Fairbanks North Star Borough, Alaska
General Obligation School Bonds, 2008 Series L
$11,128,000

Dated: Date of delivery

Due: November 1, as shown on inside cover

Book-Entry Only

Ratings:	**Insured:**	Fitch Ratings: AAA	Standard & Poor's: AAA
	Uninsured:	Fitch Ratings: A+	Standard & Poor's: A+

Tax Exemption: Interest on the Bonds is excludable from gross income for federal income tax purposes. Page 4

Redemption: The Bonds are subject to redemption prior to their stated date of maturity. Page 1.

Security: To secure payment of the Bonds, the Borough has covenanted that, unless the principal of and interest on the Bonds are paid from other sources, it will levy taxes annually without limitation as to rate or amount upon all property within the Borough subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due. Page 2.

The Bonds are eligible for reimbursement of 70 percent of debt service from the State of Alaska. Page 12

Purpose: The Bonds will be used to finance school improvements in the Borough. Page 11.

Interest Payment Dates: May 1 and November 1, beginning November 1, 2008, and according to the schedules shown on inside cover.

Sale: January 8, 2008.

Closing: On or about January 25, 2008.

Denominations: $5,000 or multiple thereof, except for one bond of $8,000 maturing in 2008.

Registrar/Paying Agent: U.S. Bank National Association, Seattle, Washington

Bond Counsel: K&L Preston Gates Ellis LLP, Seattle, Washington.

Borough Attorney: René Broker, Fairbanks, Alaska.

Financial Advisor: Bartle Wells Associates, Berkeley, California.

Bond Insurer: The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp.

This official statement is dated January 8, 2008.

Syndicate Led by Robert W. Baird & Co., Inc.

Griffin, Kubik, Stephens & Thompson, Inc.
Charles Schwab
Coastal Securities, Inc.
Davenport & Co. L.L.C.
Stifel, Nicolaus & Company, Inc.
Hutchinson, Shockey, Erley & Co.
KeyBanc Capital Markets
Loop Capital Markets

