ 2,539,576
City's proportionate share of the net pension liability as a percentage of covered-employee payroll	188.32%
Plan fiduciary net position as a percentage of the total pension liability	63.9600%

Information presented for 2015 is based on Plan Measurement Date. For December 31, 2015 the plan measurement date is June 30, 2015.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

The plan is not reporting any changes in benefit terms or assumptions from the prior measurement period.

SCHEDULE OF THE CITY OF NORTH POLE CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
December 31, 2015

	2015
Contractually required contribution	\$ 558,707
Contributions in relation to the contractually required contribution	\$ 558,707
Contribution deficiency (excess)	\$ -
City's covered payroll	\$ 2,539,576
Contributions as a percentage of covered- employee payroll	22%

Information in this table reports the City's pension contributions to PERS during fiscal year 2015. These contributions are reported as a deferred outflow on the December 31, 2015 basic financial statements.

This schedule is intended to present 10 years of information. Information for additional years will be included as it becomes available.

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SUPPLEMENTARY FINANCIAL INFORMATION

GENERAL FUND

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as police and fire protection, public works, planning, legal services, administrative services, etc. Appropriations are made from the fund annually. The fund will continue to exist indefinitely.

Revenue, for this and other funds, is recorded by source, i.e., taxes, State of Alaska, etc. Expenditures are recorded first by function, then by activity and object of the expenditure.

General Fund expenditures are made primarily for current day-to-day operating expenditures and operating equipment. Capital expenditures for large-scale public improvements, such as buildings, are accounted for elsewhere in the Capital Projects or Enterprise Funds.

CITY OF NORTH POLE
GENERAL FUND
BALANCE SHEET
December 31, 2015
with comparative data for 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equity	\$ <u>1,974,594</u>	<u>2,011,481</u>
Receivables (net of allowance for doubtful accounts of \$-0-)		
Sales taxes	395,544	397,457
Property taxes	7,312	4,444
Business taxes	11,507	14,653
Grants	3,679	5,227
Other	<u>44,146</u>	<u>22,980</u>
	<u>462,188</u>	<u>444,761</u>
 Total assets	 \$ <u><u>2,436,782</u></u>	 <u><u>2,456,242</u></u>
 <u>LIABILITIES AND FUND BALANCE</u> 		
Liabilities		
Accounts payable	140,000	64,506
Accrued liabilities	56,426	166,083
Healthcare payable	70,775	-
Unearned revenue	<u>-</u>	<u>203,762</u>
	<u>267,201</u>	<u>434,351</u>
 Fund balance-committed	 288,578	 148,195
Fund balance-assigned	-	-
Fund balance - unassigned	<u>1,881,011</u>	<u>1,873,704</u>
	<u>2,169,589</u>	<u>2,021,899</u>
 Total liabilities and fund balance	 \$ <u><u>2,436,782</u></u>	 <u><u>2,456,242</u></u>

CITY OF NORTH POLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended December 31, 2015
with comparative data for 2014

	2015		Variance Favorable (Unfavorable)	2014
	Budget Final	Actual		Actual
REVENUES				
Taxes				
Sales, alcohol, and use taxes	\$ 3,239,764	3,282,559	42,795	3,102,294
Property taxes	870,000	819,274	(50,726)	1,025,108
Total taxes	<u>4,109,764</u>	<u>4,101,833</u>	<u>(7,931)</u>	<u>4,127,402</u>
Business licenses	16,000	16,460	460	19,490
Charges for services - ambulance service	501,637	515,985	14,348	468,245
Federal government				
DOT commercial vehicle safety	-	-	-	2,310
Alaska Highway Safety Office	11,000	-	(11,000)	3,451
Corps of Engineers	82,000	78,370	(3,630)	79,724
FEMA grant	-	7,030	7,030	-
Currency Crimes Task Force and Marijuana Eradication	10,000	1,488	(8,512)	4,077
Total Federal government	<u>103,000</u>	<u>86,888</u>	<u>(16,112)</u>	<u>89,562</u>
State of Alaska				
State shared revenue	253,434	226,893	(26,541)	254,157
PERS relief	-	619,234	619,234	648,397
Total State of Alaska	<u>253,434</u>	<u>846,127</u>	<u>592,693</u>	<u>902,554</u>
Investment Income	2,750	2,609	(141)	2,717
Other revenues				
Citation revenues	94,000	97,890	3,890	85,306
Fingerprinting	12,500	14,335	1,835	10,420
Police reports	1,500	1,100	(400)	950
Other public safety revenues	4,500	17,178	12,678	9,068
Miscellaneous	30,200	22,832	(7,368)	37,710
Total other revenues	<u>142,700</u>	<u>153,335</u>	<u>10,635</u>	<u>143,454</u>
Total revenues	<u>5,129,285</u>	<u>5,723,237</u>	<u>593,952</u>	<u>5,753,424</u>

