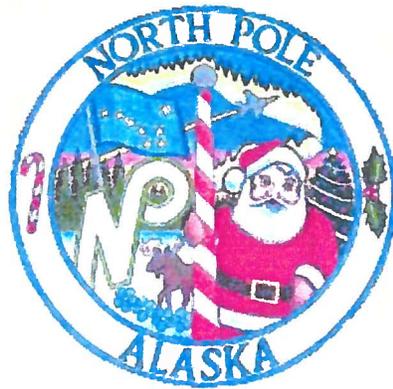


CITY OF NORTH POLE, ALASKA

ANNUAL FINANCIAL REPORT

December 31, 2016



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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The prior year partial comparative information has been derived from the City of North Pole's 2015 financial statements and, in our report dated October 24, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the PERS Pension Liability information on pages 38-39 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 report dated June 29, 2017, 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 that report 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. That report is 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
June 29, 2017

Wohlschlag, Helmut & Hutchins. PC



BASIC FINANCIAL STATEMENTS

CITY OF NORTH POLE
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equity	\$ 2,513,104	995,492	3,508,596
Receivables, net of allowance for doubtful accounts of \$45,959	456,238	463,608	919,846
Special assessments, net of allowance for doubtful accounts of \$25,520	543,749	-	543,749
Restricted cash	-	115,235	115,235
Capital Assets			
Land and construction in progress	370,316	4,131,455	4,501,771
Other capital assets, net of depreciation	3,138,307	17,465,944	20,604,251
Total assets	7,021,714	23,171,734	30,193,448
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Total deferred outflows of resources	729,461	97,423	826,884
Total assets and deferred outflows of resources	\$ 7,751,175	23,269,157	31,020,332
<u>LIABILITIES</u>			
Accounts payable	111,720	133,181	244,901
Accrued liabilities	127,797	36,462	164,259
Healthcare payable	80,808	-	80,808
Customer deposits	-	40,052	40,052
Unearned revenue	15,000	18,793	33,793
Due within one year			
Accrued vacation and sick leave	192,126	30,521	222,647
Bonds and notes payable	84,605	64,553	149,158
Due in more than one year			
Notes payable	-	1,436,851	1,436,851
General obligation bond	685,000	-	685,000
Special assessment bonds	33,518	-	33,518
Revenue bonds	-	-	-
Unamortized bond premium	53,059	-	53,059
PERS pension liability-employer portion	5,024,604	671,063	5,695,667
Total liabilities	6,408,237	2,431,476	8,839,713
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Total deferred inflows of resources	56,008	7,480	63,488
<u>NET POSITION</u>			
Net investment in capital assets	2,652,441	20,095,998	22,748,439
Restricted for:			
Public safety	72,956	-	72,956
Unrestricted	(1,438,467)	734,203	(704,264)
Total net position	1,286,930	20,830,201	22,117,132
Total liabilities, deferred inflows and net position	\$ 7,751,175	23,269,157	31,020,332

See notes to financial statements.

CITY OF NORTH POLE
STATEMENT OF ACTIVITIES
Year ended December 31, 2016

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	\$ 1,395,002	48,531	341,427	(1,005,044)	-	(1,005,044)
Public safety	5,002,459	651,456	218,924	(4,083,895)	-	(4,083,895)
Public works	686,940	15,264	-	(671,676)	-	(671,676)
Debt service:						
Interest	65,222	-	-	(65,222)	-	(65,222)
Total governmental activities	7,149,623	715,251	560,351	(5,825,837)	-	(5,825,837)
Business-type activities:						
Water and sewer utility	2,862,838	1,584,728	1,840,971		562,861	562,861
Total business-type activities	2,862,838	1,584,728	1,840,971		562,861	562,861
General revenues:						
Taxes, grants and revenues not restricted to specific purposes:						
Sales tax				3,327,838	-	3,327,838
Property tax				819,599	-	819,599
Grants				151,906	-	151,906
Interest				36,980	-	36,980
Transfers - inter-fund				7,500	(7,500)	-
Total general revenues				4,343,823	(7,500)	4,336,323
Changes in net position				(1,482,014)	555,361	(926,653)
Beginning net position				2,768,945	20,274,840	23,043,785
Ending net position				\$ 1,286,930	20,830,201	22,117,132

See notes to financial statements.

CITY OF NORTH POLE
GOVERNMENTAL FUNDS
BALANCE SHEET
December 31, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equity	\$ 1,899,893	243,633	40,044	329,534	2,513,104
Receivables (net)					
Accounts, net of allowance for doubtful accounts of \$-0-	449,890	-	6,348	-	456,238
Special assessments, net of allowance for doubtful accounts of \$25,520	-	543,749	-	-	543,749
Total assets	<u>\$ 2,349,784</u>	<u>787,382</u>	<u>46,392</u>	<u>329,534</u>	<u>3,513,092</u>
LIABILITIES					
Accounts payable	97,394	-	11,663	2,663	111,720
Accrued liabilities	113,933	-	-	-	113,933
Healthcare payable	80,808	-	-	-	80,808
Unearned revenue	-	-	15,000	-	15,000
Total liabilities	<u>292,135</u>	<u>-</u>	<u>26,663</u>	<u>2,663</u>	<u>321,461</u>
Deferred inflows - deferred assessments	-	474,690	-	-	474,690
FUND BALANCES					
Fund balances:					
Restricted-public safety	-	-	-	72,956	72,956
Committed					
Debt service		312,688			312,688
General government	167,845				167,845
Public safety	96,186				96,186
Public works	4,171				4,171
Assigned:					
General government			19,728	205,640	225,368
Public safety				30,302	30,302
Community services				17,976	17,976
Unassigned	1,789,456				1,789,456
Total fund balances	<u>2,057,658</u>	<u>312,688</u>	<u>19,728</u>	<u>326,874</u>	<u>2,716,948</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,349,784</u>	<u>787,382</u>	<u>46,392</u>	<u>329,534</u>	<u>3,513,092</u>

See notes to financial statements.