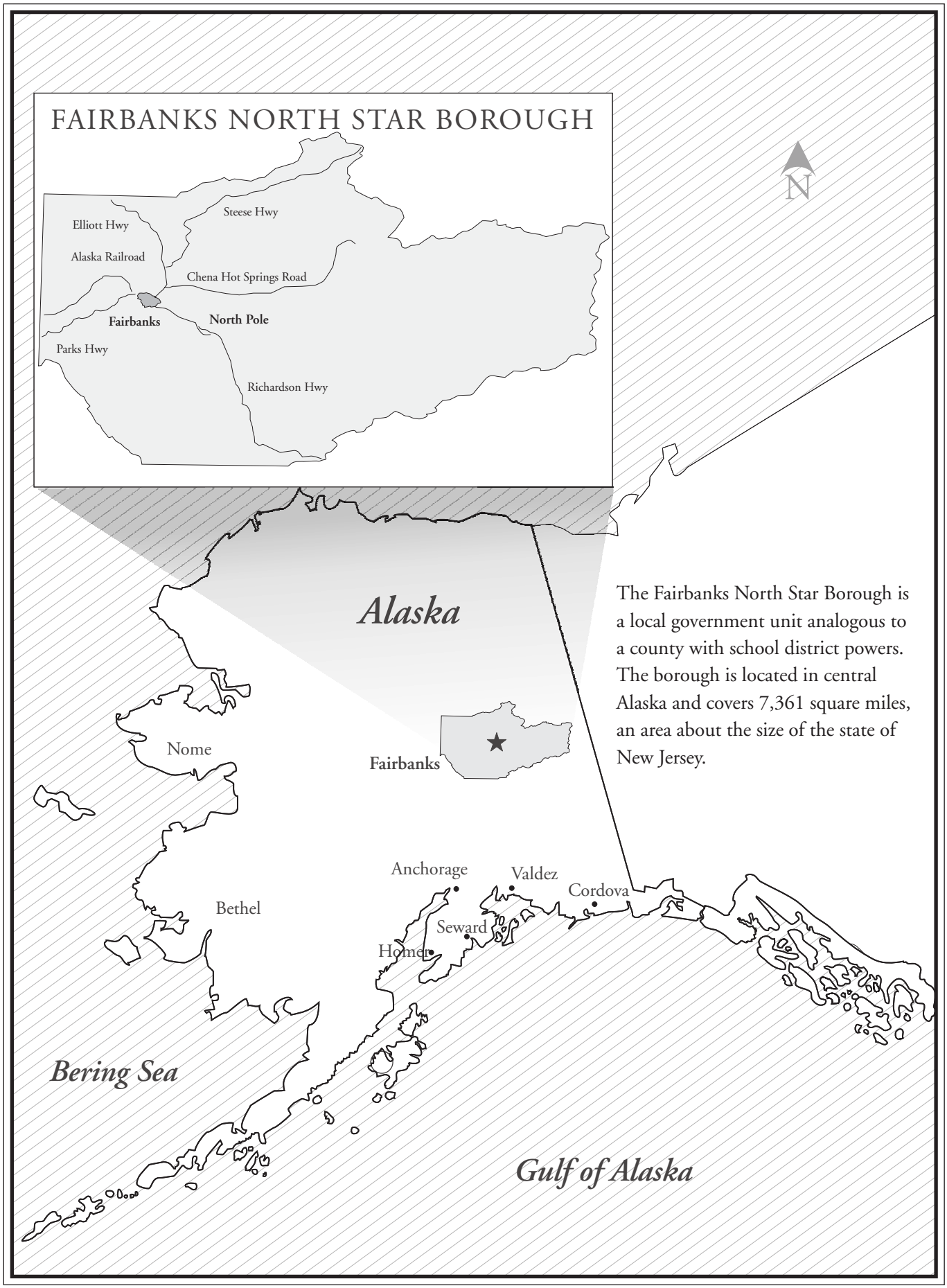
Maturity Schedule

2008 Series L

Year Nov. 1	Principal Amount	Interest Rate	Yield	CUSIP 303531	Year Nov. 1	Principal Amount	Interest Rate	Yield	CUSIP 303531
2008	$248,000	3.5000%	2.8600%	XY8	2017*	$525,000	3.8750%	3.6000%	YH4
2009	385,000	3.5000%	2.8300%	XZ5	2018*	550,000	4.0000%	3.7400%	YJ0
2010	400,000	3.5000%	2.8800%	YA9	2019*	575,000	4.0000%	3.8200%	YK7
2011	415,000	3.5000%	2.9600%	YB7	2020*	600,000	4.0000%	3.8800%	YL5
2012	430,000	3.5000%	3.0500%	YC5	2021*	630,000	4.0000%	3.9400%	YM3
2013	445,000	3.5000%	3.1300%	YD3	2022	660,000	4.0000%	4.0000%	YN1
2014	465,000	3.5000%	3.2000%	YE1	2023	690,000	4.0000%	4.0600%	YP6
2015	485,000	3.6250%	3.3000%	YF8	2024	725,000	4.0000%	4.1200%	YQ4
2016	505,000	3.6250%	3.4500%	YG6	2025	760,000	4.1250%	4.1800%	YR2

$1,635,000 Rate 4.5000% Term Bonds Due November 1, 2027* Yield 4.2500% YT8

*Priced to 11/01/2016 Call Date



The Fairbanks North Star Borough is a local government unit analogous to a county with school district powers. The borough is located in central Alaska and covers 7,361 square miles, an area about the size of the state of New Jersey.

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Official Statement
Fairbanks North Star Borough, Alaska

Mail: PO Box 71267
Fairbanks, Alaska 99707-1267
Location: 809 Pioneer Road
Fairbanks, Alaska 99701-2813

Incorporated January 1964

Jim Whitaker, *Mayor*

Borough Assembly Members

Luke Hopkins
Randy Frank
Guy Sattley
Tim Beck
Kelly Brown
Nadine Winters, *Presiding Officer*
Mike Musick
Charlie Rex
Victoria Foote, *Deputy Presiding Officer*
Mona Lisa Drexler, *Borough Clerk*

School Board Members

Jennifer Schmidt *Treasurer*
Leslie Hajdukovich *President*
Kristina Brophy *Member*
Sue Hull, *Member*
Sharon McConnell Gillis, *Vice-President*
Wendy Dominic, *Clerk*
Howard Thies, *Member*
Aunna Wilson, *Student member*
Charles Rogers, *Base Representative*
LTC Ron Johnson, *Post Representative*