See notes to financial statements.

CITY OF NORTH POLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
Year ended December 31, 2015
with comparative data for 2014

	2015		Variance Favorable (Unfavorable)	2014
	Budget Final	Actual		Actual
EXPENDITURES				
General government				
Administration				
Salaries and benefits	\$ 444,123	476,573	(32,450)	518,270
Materials and supplies	56,500	64,650	(8,150)	83,392
Purchased services	286,500	287,670	(1,170)	191,214
Vehicle expenses	2,000	307	1,693	621
Insurance	23,000	20,287	2,713	26,377
Repairs and maintenance	25,000	25,460	(460)	30,937
	<u>837,123</u>	<u>874,947</u>	<u>(37,824)</u>	<u>850,811</u>
Municipal building				
Purchased services	33,750	21,828	11,922	31,980
Repairs and maintenance	5,500	7,297	(1,797)	5,921
	<u>39,250</u>	<u>29,125</u>	<u>10,125</u>	<u>37,901</u>
Total general government	<u>876,373</u>	<u>904,072</u>	<u>(27,699)</u>	<u>888,712</u>
Public safety				
Police department				
Salaries and benefits	1,453,842	1,412,153	41,689	1,585,698
Materials and supplies	41,100	34,100	7,000	32,927
Purchased services	114,975	75,885	39,090	71,216
Vehicle expenses	62,678	43,798	18,880	54,468
Insurance	123,000	106,528	16,472	106,419
Repairs and maintenance	14,000	7,713	6,287	7,460
	<u>1,809,595</u>	<u>1,680,177</u>	<u>129,418</u>	<u>1,858,188</u>
Fire department				
Salaries and benefits	1,609,716	1,532,325	77,391	1,844,653
Materials and supplies	42,250	43,977	(1,727)	46,756
Purchased services	67,600	63,062	4,538	66,177
Vehicle expenses	31,000	25,902	5,098	27,239
Insurance	55,000	50,918	4,082	51,849
Repairs and maintenance	29,000	28,737	263	23,291
	<u>1,834,566</u>	<u>1,744,921</u>	<u>89,645</u>	<u>2,059,965</u>
Total public safety	<u>3,644,161</u>	<u>3,425,098</u>	<u>219,063</u>	<u>3,918,153</u>

See notes to financial statements.

CITY OF NORTH POLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
Year ended December 31, 2015
with comparative data for 2014