CITY OF NORTH POLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2016

Total fund balances for governmental funds		\$ 2,716,948
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	1,521,695	
Vehicles and equipment	3,531,024	
Infrastructure	1,733,206	
Accumulated depreciation	<u>(7,668,373)</u>	3,508,623
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.		
		474,690
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 liabilities - employer portion	(5,024,604)	
Deferred outflows of resources	729,461	
Deferred inflows of resources	<u>(56,008)</u>	(4,351,151)
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	\$ (803,123)	
Unamortized bond premium	(53,059)	
Accrued interest on bonds	(13,873)	
Accrued leave	<u>(192,126)</u>	(1,062,181)
Net position of governmental activities		<u><u>\$ 1,286,930</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, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,147,437	-	-	-	4,147,437
Special assessments	-	83,480	-	-	83,480
Intergovernmental	354,753	-	229,750	35,000	619,503
Charges for services	493,940	-	-	170,757	664,697
Interest income	3,322	33,658	-	1,043	38,023
Other	221,311	10,230	-	93,429	324,970
	<u>5,220,763</u>	<u>127,368</u>	<u>229,750</u>	<u>300,229</u>	<u>5,878,110</u>
EXPENDITURES					
Current:					
General government	841,148	-	-	-	841,148
Public safety	3,806,358	-	-	-	3,806,358
Public works	541,605	-	-	-	541,605
Debt service					
Principal	42,696	78,934	-	-	121,630
Interest	6,596	51,486	-	-	58,082
Legal fees	-	181	-	-	181
Credit card fees	-	824	-	-	824
Miscellaneous fees	-	53	-	-	53
PERS on-behalf	124,291	-	-	-	124,291
Special revenue	-	-	216,907	388,722	388,722
Capital outlay	-	-	216,907	-	216,907
	<u>5,362,694</u>	<u>131,478</u>	<u>216,907</u>	<u>388,722</u>	<u>6,099,801</u>
Excess (deficiency) of revenues over expenditures	(141,931)	(4,110)	12,843	(88,493)	(221,691)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	30,000	-	-	(22,500)	7,500
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(22,500)</u>	<u>7,500</u>
Net changes in fund balances	(111,931)	(4,110)	12,843	(110,993)	(214,191)
Beginning fund balances	2,169,589	316,798	6,885	437,867	2,931,139
Ending fund balances	<u>\$ 2,057,658</u>	<u>312,688</u>	<u>19,728</u>	<u>326,874</u>	<u>2,716,948</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, 2016

Net change in fund balances - total governmental funds	\$	(214,191)
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.		
		(375,691)
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.		
		(93,710)
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	\$ 78,934	
Payments on capital leases	43,225	
Amortization of bond premium	5,895	
		128,054
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.		
		(919,886)
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.		
		651
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		
		(7,241)
Changes in net position of governmental activities	\$	(1,482,014)

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, 2016

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 4,254,499	4,177,829	4,147,437	(30,392)
Licenses and permits	31,250	31,250	31,263	13
Charges for services - ambulance service	511,000	515,375	493,940	(21,435)
Intergovernmental:				
Federal government	82,000	82,795	78,556	(4,239)
State of Alaska	221,000	182,636	276,197	93,561
Investment income	2,750	4,235	3,322	(913)
Other revenues	152,000	193,564	190,048	(3,516)
Total revenues	<u>5,254,499</u>	<u>5,187,684</u>	<u>5,220,763</u>	<u>33,079</u>
Expenditures:				
General government	763,222	854,959	841,148	13,811
Public safety	3,850,304	3,963,104	3,806,358	156,746
Public works	633,136	636,136	541,605	94,531
Debt service:				
Capital lease principal		-	42,696	(42,696)
Capital lease interest	46,945	-	6,596	(6,596)
PERS on-behalf	-	-	124,291	(124,291)
Total expenditures	<u>5,293,607</u>	<u>5,454,199</u>	<u>5,362,694</u>	<u>91,505</u>
Excess of revenues over (under) expenditures	<u>(39,108)</u>	<u>(266,515)</u>	<u>(141,931)</u>	<u>124,584</u>
Other financing sources (uses):				
Transfers out	(24,500)	-	-	-
Transfers in	63,608	30,000	30,000	-
Net other financing sources (uses)	<u>39,108</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(236,515)</u>	<u>(111,931)</u>	<u>124,584</u>
Beginning fund balance			<u>2,169,589</u>	
Ending fund balance			<u>\$ 2,057,658</u>	

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
December 31, 2016

<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equity	\$ 995,492
Receivables	
Grants	268,920
Accounts	240,647
Allowance for doubtful accounts	(45,959)
Total current assets	<u>1,459,100</u>
NONCURRENT ASSETS	
Property, plant and equipment	52,137,557
Less accumulated depreciation	<u>(30,540,158)</u>
Total property, plant and equipment	<u>21,597,399</u>
Restricted cash	<u>115,235</u>
DEFERRED OUTFLOWS	<u>97,423</u>
Total assets	<u>\$ 23,269,157</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	133,181
Accrued liabilities	66,983
Customer deposits	40,052
Unearned revenues	18,793
Current portion of bond and note payable	64,553
Total current liabilities	<u>323,562</u>
BOND AND NOTES PAYABLE, less current portion	<u>1,436,851</u>
Total liabilities	<u>1,760,413</u>
PERS PENSION LIABILITY- EMPLOYER PORTION	<u>671,063</u>
DEFERRED INFLOWS	<u>7,480</u>
<u>NET POSITION</u>	
Net investment in capital assets	20,095,998
Unrestricted	734,203
Total net position	<u>20,830,201</u>
Total liabilities and net position	<u>\$ 23,269,157</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, 2016

OPERATING REVENUES - charges for services	\$ <u>1,584,728</u>
OPERATING EXPENSES	
Water	
Salaries and benefits	235,946
Other operating expenses	228,297
Depreciation	<u>603,031</u>
	<u>1,067,274</u>
Sewer	
Salaries and benefits	346,454
Other operating expenses	296,773
Depreciation	<u>1,119,915</u>
	<u>1,763,142</u>
Operating loss	<u>(1,245,688)</u>
NONOPERATING REVENUES (EXPENSES)	
Alaska Clean Water Loan debt forgiveness	-
State of Alaska PERS relief	16,600
State of Alaska PERS on-behalf payment	(16,600)
Interest expense	<u>(32,422)</u>
	<u>(32,422)</u>
Loss before contributions and transfers	(1,278,110)
Interfund transfer in (out)	(7,500)
Capital contributions	<u>1,840,971</u>
Changes in net position	555,361
Beginning net position	<u>20,274,840</u>
Ending net position	\$ <u><u>20,830,201</u></u>