Borough Administration

Bob Shefchik, *Chief of Staff*
Michael E. Lamb, *Chief Financial Officer*
A. René Broker, *Borough Attorney*

Professional Services

K&L Preston Gates Ellis LLP, Seattle, *Bond Counsel*
Bartle Wells Associates, Berkeley, *Financial Advisor*
U.S. Bank National Association, Seattle, *Registrar/Paying Agent*

This official statement provides information about the Borough and its bonds. The official statement includes:

1. data supplied by the Borough and by others, as indicated herein;
2. estimates or projections, which may or may not be realized and which should not be construed as assertions of fact; and
3. summaries and descriptions of legal and financial documents, or their contents, which do not purport to describe such documents completely and which are made expressly subject to the full provisions of the documents cited.

This official statement does not constitute a recommendation, express or implied, to purchase or not to purchase these bonds or any other previous bonds of the Borough.

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Appendix A – Basic Financial Statements, June 30, 2006

Appendix B – Book Entry System

Appendix C – Continuing Disclosure Undertaking

Appendix D – Form of Bond Counsel Opinion

Appendix E – Bond Insurance and Financial Guaranty Insurance Policy

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THE BONDS

Description: Fairbanks North Star Borough
General Obligation School Bonds
$11,128,000 2008 Series L Bonds

Date: Date of delivery

Denomination: $5,000 or multiples thereof, except for one $8,000 bond maturing in 2008.

Maturities: The Bonds are payable November 1, 2008 through November 1, 2027 in the amounts shown on the inside cover of this official statement.

Interest: Interest is payable on May 1 and November 1 of each year to the respective dates of maturity, beginning November 1, 2008.

Registrar / Paying Agent: The paying agent and registrar for the Bonds is U.S. Bank National Association, Seattle, Washington.

Payment: The Bonds will be executed, sold, and delivered in fully registered form, without coupons. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, as the initial securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers of the Bonds will not receive certificates representing their ownership interests in the Bonds purchased. Principal and interest payments with respect to the Bonds are payable directly to DTC by the paying agent. Upon receipt of such payments of principal and interest, DTC in turn is obligated to distribute such payments to the beneficial owners of the Bonds. See Appendix B - "Book-Entry System."

Optional Redemption: Bonds maturing on or before November 1, 2014 are not subject to optional redemption prior to maturity. Bonds maturing on or after November 1, 2015 are subject to redemption at the option of the Borough on any date on or after November 1, 2015, as a whole or in part, from any source of available funds, at the following redemption prices (expressed as a percentage of the principal amount of the Bonds to be prepaid), plus accrued interest to the date of redemption:

Redemption Period	Redemption Price
From November 1, 2015 through October 31, 2016	100.5 percent of par
On or after November 1, 2016	100.0 percent of par

Mandatory Redemption: The Bonds maturing on November 1, 2027 are subject to mandatory redemption in part by lot on November 1 in each year commencing November

1, 2026 at the principal amount thereof plus accrued interest thereon to the date fixed for redemption in accordance to the following schedule:

Term Bonds Maturing November 1, 2027

2026.....$800,000
2027.....835,000

Authority for Issuance

The Bonds will fund $11,128,000 in school improvements out of a total of $23,128,000 authorized by Ordinance 2006-41 and Ordinance 2007-76, approved by Borough voters on October 3, 2006.

Additional Bonds

This issue completes the authorization for bond issuance under Ordinance 2006-41 and Ordinance 2007-76, approved by Borough voters on October 3, 2006; $12,000,000 in Series J Bonds were previously sold on January 24, 2007.

The School Board is planning to ask the Borough to put a general obligation bond proposition before the Borough's voters in October 2008. The Borough cannot predict the amount of the bond authorization that will be requested or whether voters will approve the authorization.

Purpose

Proceeds of the Bonds will be used to finance capital improvements for Borough school facilities, as more fully described in the section “The Construction Program.”

Security

The Bonds are general obligations of the Borough. To secure payment of the Bonds, the Borough has covenanted that, unless the principal of and interest on the Bonds are paid from other sources, it will levy taxes annually without limitation as to rate or amount upon all property within the Borough subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due.