	2015		Variance Favorable (Unfavorable)	2014
	Budget Final	Actual		Actual
EXPENDITURES, CONTINUED				
Public works				
Salaries and benefits	\$ 288,241	288,971	(730)	303,804
Materials and supplies	30,500	30,453	47	44,484
Purchased services	154,423	132,899	21,524	138,843
Vehicle expenses	29,000	56,301	(27,301)	51,697
Insurance	16,000	13,298	2,702	12,841
Repairs and maintenance	88,477	83,841	4,636	71,258
	<u>606,641</u>	<u>605,763</u>	<u>878</u>	<u>622,927</u>
Debt service				
Capital lease principal	46,945	42,967	3,978	54,732
Capital lease interest	-	3,978	(3,978)	6,596
	<u>46,945</u>	<u>46,945</u>	<u>-</u>	<u>61,328</u>
Community services				
North Pole Christmas on Ice	-	-	-	10,503
North Pole Chamber of Commerce	-	-	-	21,005
Convention and Visitors	-	-	-	1,425
North Pole Economic Development Council	-	-	-	35,009
	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,942</u>
PERS on-behalf	<u>-</u>	<u>619,234</u>	<u>(619,234)</u>	<u>-</u>
Total expenditures	<u>5,174,120</u>	<u>5,601,112</u>	<u>(426,992)</u>	<u>5,559,062</u>
Excess of revenues over (under) expenditures	<u>(44,835)</u>	<u>122,125</u>	<u>166,960</u>	<u>194,362</u>
Other financing sources (uses)				
Transfers out	-	(28)	(28)	(4,200)
Transfers in	5,000	25,593	20,593	39,520
Net other financing sources (uses)	<u>5,000</u>	<u>25,565</u>	<u>20,565</u>	<u>35,320</u>
Net change in fund balance	<u>\$ (39,835)</u>	<u>147,690</u>	<u>187,525</u>	<u>229,682</u>
Beginning fund balance		<u>2,021,899</u>		<u>1,792,217</u>
Ending fund balance		<u>\$ 2,169,589</u>		<u>2,021,899</u>

See notes to financial statements.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are established to finance particular activities and are created from receipts of designated revenues.

Building Department

This fund is used to accumulate moneys from the building permits and inspections.

Fire Department

This fund is used to account for the maintenance and improvement of the fire department.

North Pole Community Ice Rink

This fund accounts for the activities related to the development of the community ice rink project.

North Pole Festival

This fund is used to record donations and expenditures for summer and winter festivals and the Mayor's picnic.

Justice

This fund is used to record federal Department of Justice forfeitures and expenditures for public safety.

State Forfeitures

This fund is used to record state public safety forfeitures and expenditures for public safety.

Treasury

This fund is used to record federal Department of the Treasury forfeitures and expenditures for public safety.

AHSO

This fund is used to account for the Alaska Highway Safety traffic inspection grants.

JAG

This fund is used to account for the State Department of Public Safety JAG grant.

Impound Lot

This fund is used to account for monies collected from impound fees.

Bed Tax Fund

This fund is used to account for monies collected from bed tax.

Buck Nystrom Fund

This fund is used to account for donations for high school football.

CITY OF NORTH POLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2015

	Building Department	Fire Department	North Pole Community Ice Rink	North Pole Festival	Justice	State Forfeitures	Treasury	AHSO	JAG	Impound Lot	Bed Tax	Buck Nystrom Memorial	Total
ASSETS													
Cash and cash equity	\$ 260,792	-	10,962	9,479	82,167	8,422	24,029	-	-	9,592	15,349	-	420,792
Accounts receivable	-	-	-	-	21,314	-	-	-	-	-	3,402	-	24,716
	<u>\$ 260,792</u>	<u>-</u>	<u>10,962</u>	<u>9,479</u>	<u>103,481</u>	<u>8,422</u>	<u>24,029</u>	<u>-</u>	<u>-</u>	<u>9,592</u>	<u>18,751</u>	<u>-</u>	<u>445,508</u>
Accounts payable	2,255	-	119	75	635	-	4,450	-	-	-	110	-	7,644
	<u>2,255</u>	<u>-</u>	<u>119</u>	<u>75</u>	<u>635</u>	<u>-</u>	<u>4,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>	<u>-</u>	<u>7,644</u>
FUND BALANCES													
Restricted-public safety	-	-	-	-	102,846	8,422	19,579	-	-	-	-	-	130,847
Assigned	258,537	-	-	-	-	-	-	-	-	-	18,641	-	277,178
General government	-	-	-	-	-	-	-	-	-	9,592	-	-	9,592
Public safety	-	-	10,843	9,405	-	-	-	-	-	-	-	-	20,248
Community services	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>258,537</u>	<u>-</u>	<u>10,843</u>	<u>9,405</u>	<u>102,846</u>	<u>8,422</u>	<u>19,579</u>	<u>-</u>	<u>-</u>	<u>9,592</u>	<u>18,641</u>	<u>-</u>	<u>437,867</u>
Total liabilities and fund balances	<u>\$ 260,792</u>	<u>-</u>	<u>10,962</u>	<u>9,479</u>	<u>103,481</u>	<u>8,422</u>	<u>24,029</u>	<u>-</u>	<u>-</u>	<u>9,592</u>	<u>18,751</u>	<u>-</u>	<u>445,508</u>