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
Year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,404,121
Cash paid to suppliers	(706,308)
Cash paid to employees	(298,366)
Net cash provided (used) by operating activities	<u>399,447</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	(7,500)
	<u>(7,500)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to property, plant, and equipment	(2,664,752)
Proceeds of long term debt	99,543
Capital contributions received	1,840,971
Payment of revenue bond principal and interest	(95,953)
Net cash provided (used) by capital and related financing activities	<u>(820,191)</u>
Net increase (decrease) in cash	(428,244)
CASH AND CASH EQUIVALENTS, January 1	<u>1,538,971</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 1,110,727</u>
Cash and cash equivalents at end of year:	
Cash and cash equity	995,492
Restricted cash	115,235
	<u>\$ 1,110,727</u>
Operating loss	(1,245,688)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	1,722,946
Loss on disposal of assets	91,351
Decrease (increase) in:	
Receivables	(180,607)
Increase (decrease) in:	
Accounts payable	21,323
Accrued liabilities	19,910
Customer deposits	5,218
Unearned revenues	(35,006)
Net cash provided (used) by operating activities	<u>\$ 399,447</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 acquisition value, the price that would be paid to acquire an asset with equivalent service potential.

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 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.

GASB 83 – Certain Asset Retirement Obligations - Effective for year-end December 31, 2019. This standard addresses accounting and financial reporting for certain asset retirement obligations (AROs), such as sewage treatment plants.

GASB 85 – Omnibus 2017 - Effective for year-ended December 31, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

2. 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, 2016.

Bank deposits and certificates	\$ 3,623,631
Other	<u>200</u>
	<u>\$ 3,623,831</u>

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Cash and cash equity	\$ 2,513,104	995,492	3,508,596
Restricted cash	<u>-</u>	<u>115,235</u>	<u>115,235</u>
	<u>\$ 2,513,104</u>	<u>1,110,727</u>	<u>3,623,831</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

3. CAPITAL ASSETS

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

	Balance January 1, 2016	Additions	Deletions and Transfers	Balance December 31, 2016
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	4,020,757	-	-	4,020,757
Office furniture and equipment	1,991,260	35,265	504,830	1,521,695
Vehicles and equipment	3,931,101	140,107	540,184	3,531,024
Infrastructure	1,733,206	-	-	1,733,206
Total assets being depreciated	<u>11,676,324</u>	<u>175,372</u>	<u>1,045,014</u>	<u>10,806,682</u>
Less accumulated depreciation for:				
Buildings	2,948,833	107,041	-	3,055,874
Office furniture and equipment	1,485,285	103,043	480,137	1,108,191
Vehicles and equipment	2,973,547	184,167	500,639	2,657,075
Infrastructure	760,575	86,660	-	847,235
Total accumulated depreciation	<u>8,168,240</u>	<u>480,911</u>	<u>980,776</u>	<u>7,668,375</u>
Total capital assets being depreciated, net	<u>3,508,084</u>	<u>(305,539)</u>	<u>64,238</u>	<u>3,138,307</u>
Governmental activity capital assets, net	<u>\$ 3,878,400</u>	<u>(305,539)</u>	<u>64,238</u>	<u>3,508,623</u>
Business-type activities				
<i>Capital assets not being depreciated:</i>				
Land and land improvements	507,815	-	-	507,815
Construction in progress	958,888	2,664,752	-	3,623,640
Total capital assets not being depreciated	<u>1,466,703</u>	<u>2,664,752</u>	<u>-</u>	<u>4,131,455</u>
<i>Capital assets being depreciated:</i>				
Sewer and water system	46,534,418	-	-	46,534,418
Machinery and equipment	1,471,685	-	-	1,471,685
Total assets being depreciated	<u>48,006,103</u>	<u>-</u>	<u>-</u>	<u>48,006,103</u>
Less accumulated depreciation for:				
Sewer and water system	28,081,849	1,640,207	-	29,722,056
Machinery and equipment	735,364	82,739	-	818,103
Total accumulated depreciation	<u>28,817,213</u>	<u>1,722,946</u>	<u>-</u>	<u>30,540,159</u>
Total capital assets being depreciated, net	<u>19,188,890</u>	<u>(1,722,946)</u>	<u>-</u>	<u>17,465,944</u>
Business-type activity capital assets, net	<u>\$ 20,655,593</u>	<u>941,806</u>	<u>-</u>	<u>21,597,399</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

3. CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to the functions as follows:

Governmental activities	
General government	\$ 50,760
Public safety	283,819
Public works	137,867
Community services	<u>8,465</u>
Total depreciation - governmental activities	<u>\$ 480,911</u>
Business-type activities	
Water	603,031
Sewer	<u>1,119,915</u>
Total depreciation expense - business-type activities	<u>\$ 1,722,946</u>

4. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Retired	Balance December 31, 2016	Due Within One Year
Governmental activities					
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	-	65,000	755,000	70,000
Special Assessment Bonds - \$300,000 2002 utility special assessment bonds, due in annual intallments of \$16,890 through June 20, 2019; including interest at 4.75 percent.	62,049	-	13,926	48,123	14,605
Capital Lease					
Obligation for a fire pumper truck, payable in annual installments of \$46,944 through 2016 including interest at 4.615 percent.	43,225	-	43,225	-	-
Accrued leave	<u>184,885</u>	<u>262,004</u>	<u>254,763</u>	<u>192,126</u>	<u>192,126</u>
Total governmental activities	1,110,159	<u>262,004</u>	<u>376,914</u>	995,249	<u>276,731</u>
Unamortized bond permium	<u>58,954</u>		<u>5,895</u>	<u>53,059</u>	
	<u>\$ 1,169,113</u>			<u>1,048,308</u>	