The State of Alaska partially reimburses municipalities for debt service on bonds issued for State-approved school construction projects. All project costs financed by the Bonds are eligible for this reimbursement. The State of Alaska, acting through the Department of Education and Early Development (DEED), will reimburse the Borough 70% of the principal and interest on the Bonds. State reimbursement payments are subject to annual appropriation by the Alaska legislature.

See “State Aid to Education.”

The following table shows the projected annual debt service by fiscal year for the Bonds.

■ **Fairbanks North Star Borough**
General Obligation Bonds
2008 Series L
Debt Service Schedule With DEED Reimbursement

	1-Nov		1-May		Total	DEED Eligible
Fiscal Year Ending	Interest	Principal	Interest	Coupon		70.00%
2008	$0.00	$0	$0.00	N/A	$0.00	$0
2009	334,217.79	248,000	213,628.13	3.5000%	795,845.92	557,092.14
2010	213,628.13	385,000	206,890.63	3.5000%	805,518.75	563,863.13
2011	206,890.63	400,000	199,890.63	3.5000%	806,781.25	564,746.88
2012	199,890.63	415,000	192,628.13	3.5000%	807,518.75	565,263.13
2013	192,628.13	430,000	185,103.13	3.5000%	807,731.25	565,411.88
2014	185,103.13	445,000	177,315.63	3.5000%	807,418.75	565,193.13
2015	177,315.63	465,000	169,178.13	3.5000%	811,493.75	568,045.63
2016	169,178.13	485,000	160,387.50	3.6250%	814,565.63	570,195.94
2017	160,387.50	505,000	151,234.38	3.6250%	816,621.88	571,635.31
2018	151,234.38	525,000	141,062.50	3.8750%	817,296.88	572,107.81
2019	141,062.50	550,000	130,062.50	4.0000%	821,125.00	574,787.50
2020	130,062.50	575,000	118,562.50	4.0000%	823,625.00	576,537.50
2021	118,562.50	600,000	106,562.50	4.0000%	825,125.00	577,587.50
2022	106,562.50	630,000	93,962.50	4.0000%	830,525.00	581,367.50
2023	93,962.50	660,000	80,762.50	4.0000%	834,725.00	584,307.50
2024	80,762.50	690,000	66,962.50	4.0000%	837,725.00	586,407.50
2025	66,962.50	725,000	52,462.50	4.0000%	844,425.00	591,097.50
2026	52,462.50	760,000	36,787.50	4.1250%	849,250.00	594,475.00
2027	36,787.50	800,000	18,787.50	4.5000%	855,575.00	598,902.50
2028	18,787.50	835,000	0.00	4.5000%	853,787.50	597,651.25
	$2,836,449.04	$11,128,000	$2,502,231.25		$16,466,680.29	$11,526,677

Continuing Disclosure

In the Bond Ordinance, the Borough has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Borough. See Appendix C, “Continuing Disclosure Undertaking." The Borough entered into similar written undertakings under Securities and Exchange Commission Rule 15c2-12(b)(5) with respect to all of its other bonds subject to the Rule. The Borough has complied with these undertakings.

Approval of Legal Proceedings

Legal matters incident to the authorization and issuance of the Bonds are subject to the approval of K&L Preston Gates Ellis LLP, Bond Counsel, whose approving legal opinion in substantially the form attached herein as Appendix D, will be delivered with the Bonds.

Tax Exemption

In the opinion of Bond Counsel, assuming compliance with certain covenants of the Borough, interest on the Bonds is excludable from gross income for federal income tax

purposes and is not an item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Bonds and the facilities financed or refinanced with proceeds of the Bonds and certain other matters. The Borough has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the Borough comply with the above-referenced covenants and, in addition, will rely on representations by the Borough and its advisors with respect to matters solely within the knowledge of the Borough and its advisors, respectively, which Bond Counsel has not independently verified. If the Borough fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and on the Borough's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Borough as the taxpayer, and the owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Qualified Tax-Exempt Obligations: The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Absence of Litigation

There is no action, suit, or proceeding of any nature now pending or, to the knowledge of the Borough, threatened to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or in any way contesting the validity of the Bonds or any proceedings of the Borough taken with respect to the sale or issuance thereof, or the pledge or application of any money or security provided for the payment of the Bonds, or the existence or powers of the Borough. Lawsuits and other claims incidental to the ordinary course of operations of the Borough are largely covered by the Borough's self-insurance designation on fund balance, claim accruals and reserves, and insurance purchased from private insurers and will not have a materially adverse effect upon the financial position of the Borough in the opinion of the Borough's management and, with respect to litigation, the Borough Attorney.