See notes to financial statements.

CITY OF NORTH POLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended December 31, 2015

	Building Department	Fire Department	North Pole Community Ice Rink	North Pole Festival	Justice	State Forfeitures	Treasury	AHSO	JAG	Impound Lot	Bed Tax	Buck Nystrom Memorial	Total
REVENUES													
Intergovernmental	-	-	-	-	89,551	-	-	-	25,000	-	-	-	114,551
Charges for services	253,303	-	-	-	-	-	-	-	-	14,592	-	-	267,895
Investment income	-	-	-	6,625	-	-	-	-	-	-	83,100	-	89,725
Other	253,303	-	-	6,625	89,551	-	-	-	25,000	14,592	83,100	-	472,171
EXPENDITURES													
Excess (deficiency) of revenues over expenditures	95,499	-	119	5,657	42,039	3,532	58,456	5,207	25,000	-	43,866	500	279,875
	157,804	-	(119)	968	47,512	(3,532)	(58,456)	(5,207)	-	14,592	39,234	(500)	192,296
OTHER FINANCING SOURCES (USES)													
Transfers (to) from other funds	-	28	-	-	-	-	-	-	-	(5,000)	(20,593)	-	(25,565)
Total other financing sources (uses)	-	28	-	-	-	-	-	-	-	(5,000)	(20,593)	-	(25,565)
Net changes in fund balances	157,804	28	(119)	968	47,512	(3,532)	(58,456)	(5,207)	-	9,592	18,641	(500)	166,731
Beginning fund balances	100,735	(28)	10,962	8,437	55,334	11,954	78,035	5,207	-	-	-	500	271,136
Ending fund balances	258,539	-	10,843	9,405	102,846	8,422	19,579	-	-	9,592	18,641	-	437,867

See notes to financial statements.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bond and special assessment debt principal, interest and related costs for issuances that are not accounted for in the Enterprise Fund.

CITY OF NORTH POLE
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended December 31, 2015
with comparative data for 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Special assessments	\$ 123,897	191,546
Investment income	36,579	49,688
	<u>160,476</u>	<u>241,234</u>
Expenditures - debt service		
2005 Series B - G.O. bonds		
Principal	65,000	60,000
Interest	1,625	4,750
Total 2005 Series B-G.O. bonds	<u>66,625</u>	<u>64,750</u>
2002 special assessment bonds		
Principal	13,318	12,707
Interest	3,572	4,183
Total 2002 special assessment bonds	<u>16,890</u>	<u>16,890</u>
2012 Series 2 refunding bonds		
Principal	-	-
Interest	36,550	36,550
Total 2012 Series 2 refunding bonds	<u>36,550</u>	<u>36,550</u>
Legal Fees	<u>1,663</u>	-
Total expenditures	<u>121,728</u>	<u>118,190</u>
Excess of revenues over (under) expenditures	<u>38,748</u>	<u>123,044</u>
Other financing sources (uses)		
Transfers (to) from other funds	-	(36,965)
	<u>-</u>	<u>(36,965)</u>
Net changes in fund balance	38,748	86,079
Beginning fund balance	<u>278,050</u>	<u>191,971</u>
Ending fund balance	<u>\$ 316,798</u>	<u>278,050</u>

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SINGLE AUDIT SECTION

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STATE SINGLE AUDIT
REPORTS AND SCHEDULES

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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 North Pole, 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 North Pole, Alaska, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise City of North Pole, Alaska's basic financial statements and have issued our report thereon dated October 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of North Pole, 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 North Pole, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of City of North Pole, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency – (2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of North Pole, 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*.