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT, CONTINUED

	Balance January 1, 2016	Additions	Retired	Balance December 31, 2016	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.	\$ 500,818	-	12,675	488,143	13,310
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.	275,000	-	25,000	250,000	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.	529,756	-	25,855	503,901	26,243
Note payable - construction in progress, \$302,500 Alaska Clean Water Loan	159,817	99,543	-	259,360	-
Accrued leave	29,833	37,952	37,264	30,521	30,521
Total business-type activities \$	<u>1,495,224</u>	<u>137,495</u>	<u>100,794</u>	<u>1,531,925</u>	<u>95,074</u>

Alaska Clean Water Loan - In 2013, the City entered into a 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, 2016, so no repayment schedule for this debt has been determined. The note payable at December 31, 2016, includes loan advances received in 2016 by the City in the amount of \$99,543.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

4. LONG-TERM DEBT, CONTINUED

Governmental activities

The annual debt service requirements of the general obligation bonds and notes payable at December 31, 2016 that are in repayment status follow:

Year Ending December 31,	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	18,220	865	19,085
2020	80,000	23,900	103,900	-	-	-
2021	85,000	19,900	104,900	-	-	-
2022-2025	<u>375,000</u>	<u>38,750</u>	<u>413,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 755,000</u>	<u>175,300</u>	<u>930,300</u>	<u>48,123</u>	<u>4,742</u>	<u>52,865</u>

Business type activities

Year Ending December 31,	Revenue Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	16,139	20,826	36,965	27,853	5,948	33,801
2022-2026	93,454	91,372	184,826	270,661	30,847	301,508
2027-2031	118,901	65,924	184,825	181,918	12,465	194,383
2032-2036	<u>202,336</u>	<u>33,547</u>	<u>235,883</u>	<u>66,111</u>	<u>1,491</u>	<u>67,602</u>
	<u>\$ 488,143</u>	<u>302,216</u>	<u>790,359</u>	<u>753,901</u>	<u>91,350</u>	<u>845,251</u>

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

5. INTERFUND BALANCES AND TRANSFERS

There were no interfund balances at December 31, 2016. A schedule of interfund transfers for the year ended December 31, 2016, follows:

Transfers:

From the Non-major Governmental Funds to the General Fund	\$	22,500
From the Water and Sewer Enterprise Fund to the General Fund		7,500

6. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2016, there were no City departments with an excess of expenditures over appropriations.

7. 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.

8. 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 \$11 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

9. 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 percent of their annual covered salary. Police and firefighters are required to contribute 7.5 percent 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 percent 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. 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

9. RETIREMENT PLANS, CONTINUED

Contribution rates for the six months ended June 30, 2016 were determined from the June 30, 2014 actuarial valuation. The contribution rates for the six months ended December 31, 2016 were determined from the June 30, 2015 actuarial valuation.

Six months ended June 30, 2016:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>On Behalf Contribution Rate</u>
Pension	13.25%	16.88%	3.63%
Post employment healthcare	<u>8.75%</u>	<u>10.31%</u>	<u>1.56%</u>
Total PERS contribution rate	22.00%	27.19%	5.19%

Six months ended December 31, 2016:

	<u>Employer Effective Rate</u>	<u>ARM Board Adopted Rate</u>	<u>On Behalf Contribution Rate</u>
Defined benefit pension	14.96%	19.10%	4.14%
Post employment healthcare	<u>7.04%</u>	<u>7.04%</u>	<u>0.00%</u>
Total PERS contribution	22.00%	26.14%	4.14%

In 2016, the City was credited with the following contributions into the pension plan. Employee contributions were \$92,455.

Employer Contributions (Including DBUL)	\$ 284,681
On-behalf Contributions	<u>140,891</u>
	<u>\$ 425,572</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, 2016, the City reported a liability of \$5,695,667 for its proportionate share of the employer pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entries, actuarially determined. At June 30, 2016, the City's proportion was .1019000 percent for the employer portion which was an increase of .0032810 percent from its proportion measured as of June 30, 2015.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

9. RETIREMENT PLANS, CONTINUED

For the year ended December 31, 2016, the City recognized pension expense of \$1,011,237. At December 31, 2016, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 559,857	-
Difference between expected and actual experience	524	63,488
Changes in assumptions	26,270	-
Changes in proportion and differences between employer contributions	87,284	-
City contributions subsequent to the measurement date.	152,949	-
	<u>\$ 826,884</u>	<u>63,488</u>

The amount of \$152,949 is 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, 2017. Amounts recognized as deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31,	Amount to be recognized:
2017	\$ 144,219
2018	89,567
2019	228,871
2020	147,790
2021	-
Thereafter	-

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

9. RETIREMENT PLANS, CONTINUED

Actuarial assumptions

The actuarial assumptions used in the June 30, 2015 valuation was based on the results of an actuarial experience study performed as of June 30, 2013.

Investment Return/Discount Rate	8.00 percent per year (geometric), compounded annually net of expenses.
Salary Scale	Inflation- 3.12 percent per year. Salary increases graded by age and service, from 9.66 percent to 4.92 percent for Peace Officeres/Firefighters and from 8.55 percent to 4.34 percent for all others.
Payroll Growth	3.62 percent per year. (inflation + productivity)
Mortality	Based upon 2010-2013 actual mortality experience. 60 percent for male rates and 65 percent of female post-termination mortality rates. Deaths are assumed to be occupational 70 percent of the time for Peace Officer/Firefighters, 50 percent of the time for Others.
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 (Non Peace Officer/Firefighter). For Peace Officer/Firefighter, 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 (Non Peace Officer/Firefighters) 75 percent of male members and 70 percent female members are assumed to be married. For Peace Officer/Firefighters, 85 percent of male members and 60 percent female members are assumed to be married.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

9. 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%	\$ 7,199,118,000	\$ 5,589,598,000	\$ 4,232,040,000
City's proportionate share of the net pension liability-Employer portion	0.1019000%	\$ 7,335,730	\$ 5,695,667	\$ 4,312,349

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

9. 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 percent 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, 2016, the City was required to contribute 5 percent of covered salary into the plan for PERS.

However, the total employer contribution must equal 22 percent of covered payroll. After subtracting, the defined contribution (DC) pension rates, ODD, Retiree medical, and the HRA contribution, any residual amount of the 22 percent is deposited into the defined benefit (DB) plan. Locally known as the defined benefit unfunded liability (DBUL) payment, this amount is intended to mitigate against the declining payroll base that resulted from the creation of the DC plan.