Upon delivery of the Bonds, the Borough will furnish a certificate, in a form satisfactory to Bond Counsel, to the effect that, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting the validity or enforceability of the Bonds or the Bond Ordinance.

Purchaser of the Bonds

The Bonds are being purchased by Robert W. Baird and Co., Inc. (the "Purchaser") at a price of $11,128,000, and will be reoffered at a price of $11,236,816.99. The applicable prices or yields are set forth on the inside cover of this Official Statement. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering price set forth on the inside cover hereof, and such initial offering price may be changed from time to time, by the Purchaser. After the initial public offering, the public offering price may be varied from time to time.

Bond Insurance Policy

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on this bond to U.S. Bank National Association, as paying agent on behalf of the holders of the Bonds (the "Paying Agent"). Such policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

Ratings

Fitch Ratings and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., have assigned underlying municipal bond ratings of AAA and AAA respectively, to the Bonds, with the understanding that upon delivery of the Bonds a policy insuring the payment of principal of and interest on the Bonds will be issued by Assured Guaranty Corporation.

In addition, Fitch Ratings and Standard & Poor's Rating Services have assigned underlying ratings of A+ and A+ respectively to the Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, 650 California Street, San Francisco, California 94108; and Standard & Poor's, Steuart Tower, Suite 1500, One Market, San Francisco, CA, United States, 94105. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Miscellaneous

The summaries or descriptions of provisions of the Bond Ordinances, and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof. They do not constitute complete statements of such documents or provisions and reference is hereby made to the complete documents relating to such matters. For further information, the Borough will furnish copies of such documents or provisions upon request.

At the time of payment for and delivery of the Bonds, the Borough will provide a certificate executed by the proper officer of the Borough to the effect that to the best of his knowledge and belief the statements in the official statement as of its date are true and correct in all material respects and the official statement does not contain any untrue

statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they were made, not misleading.

Execution of the Official Statement

The execution and delivery of this official statement on behalf of the Borough by its Chief Financial Officer has been duly authorized by the Borough Assembly.

/s/ Michael E. Lamb
Michael E. Lamb, CPA, CGFM
Chief Financial Officer

FAIRBANKS NORTH STAR BOROUGH

Organization

The Borough is a second-class borough, incorporated in 1964 under the laws of the State of Alaska. An organized borough is a unit of regional local government similar to a combination of a county and a school district. A borough generally encompasses a large geographical area and may include incorporated cities and fringe urbanized areas. All areas of the State not within an organized borough constitute a single unorganized borough, which is administered by the State.

Alaska has three classes of boroughs: first, second, and third. They differ in the mandatory and optional powers and duties they assume. Each organized borough is also a school district and is required to establish, maintain, and operate a system of public schools on an areawide basis. Areawide functions are exercised by a borough both inside and outside cities. Each organized borough is responsible for the property assessment and collection of all property taxes levied within its boundaries. First- and second-class boroughs are also responsible for areawide planning, platting, and zoning. Boroughs differ from counties in most states in that the boroughs are not responsible for court and state law enforcement functions, welfare, recording of deeds, or major highway construction and maintenance, which are state responsibilities in Alaska.

The Borough's governing body is a nine-member assembly. Assembly members are elected at large for staggered three-year terms. The assembly elects one of its members annually to serve as presiding officer. Assembly members are limited to two consecutive three-year terms. The Borough's chief executive officer is the mayor, who is elected for a three-year term. The mayor has no vote, but may participate in assembly meetings, introduce legislation and veto assembly actions. The mayor is also limited to two consecutive three-year terms. The Borough is organized into administrative departments, each supervised by a department head. A chief of staff, appointed by the mayor, serves as the Borough's chief administrator.