City of North Pole, Alaska's Response to Finding

City of North Pole, Alaska's response to the finding identified in our audit is described in the accompanying corrective action plan. City of North Pole, Alaska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Fairbanks, Alaska
October 24, 2016

Handwritten signature in cursive script that reads "Holly Schmidt & Hutchison PC".



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
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 North Pole, Alaska

Report on Compliance for Each Major State Program

We have audited City of North Pole, 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 North Pole, Alaska's major state programs for the year ended December 31, 2015. City of North Pole, 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 City of North Pole, 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 City of North Pole, 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 City of North Pole, Alaska's compliance.

Opinion on Each Major State Program

In our opinion, City of North Pole, 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 identified in the schedule of state financial assistance for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of City of North Pole, 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 City of North Pole, 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 City of North Pole, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency. (2015-002)

City of North Pole, Alaska's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. City of North Pole, Alaska's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Fairbanks, Alaska
October 24, 2016

Hohler, blair 9/1/16 PC

CITY OF NORTH POLE, ALASKA
Schedule of State Financial Assistance
For the year ended December 31, 2015

<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	\$ <u>701,671</u>
Total Alaska Department of Administration		
 <u>Alaska Department of Commerce, Community & Economic Development</u>		
Community Revenue Sharing Program*	N/A	191,234
North Pole Archival System	14-DC-112	26,625
100 Foot Aerial Platform	14-DC-109	2,202
Public Works Skid Steer Loader*	15-DC-115	72,000
Mixing Zone Compliance Plan*	15-DC-114	221,703
Prepare a Comprehensive Strategic Community Plan*	15-RR-006	50,618
Rehabilitate North Pole Utility Well and Adjustment Control Panel	09-DC-505	<u>24,208</u>
Total Alaska Department of Commerce, Community & Economic Development		<u>588,590</u>
 <u>Alaska Department of Environmental Conservation</u>		
Wastewater Plant Rehabilitation Project*	63323	68,972
Lift Station Rehabilitation, Phase III	63324	<u>48,673</u>
Total Alaska Department of Environmental Conservation		<u>117,645</u>
 <u>Alaska Department of Revenue</u>		
Electric and Telephone Co-op Tax	N/A	30,459
Liquor Licenses	N/A	<u>5,200</u>
Total Alaska Department of Revenue		<u>35,659</u>
 <u>Alaska Department of Public Safety</u>		
Asset Forfeitures	N/A	<u>3,533</u>
Total Alaska Department of Public Safety		<u>3,533</u>
Total State Financial Assistance		<u>\$ <u>1,447,098</u></u>

* Denotes Major Program

See notes to schedule of state financial assistance.

CITY OF NORTH POLE, ALASKA
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

1. BASIS OF PRESENTATION

The accompanying schedule of state financial assistance (Schedule) includes the state grant activity of City of North Pole, Alaska under programs of the state government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the City of North Pole, Alaska, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of North Pole, Alaska.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

CITY OF NORTH POLE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended December 31, 2015

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

State Financial Assistance

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weaknesses identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ None Reported
Dollar threshold used to distinguish a state major program:	\$ 50,000	

CITY OF NORTH POLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 Year-end accounting for the Capital and certain non-major funds

Condition: The general ledger was not adjusted at year-end in accordance with generally accepted accounting principles (GAAP), resulting in errors in the accounting for the general government and water and sewer capital project funds; and general government and water and sewer fixed asset records. The basic grant accounting requires a comparison of prior year balances with current year expenditures, cash received, and appropriate general ledger adjustments. The fixed asset records require updating the schedules for changes during the year, and calculating and recording the depreciation expense.