Employees are immediately vested in their own contributions and vest 25 percent with two years of service, plus an additional 25 percent per year thereafter for full vesting at five years of service. The City and employee contributions to PERS for the year ended December 31, 2016 were \$71,224 and \$113,839, respectively. The City contribution amounts were recognized as pension expense.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

9. 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 8.75 percent of covered payroll into the PERS OPEB plans for the period January 1 through June 30, 2016 and 7.04 percent of covered payroll for the period July 1 through December 31, 2016. In addition during 2016, the State on-behalf contributions for OPEB for the PERS plans were 1.56 percent of covered payroll for the period January 1 through July 31, 2016 and 0 percent of covered payroll for the period July 1 through December 31, 2016. Employees do not contribute to the DB OPEB plans. City contributions for the PERS DB OPEB plan was \$158,969 for the year ended December 31, 2016.

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 2.73 percent for Peace Officers/Firefighters and 1.90 percent for all others for the period January 1 through June 30, 2016. For the period July 1 through December 31, 2016, DC OPEB rates were 1.67 percent for Peace Officers/ Firefighters and 1.35 percent 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, 2016 thru June 30, 2016, for actual remittance, this amount is calculated as a flat rate for each full time or part-time employee and approximates \$2,005 per year for each full-time employee, and \$1.28 per hour for part-time employees. For the period July 1, 2016 through December 31, 2016, for actual remittance, this amount is calculated as \$2,049 per year for each full-time employee and \$1.31 per hour for part-time employees.

For the year ended December 31, 2016, the City contributed \$78,409 in DC OPEB costs. These amounts were recognized as expense.

CITY OF NORTH POLE, ALASKA

Notes to Basic Financial Statements, Continued

10. CONTINGENCIES

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.

11. SUBSEQUENT EVENT

On November 21, 2016, the North Pole City Council approved a City sales tax rate increase of 1 percent. Effective January 1, 2017, the new City of North Pole sales tax will be 5 percent with a \$10 cap for all applicable transactions after that date.

In February of 2017, the City finalized a settlement with Flint Hills Resources LLC and the State of Alaska in the amount of up to \$100,000,000 to expand the City's Water Utility to provide services to properties affected by sulfolane contamination. Flint Hills Resources LLC is responsible for 80 percent and the State of Alaska is responsible for 20 percent of total costs.



REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY OF NORTH POLE INFORMATION ON THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
December 31, 2016

Year Ended December 31	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.10190000%	\$ 5,695,667	\$ 717,592	\$ 6,413,259	2,696,738	211%	59.5500%
2015	0.09861000%	\$ 4,782,513	\$ 1,280,630	\$ 6,063,143	\$ 2,539,576	188%	63.9600%

Information presented for 2016 is based on Plan Measurement Date. For December 31, 2016 the plan measurement date is June 30, 2016.

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, 2016

Year Ended December 31	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 593,282	\$ 593,282	-	\$ 2,696,738	22%
2015	\$ 558,707	\$ 558,707	-	\$ 2,539,576	22%

Information in this table reports the City's pension contributions to PERS during the last two fiscal years.
The 2016 contribution is reported as a deferred outflow on the December 31, 2016 basic financial statements.

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



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, 2016
with comparative data for 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equity	\$ 1,899,893	1,974,594
Receivables (net of allowance for doubtful accounts of \$-0-)		
Sales taxes	372,503	395,544
Property taxes	7,586	7,312
Business taxes	9,450	11,507
Grants	-	3,679
Other	60,352	44,146
	<u>449,891</u>	<u>462,188</u>
 Total assets	 \$ <u>2,349,784</u>	 <u>2,436,782</u>
 <u>LIABILITIES AND FUND BALANCE</u> 		
Liabilities		
Accounts payable	97,394	140,000
Accrued liabilities	113,933	56,426
Healthcare payable	80,808	70,775
	<u>292,135</u>	<u>267,201</u>
 Fund balance-committed	 268,201	 288,578
Fund balance-assigned	-	-
Fund balance - unassigned	1,789,456	1,881,011
	<u>2,057,658</u>	<u>2,169,589</u>
 Total liabilities and fund balance	 \$ <u>2,349,784</u>	 <u>2,436,782</u>