Jim Whitaker was elected Borough mayor in October 2003. He was re-elected to another three-year term in October 2006. From 1995 to 1998, he served on the Fairbanks City Council. From 1999 to 2003, he served in the Alaska State House of Representatives. While in the State House of Representatives, Mr. Whitaker sat on numerous committees, and chaired the Special Committee on Oil and Gas as well as several finance subcommittees. Mr. Whitaker received a degree in journalism from the University of Oregon.

Michael Lamb is the chief financial officer (CFO) of the Borough. He received a degree in Business Administration from the University of Washington and is a Certified Public Accountant and a Certified Government Financial Manager. He has over 17 years' experience as a chief financial officer for municipalities and has served as the Borough's CFO for the last 9½ years. Prior to that, for almost 9 years, Michael was the CFO for the City of St. Paul, Alaska. He is very active in professional organizations and currently serves as a Board Member and President of the Alaska Municipal League Investment Pool and is a co-chair for the Alaska Municipal League Revenue and Finance Legislative

Subcommittee. Michael is also a past president of the Alaska Government Finance Officers Association.

Responsibilities

As a second-class borough, the Borough may acquire additional powers after voter approval or, where authorized by statute, by adoption of an ordinance. Any areawide power assumed by a borough must be exercised inside and outside cities.

Mandatory Areawide Responsibilities:
Assessment and tax collection
Education
Planning, platting, and zoning

Other Areawide Responsibilities Exercised by the Borough:
Air pollution control
Animal control
Child care assistance
Disaster and civil defense
Emergency communications (enhanced 911)
Flood control
Libraries
Limited health and social services
Parks and recreation
Public transportation
Solid waste disposal

Areawide hospital powers have been voter approved; however, this power has not been exercised except to previously provide conduit financing for the hospital.

The Borough also provides fireworks control, emergency medical services, and economic development on a non-areawide basis, outside the cities of North Pole and Fairbanks, and on an area-wide basis under an MOU with the two cities. The Borough provides solid waste collection services outside of the City of Fairbanks, which provides its own solid waste collection service.

The Borough may also establish service areas outside the cities either upon petition by property owners or the introduction of an ordinance, followed by assembly and voter approval. Service areas are smaller units within the Borough boundaries, created to provide certain services or different levels of service. The Borough may levy additional taxes within service areas and disburse them for payment for services within that area. Service areas may be formed to provide any municipal service not otherwise exercised on an areawide or non-areawide basis, such as road construction and maintenance, street lighting, fire protection, and water and sewer service. Commissioners, appointed by the mayor and confirmed by the assembly, oversee the affairs of service areas. The administrative management is the responsibility of the Borough's divisions of rural services and emergency management. The assembly approves service area budgets and tax levies. There are currently over 100 service areas within the Borough.

Cities

The Borough includes two cities within its boundaries, Fairbanks and North Pole. The cities provide complementary municipal functions within their boundaries. In Fairbanks, these services include police and fire protection, emergency medical services, parking, roads, and solid waste collection services. In North Pole, they include police and fire protection, emergency medical services, roads, and water and sewer services.

Relation to the School District

One of the Borough's mandatory duties is to provide for elementary and secondary education. The Borough shares responsibility for the education system with the elected school board. The Borough provides local funding and facilities, while the school board provides management and operations. The Borough and school district each have their own administrative and finance departments. The Borough's public works department manages the construction, renovation, and major maintenance of school facilities, in addition to its own facilities.

By April 1 of each year, the school district adopts its annual fiscal year budget and submits it to the assembly. One revenue source in the school district budget is a lump-sum Borough appropriation. The assembly is required to determine the minimum local funding within 30 days of receipt of the school district budget. The assembly holds hearings on its own budget and determines its appropriation for education, as part of the Borough's annual operating budget. Upon adoption of the budget, the assembly establishes the local property tax mill rate to provide the funds required for Borough operation and the local contribution to education.

The Borough assembly also approves the borrowing of funds and the issuance of bonds for school projects. Debt incurred for the construction of school facilities is a Borough responsibility. All land and school buildings are owned and accounted for by the Borough and are provided to the school district without charge. Schools located on military bases are operated by the school district through agreements with the State and U.S. Department of Education. The Borough has assumed ownership of on-base schools.

FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT

Organization

The school district operates a public school system under a seven-member elected school board pursuant to Title 14 Alaska Statutes ("AS"). The board also includes, as appointed advisory voting members, a base representative from Eielson Air Force Base, a post representative from Fort Wainwright, and a student representative. The superintendent of schools carries out goals and objectives set by the school board. Other principal officials of the school district include assistant superintendents of elementary instruction and supervision, secondary instruction and supervision, chief financial officer, and departmental directors.

Responsibilities

The school board oversees the curricular and administrative functions of all schools currently operating within the district, including schools located on Fort Wainwright and Eielson Air Force Base. All schools are operated with a combination of local, state, and federal funds.

Enrollment and Facilities

The following inset shows public school enrollments for the last five school years as provided by the school district. Enrollments include students at both in-town schools and on-base schools. Student enrollments have dropped for the past five years, particularly at the elementary level. Data from the latest student counts show increases in both kindergarten and first grade indicating a stabilization of student enrollment.

Fiscal Year	Actual	Projected
2003/04	14,593	15,080
2004/05	14,576	14,316
2005/06	14,516	14,588
2006/07	14,466	14,598
2007/08	14,230	14,443

The school district operates nineteen elementary schools, nine secondary schools, three charter schools, a correspondence study program for both elementary and secondary students, and various alternative programs. Three of those elementary schools and one of the secondary schools are located on military installations.

The school district employs 2,130 people.

THE CONSTRUCTION PROGRAM

Proceeds of the Bonds will be used for construction, renovation, and upgrade of schools in the Borough, as summarized in Table 1 and described below.

In October 2006, the voters approved a program for capital maintenance and upgrades to school facilities throughout the Borough, including mechanical, lighting and sprinkler system upgrades, roof repairs and replacements, and Americans with Disabilities Act and other code required updates.

District-wide projects, including technology, interior and exterior facilities upgrades, and maintenance projects, are ongoing. Many projects have been completed. Projects approved in 2006 will be completed in 2007 through 2008.

Table 1 ■ Fairbanks North Star Borough School Construction Program

Projects	Estimated Project Cost	Project Status
Approved in 2006		
District-wide capital maintenance and upgrades	$5,737,000	under design
Barnette Elementary School and Ryan Middle School	5,391,000	under design
Total	$11,128,000	

Source: Prepared by Bartle Wells Associates from information supplied by the Borough

- **District-wide Improvements:** The Project consists of a program for capital maintenance and upgrades to Borough school facilities, including roof, flooring, and siding replacements, upgrading classroom and auditorium facilities, and safety and site improvements, to Weller, Pearl Creek, University Park and Woodridge Elementary Schools, North Pole Middle School, and Lathrop, West Valley, and North Pole High Schools.
- **Revovation Projects for Barnette Elementary School and Ryan Middle School:** The Project consists of (i) Phase II of the renovation of Barnette Elementary School, including asbestos abatement, upgrades to mechanical, lighting, and electrical systems, replacing siding, roofing, and other exterior improvements, remodeling interior spaces to serve education program requirements, and (ii) Phase I of the renovation of Ryan Middle School, including design and planning for renovation of the entire building and beginning the interior refurbishments and remodeling and exterior upgrades.

The district-wide improvement projects and renovation projects described above have received the state DEED approvals. See “State Aid to Education.”

STATE AID TO EDUCATION

The State of Alaska has a central role in financing education. The State provides assistance for school construction through both direct grants and partial reimbursement of debt service on local bonds for State-approved school projects. The State also provides aid to local school districts for operating expenses through the public school foundation program.

School Debt Service Reimbursement

The State contributes to local school construction and related debt retirement through a program created by the state legislature in 1970, AS 14.11.100 (as amended), "State Aid for Costs of School Construction Debt." The program reimburses municipalities that are school districts for a portion of the costs of school construction. State reimbursement applies to debt service on locally issued school bonds.

Funds to provide state aid to school construction must be appropriated to the school construction account annually by the Alaska legislature. Appropriations may not always be sufficient to fully fund the level of payments authorized by statute. If amounts in the account are insufficient to fully fund the program in any year, the available funds are distributed pro rata among the eligible local governments. Actual state reimbursements have varied from year to year. Reimbursements have been 100 percent of entitlement in each fiscal year since 1991/92.