Criteria: Management is required to institute an adequate system of internal control over financial reporting.

Context: The financial reports filed with granting agencies were accurate and were substantially the same as the general ledger, however, the proper year-end adjustment were not recorded.

Cause: The City did not have staff available at year-end that had the accounting expertise required to adjust the records.

Effect: The audit identified misstatements in the general ledger that were not identified and corrected by the City's internal control system. This resulted in a less efficient audit process and numerous audit entries.

Recommendation: Additional training is needed for accounting personnel so that these important year-end adjustments can be made.

Grantee response: See corrective action plan

CITY OF NORTH POLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2015

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding **2015-002** impacts all of the major state programs listed below:

Department of Administration

Public Employees Retirement System on Behalf Payment

Department of Commerce, Community & Economic Development

Community Revenue Sharing Program

Public Works Skid Steer Loader, Grant number 15-DC-115

Mixing Zone Compliance Plan, Grant number 15-DC-114

Prepare a Comprehensive Strategic Community Plan, Grant number 15-RR-006

Department of Environmental Conservation

Wastewater Plant Rehabilitation Project- Grant number 63323, 2013

2015-002 Schedule of state financial assistance.

Condition: City personnel were not able to prepare a complete and accurate schedule of state financial assistance.

Criteria: Preparation of the schedule of state financial assistance is the responsibility of management.

Context: The City prepared a report of grant expenditures that was inaccurate and incomplete.

Cause: The City did not have staff available at year-end that had the accounting expertise to prepare a complete and accurate schedule.

Effect: The auditor prepared the schedule of state financial assistance, with the concurrence of management.

Questioned costs: None

Recommendation: The City should ensure that accounting personnel are adequately trained to prepare the schedule of state financial assistance.

Grantee response: See corrective action plan

CITY OF NORTH POLE, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2015

Finding: 2014-001, Material errors in the general ledger and financial statements.

Improvements were made by City accounting staff in closing the books and adjusting the general ledger records. Significant deficiencies remain with applying generally accepted accounting principles to the records, primarily in the general government capital, and water and sewer capital funds; and with fixed assets.

Finding: 2014-002, Grant reporting.

The City substantially resolved this finding, and grant reports reconciled with the general ledger.

Finding: 2014-003, Schedule of state financial assistance.

The City did not prepare the schedule of state financial assistance in 2014. This finding is reported as a significant deficiency in 2015 since the City provided a report of state grant expenditures that was inaccurate and incomplete.

CITY OF NORTH POLE, ALASKA
CORRECTIVE ACTION PLAN
Year ended December 31, 2015

SECTION II -FINANCIAL STATEMENT FINDINGS

2015-001 – YEAR-END ACCOUNTING FOR THE CAPITAL AND CERTAIN NON-MAJOR FUNDS.

Name of Contact Person: Mayor, Bryce J Ward

Corrective Action: Management has implemented new internal controls to ensure proper financial accounting according to GAAP. Management has implemented new internal controls to ensure grants are reconciled to the General Ledger at least quarterly. Management is also providing training to personnel to ensure that the expertise is required to adjust the records according to governmental rules and regulations. The city will also seek independent third party counsel in the event that statements cannot be produced according to GAAP.

Proposed Completion Date: December 31, 2016

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COST

2015-002 – SCHEDULE OF STATE FINANCIAL ASSISTANCE

Name of Contact Person: Mayor, Bryce J Ward

Corrective Action: Management is working with the accounting staff to ensure proper financial accounting according to GAAP and that all grants are reconciled to the General Ledger at least quarterly if not sooner. Management is working with staff to ensure that a Single and Federal Audit Schedule is acquired and managed through the year and made available to auditors as needed. Management is also offering training to personnel to ensure that the expertise is required to manage grants in according to required rules and regulations.

Proposed Completion Date: December 31, 2016