CITY OF NORTH POLE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended December 31, 2016
with comparative data for 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget Final	Actual		Actual
REVENUES				
Taxes				
Sales, alcohol, and use taxes	\$ 3,361,149	3,327,838	(33,311)	3,282,559
Property taxes	816,680	819,599	2,919	819,274
Total taxes	<u>4,177,829</u>	<u>4,147,437</u>	<u>(30,392)</u>	<u>4,101,833</u>
Business licenses	19,250	19,263	13	16,460
Fireworks permit	12,000	12,000	-	12,000
Charges for services - ambulance service	515,375	493,940	(21,435)	515,985
Federal government				
DOT commercial vehicle safety	-	-	-	-
Alaska Highway Safety Office	-	-	-	-
Corps of Engineers	82,795	78,143	(4,652)	78,370
FEMA grant	-	-	-	7,030
Currency Crimes Task Force and Marijuana Eradication	-	413	413	1,488
Total Federal government	<u>82,795</u>	<u>78,556</u>	<u>(4,239)</u>	<u>86,888</u>
State of Alaska				
State shared revenue	182,636	151,906	(30,730)	226,893
PERS relief	-	124,291	124,291	619,234
Total State of Alaska	<u>182,636</u>	<u>276,197</u>	<u>93,561</u>	<u>846,127</u>
Investment Income	4,235	3,322	(913)	2,609
Other revenues				
Citation revenues	135,000	113,153	(21,847)	97,890
Fingerprinting	18,500	23,660	5,160	14,335
Police reports	1,000	1,078	78	1,100
Fire department revenue	-	3,790	3,790	-
Other public safety revenues	3,800	15,835	12,035	17,178
Fleet reserves revenues	15,264	15,264	-	-
Miscellaneous	20,000	17,268	(2,732)	10,832
Total other revenues	<u>193,564</u>	<u>190,048</u>	<u>(3,516)</u>	<u>141,335</u>
Total revenues	<u>5,187,684</u>	<u>5,220,763</u>	<u>33,079</u>	<u>5,723,237</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, 2016
with comparative data for 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget Final	Actual		Actual
EXPENDITURES				
General government				
Administration				
Salaries and benefits	503,469	495,775	7,694	460,123
Purchased services	126,490	126,077	413	181,873
Operational expenses	60,250	43,772	16,478	34,385
Leases and rentals	5,750	5,527	223	-
Travel, training, and memberships	21,500	15,418	6,082	24,140
Vehicle expenses	2,000	243	1,757	307
Infrastructure outlay	5,000	4,597	403	7,497
Fleet reserves	20,000	16,250	3,750	-
Litigation	100,000	97,830	2,170	-
Other	10,500	4,544	5,956	19,771
	<u>854,959</u>	<u>810,033</u>	<u>44,926</u>	<u>728,096</u>
City Council				
Salaries and benefits	-	16,250	(16,250)	16,450
Purchased services	-	4,955	(4,955)	2,437
Operational expenses	-	2,340	(2,340)	1,368
Travel, training, and memberships	-	4,088	(4,088)	-
Other	-	3,482	(3,482)	3,953
	<u>-</u>	<u>31,115</u>	<u>(31,115)</u>	<u>24,208</u>
Total general government	<u>854,959</u>	<u>841,148</u>	<u>13,811</u>	<u>752,303</u>
Public safety				
Police department				
Salaries and benefits	1,496,375	1,461,027	35,348	1,412,153
Purchased services	239,900	231,443	8,457	264,086
Operational expenses	71,300	55,219	16,081	57,257
Leases and rentals	1,800	1,457	343	-
Travel, training, and memberships	16,500	13,436	3,064	15,602
Vehicle expenses	60,295	51,120	9,175	45,734
Infrastructure outlay	6,000	4,523	1,477	3,218
Fleet reserves	85,905	85,905	-	-
Other	43,500	42,405	1,095	25,894
	<u>2,021,575</u>	<u>1,946,535</u>	<u>75,040</u>	<u>1,823,944</u>
Fire department				
Salaries and benefits	1,642,129	1,579,348	62,781	1,532,325
Purchased services	162,150	151,978	10,172	68,428
Operational expenses	75,498	72,142	3,356	87,121
Travel, training, and memberships	13,212	12,850	362	16,470
Vehicle expenses	35,000	31,005	3,995	33,433
Infrastructure outlay	6,000	5,823	177	427
Fleet reserves	-	-	-	-
Other	7,540	6,677	863	6,718
	<u>1,941,529</u>	<u>1,859,823</u>	<u>81,706</u>	<u>1,744,922</u>
Total public safety	<u>3,963,104</u>	<u>3,806,358</u>	<u>156,746</u>	<u>3,568,866</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, 2016
with comparative data for 2015

	2016		Variance Favorable (Unfavorable)	2015
	Budget Final	Actual		Actual
EXPENDITURES, CONTINUED				
Public works				
Salaries and benefits	\$ 289,986	289,946	40	302,269
Purchased services	96,050	44,507	51,543	84,400
Operational expenses	51,100	45,195	5,905	37,935
Travel, training, and memberships	1,500	98	1,402	-
Vehicle expenses	21,000	11,512	9,488	19,218
Infrastructure outlay	66,850	45,486	21,364	83,841
Fleet reserves	-	8,050	(8,050)	-
Other	109,650	96,811	12,839	86,101
	<u>636,136</u>	<u>541,605</u>	<u>94,531</u>	<u>613,764</u>
Debt service				
Capital lease principal	-	42,696	(42,696)	42,967
Capital lease interest	-	6,596	(6,596)	3,978
	<u>-</u>	<u>49,292</u>	<u>(49,292)</u>	<u>46,945</u>
PERS on-behalf	-	124,291	(124,291)	619,234
	<u>-</u>	<u>124,291</u>	<u>(124,291)</u>	<u>619,234</u>
Total expenditures	<u>5,454,199</u>	<u>5,362,694</u>	<u>91,505</u>	<u>5,601,112</u>
Excess of revenues over (under) expenditures	<u>(266,515)</u>	<u>(141,931)</u>	<u>124,584</u>	<u>122,125</u>
Other financing sources (uses)				
Transfers out	-	-	-	(28)
Transfers in	30,000	30,000	-	25,593
Net other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>25,565</u>
Net change in fund balance	<u>\$ (236,515)</u>	<u>(111,931)</u>	<u>124,584</u>	<u>147,690</u>
Beginning fund balance		<u>2,169,589</u>		<u>2,021,899</u>
Ending fund balance		<u>\$ 2,057,658</u>		<u>2,169,589</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.

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.

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.

CITY OF NORTH POLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2016

	Building Department	North Pole Community Ice Rink	North Pole Festival	Justice	State Forfeitures	Treasury	JAG	Impound Lot	Bed Tax	Total
Cash and cash equity	\$ 181,423	10,843	7,133	61,813	8,879	2,264	-	30,302	26,877	329,534
	\$ 181,423	10,843	7,133	61,813	8,879	2,264	-	30,302	26,877	329,534
Accounts payable	2,595	-	-	-	-	-	-	-	68	2,663
	2,595	-	-	-	-	-	-	-	68	2,663
FUND BALANCES										
Restricted-public safety Assigned	-	-	-	61,813	8,879	2,264	-	-	-	72,956
General government	178,831	-	-	-	-	-	-	-	26,809	205,640
Public safety	-	-	-	-	-	-	-	30,302	-	30,302
Community services	-	10,843	7,133	-	-	-	-	-	-	17,976
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	178,831	10,843	7,133	61,813	8,879	2,264	-	30,302	26,809	326,874
Total liabilities and fund balances	\$ 181,423	10,843	7,133	61,813	8,879	2,264	-	30,302	26,877	329,534

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, 2016

	Building Department	North Pole Community Ice Rink	North Pole Festival	Justice	State Forfeitures	Treasury	JAG	Impound Lot	Bed Tax	Total
REVENUES										
Intergovernmental	-	-	-	-	-	-	35,000	-	-	35,000
Charges for services	149,253	-	-	-	-	-	-	21,504	-	170,757
Investment income	-	-	-	586	457	-	-	-	-	1,043
Other	-	-	1,350	-	-	-	-	-	92,079	93,429
	<u>149,253</u>	<u>-</u>	<u>1,350</u>	<u>586</u>	<u>457</u>	<u>-</u>	<u>35,000</u>	<u>21,504</u>	<u>92,079</u>	<u>300,229</u>
EXPENDITURES										
Excess (deficiency) of revenues over expenditures	<u>228,961</u>	<u>-</u>	<u>3,622</u>	<u>41,619</u>	<u>-</u>	<u>17,315</u>	<u>35,000</u>	<u>794</u>	<u>61,411</u>	<u>388,722</u>
	(79,708)	-	(2,272)	(41,033)	457	(17,315)	-	20,710	30,668	(88,493)
OTHER FINANCING SOURCES (USES)										
Transfers (to) from other funds	-	-	-	-	-	-	-	-	(22,500)	(22,500)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,500)</u>	<u>(22,500)</u>
Net changes in fund balances	(79,708)	-	(2,272)	(41,033)	457	(17,315)	-	20,710	8,168	(110,993)
Beginning fund balances	<u>258,539</u>	<u>10,843</u>	<u>9,405</u>	<u>102,846</u>	<u>8,422</u>	<u>19,579</u>	<u>-</u>	<u>9,592</u>	<u>18,641</u>	<u>437,867</u>
Ending fund balances	<u>178,831</u>	<u>10,843</u>	<u>7,133</u>	<u>61,813</u>	<u>8,879</u>	<u>2,264</u>	<u>-</u>	<u>30,302</u>	<u>26,809</u>	<u>326,874</u>

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, 2016
with comparative data for 2015

	2016	2015
Revenues		
Special assessments	\$ 83,480	123,897
Investment income	33,658	36,579
Bad debt recovery	10,230	-
	127,368	160,476
Expenditures - debt service		
2005 Series B - G.O. bonds		
Principal	-	65,000
Interest	-	1,625
Total 2005 Series B-G.O. bonds	-	66,625
2002 special assessment bonds		
Principal	13,934	13,318
Interest	14,936	3,572
Total 2002 special assessment bonds	28,870	16,890
2012 Series 2 refunding bonds		
Principal	65,000	-
Interest	36,550	36,550
Total 2012 Series 2 refunding bonds	101,550	36,550
Other fees and expenses	1,058	1,663
Total expenditures	131,478	121,728
Excess of revenues over (under) expenditures	(4,110)	38,748
Other financing sources (uses)		
Transfers (to) from other funds	-	-
Net changes in fund balance	(4,110)	38,748
Beginning fund balance	316,798	278,050
Ending fund balance	\$ 312,688	316,798

MAJOR ENTERPRISE FUND

An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprise – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Enterprise Fund

This fund accounts for the operations of the water and sewer system.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equity	\$ 995,492	1,409,430
Receivables		
Grants	268,920	92,063
Accounts	240,647	236,897
Allowance for doubtful accounts	(45,959)	(45,959)
Total current assets	1,459,100	1,692,431
NONCURRENT ASSETS		
Property, plant and equipment	52,137,557	49,472,805
Less accumulated depreciation	(30,540,158)	(28,817,212)
Total property, plant and equipment	21,597,399	20,655,593
Restricted cash	115,235	129,541
DEFERRED OUTFLOWS	97,423	118,181
Total assets	\$ 23,269,157	22,595,746
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	133,181	111,858
Accrued liabilities	66,983	47,073
Customer deposits	40,052	34,834
Unearned revenues	18,793	53,799
Current portion of bond and note payable	64,553	63,540
Total current liabilities	323,562	311,104
BOND AND NOTES PAYABLE, less current portion	1,436,851	1,401,852
Total liabilities	1,760,413	1,712,956
PERS PENSION LIABILITY - EMPLOYER PORTION	671,063	597,374
DEFERRED INFLOWS	7,480	10,576
<u>NET POSITION</u>		
Net investment in capital assets	20,095,998	19,190,202
Unrestricted	734,203	1,084,638
Total net position	20,830,201	20,274,840
Total liabilities and net position	\$ 23,269,157	22,595,746

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Water	\$ 842,176	871,492
Sewer	742,552	731,651
	1,584,728	1,603,143
OPERATING EXPENSES		
Water		
Salaries and benefits	235,946	209,937
Purchased services	53,370	57,458
Operational expense	146,131	188,904
Travel training, and memberships	2,685	1,949
Vehicle expense	7,167	13,125
Infrastructure	18,284	4,176
Depreciation	603,031	616,022
Other	660	55,433
	1,067,274	1,147,004
Sewer		
Salaries and benefits	346,454	260,006
Purchased services	80,933	77,606
Operational expense	111,415	131,639
Travel training, and memberships	2,002	1,312
Vehicle expense	5,299	26,215
Infrastructure	24,040	1,116
Depreciation	1,119,915	1,144,041
Other	73,084	152,548
	1,763,142	1,794,483
Operating loss	(1,245,688)	(1,338,344)
NONOPERATING REVENUES (EXPENSES)		
Alaska Clean Water Loan debt forgiveness	-	31,763
State of Alaska PERS relief	16,600	82,437
State of Alaska PERS on-behalf payment	(16,600)	(82,437)
Interest expense	(32,422)	(42,960)
	(32,422)	(11,197)
Loss before contributions and transfers	(1,278,110)	(1,349,541)
Interfund transfer in (out)	(7,500)	-
Capital contributions	1,840,971	363,556
	1,840,971	363,556
Changes in net position	555,361	(985,985)
Beginning net position	20,274,840	21,260,825
Ending net position	\$ 20,830,201	20,274,840

See notes to financial statements.

CITY OF NORTH POLE
WATER AND SEWER ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,404,121	2,092,034
Cash paid to suppliers	(706,308)	(1,003,482)
Cash paid to employees	(298,366)	(316,523)
Net cash provided (used) by operating activities	<u>399,447</u>	<u>772,029</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	(7,500)	-
	<u>(7,500)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to property, plant, and equipment	(2,664,752)	(412,975)
Proceeds of long term debt	99,543	18,644
Capital contributions received	1,840,971	363,556
Payment of revenue bond principal and interest	(95,953)	(105,530)
Net cash provided (used) by capital and related financing activities	<u>(820,191)</u>	<u>(136,305)</u>
Net increase (decrease) in cash	(428,244)	635,724
CASH AND CASH EQUIVALENTS, January 1	<u>1,538,971</u>	<u>903,247</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 1,110,727</u>	<u>1,538,971</u>
Cash and cash equivalents at end of year:		
Cash and cash equity	995,492	1,409,430
Restricted cash	115,235	129,541
	<u>\$ 1,110,727</u>	<u>1,538,971</u>
Operating loss	(1,245,688)	(1,338,344)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,722,946	1,760,063
Loss on disposal of assets	-	2,806
Unfunded PERS liability	91,351	121,546
Decrease (increase) in:		
Receivables	(180,607)	488,891
Increase (decrease) in:		
Accounts payable	21,323	(244,149)
Accrued liabilities	19,910	3,790
Customer deposits	5,218	1,907
Unearned revenues	(35,006)	(24,481)
Net cash provided (used) by operating activities	<u>\$ 399,447</u>	<u>772,029</u>
NONCASH FINANCING ACTIVITIES		
Loan debt forgiveness	<u>\$ -</u>	<u>31,763</u>

See notes to financial statements.

SINGLE AUDIT SECTION





KOHLER, SCHMITT & HUTCHISON
A Professional Corporation

Certified Public Accountants

714 4th Avenue, Suite 303 • (907) 456-6676 • Fax 456-6431
P.O. Box 70607, Fairbanks, Alaska 99707-0607 • ksh@kshcpa.com

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

Honorable Mayor and
Members of the City Council
City of 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, 2016, and the related notes to the financial statements, which collectively comprise the City of North Pole, Alaska's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of 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 the City of North Pole, Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 – 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. The 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
June 29, 2017





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, 2016. 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 for the year ended December 31, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Fairbanks, Alaska
June 29, 2017



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

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant ID Number</u>	<u>Expenditures</u>
<u>Alaska Department of Administration</u>		
Public employees retirement system on behalf payment*	N/A	\$ 140,891
Total Alaska Department of Administration		<u>140,891</u>
 <u>Alaska Department of Commerce, Community & Economic Development</u>		
Community Revenue Sharing Program*	N/A	125,388
North Pole Archival System	14-DC-112	22,151
100 Foot Aerial Platform	14-DC-109	1,284
Mixing Zone Compliance Plan*	15-DC-114	199,752
Redesign of City Hall and Police Station	15-DC-16	25,984
Strategic Community Plan	15-DC-117	22,543
Prepare a Comprehensive Strategic Community Plan	15-RR-006	29,382
Total Alaska Department of Commerce, Community & Economic Development		<u>426,484</u>
 <u>Alaska Department of Environmental Conservation</u>		
Lift Station Rehabilitation, Phase III*	63324	1,655,820
Total Alaska Department of Environmental Conservation		<u>1,655,820</u>
 <u>Alaska Department of Revenue</u>		
Electric and Telephone Co-op Tax	N/A	18,422
Liquor Licenses	N/A	7,900
Fisheries Business Tax	N/A	196
Total Alaska Department of Revenue		<u>26,518</u>
Total State Financial Assistance		<u>\$ 2,249,713</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, 2016. 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, 2016

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

State Financial Assistance

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	___X___ None Reported

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

CITY OF NORTH POLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001 Year-end fixed asset accounting

Condition: The year-end schedules to support the general ledger balances were substantially better than in prior years, and the general government and water and sewer grant accounting was much improved. However, additional effort is needed to eliminate deficiencies in the fixed asset schedules, and the general ledger accounting for asset additions. The fixed asset records require updating for asset additions and deletions, and they need to be rolled forward from the prior year, so current year depreciation is calculated properly. The water and sewer general ledger should reflect the asset additions and deletions; construction in progress; and grant funded assets should be recorded as a capital contribution. Assets funded from utility retained earnings should be recorded in the water and sewer funds as fixed assets.

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

Context: The additions and deletions to the depreciation schedules were provided by the client, but the accounting and calculations were not correct.

Cause: The City did not adjust the records at year-end.

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 audit adjustments.

Recommendation: Additional effort is needed at year end to ensure these important year-end adjustments are made.

Grantee response: See corrective action plan

CITY OF NORTH POLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year ended December 31, 2016

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

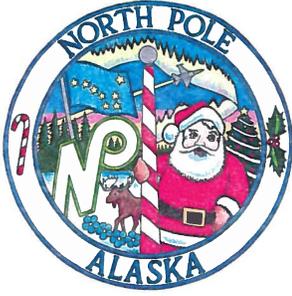
CITY OF NORTH POLE, ALASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2016

Finding: 2015-001, Year-end accounting for the Capital and certain non-major funds.

Improvements were made by City accounting staff in closing the books and adjusting the general ledger. Significant deficiencies remain with applying generally accepted accounting principles to fixed asset schedules and the water and sewer general ledger.

Finding: 2015-002, Schedule of state financial assistance.

The City did not prepare the schedule of state financial assistance in 2015. However, the City did prepare a schedule of state financial assistance in 2016.



CITY OF NORTH POLE

Alaska

"Where the Spirit of Christmas Lives Year Round"

125 Snowman Lane • North Pole, Alaska 99705-7708
E-mail: mayor@northpolealaska.com • Website: www.northpolealaska.com

CITY OF NORTH POLE CORRECTIVE ACTION PLAN Year ended December 31, 2016

City Hall
907-488-2281
Fax: 907-488-3002

Mayor
907-488-8584

City Clerk
907-488-8583

Police
Department
907-488-6902

Fire
Department
907-488-2232

Utilities
907-488-6111

Director of
City Services
907-488-8593

Finance
907-488-8594

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 – YEAR-END FIXED ASSET ACCOUNTING

Name of Contact Person: Mayor, Bryce J Ward

Corrective Action: Management has implemented new internal controls to ensure proper asset accounting according to GAAP. Management has also provided training to personnel to ensure that the expertise is required to manage the asset records according to governmental rules and regulations. The city has also contracted for independent third party counsel to review our year end closing in preparation for the audit and to ensure our fixed asset tables are correct.

Proposed Completion Date: December 31, 2017