Under the State's program of debt service reimbursement for school construction, the level of reimbursement eligibility has varied since the program began. Currently school construction projects approved by DEED are eligible for 70 percent debt service reimbursement. Other projects are eligible for 60 percent debt service reimbursement. See Table 2 below for the level of reimbursement applicable to the Borough's outstanding bonds.

Costs of school construction eligible for reimbursement include the cost of acquiring, constructing, enlarging, repairing, remodeling, equipping, or furnishing public elementary, secondary, and other school buildings. Costs include the costs of financing and carrying out the project, such as studies, surveys, plans, and specifications; architectural, engineering, or other services; site acquisition, preparation, and development; financing costs including bond interest; insurance; and fees and expenses of legal advisors, trustees, financial advisors, depositories, and paying agents. Project costs may also include an allocation of administrative and operating expenses of the recipient.

To obtain reimbursement, the Borough must provide DEED with an estimate of school-related debt service expenditures for the upcoming fiscal year by October 15 of each year. Claims must be supported by a statement from the paying agent of amounts paid by the Borough in the current fiscal year. As each debt service payment is due, the Borough transmits funds to the paying agent. The paying agent notifies the State, then the State reimburses substantially all of the eligible amount. The State makes final payments on August 1 of the fiscal year based on the availability of funds.

In 2002 the Alaska State Legislature approved a special 100 percent reimbursement eligibility for $4.5 million in projects for the Eielson Project under AS 29.60.700. These Bonds were sold as a portion of the 2006 Series I General Obligation School Bonds and the debt service on these projects is currently being met at 100%.

Borough Reimbursement Eligibility

Table 2 summarizes the Borough's outstanding school bonds and their reimbursement eligibility.

Table 2 ■ Fairbanks North Star Borough
Outstanding School Bonds as of January 25, 2008

Series	Purpose	Outstanding Principal	Final Payment	Reimbursement Eligibility
1993S Refunding[1]	Schools	$3,035,000	3/1/2008	80-90%
1997A [2]	Schools, library	22,800,000	11/1/2017	70%
1999B [3]	Schools	18,610,000	4/1/2019	70%
2000C	Schools	6,940,000	12/1/2020	70%
2001D	Schools	7,165,000	2/1/2021	70%
2002E	Schools	11,645,000	8/1/2022	70%
2003F	Schools	11,540,000	10/1/2022	70%
2004G	Schools	11,985,000	10/1/2023	70%
2005H	Schools	12,290,000	10/1/2024	70%
2006 I	Schools	9,195,000	11/1/2025	70%-100%
2007J	Schools	11,710,000	11/1/2026	70%
2007K Refunding[4]	Schools	9,715,000	11/1/2016	0%-70%
2008L	Schools	11,128,000	11/1/2027	70%
Total		$147,758,000		

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2005/06
1 - The 1993S refunding bonds refunded 3 series, reimbursable at 80 and 90 percent.
2 - Series 1997A includes $1,250,000 library bonds ineligible for reimbursement.
3 - The Series 1999B bonds include about $959,000 used for a local match for state grants, which is ineligible for reimbursement. Balance reimburseable at 70 percent.
4 - The 2007K refunding bonds refunded the 1996U Series bonds

The Borough has thirteen issues of outstanding school bonds eligible for state reimbursement, including the Bonds. The Borough's outstanding bonds are eligible for reimbursement of between 0 percent and 90 percent:

- Part of the Series 1993S refunding bonds is reimbursable at 90 percent, and the balance is reimbursable at 80 percent. The 1993S refunding bonds refunded three series of prior bonds. One series was reimbursable at 90 percent; the other two series were reimbursable at 80 percent. Each year's debt service is allocated to the prior issues and retains the reimbursement eligibility of the prior issues. About 9 percent is reimbursable at 90 percent and 91 percent at 80 percent.

- Portions of the Series 1997A, and Series 1999B are eligible for reimbursement at 70 percent. Series 1996U and 1999B included about $9.5 million of local funds to match state grants on a 70/30 basis. Debt service on the local match is not reimbursable. Series 1997A included $1,250,000 for library purposes, which is payable solely by the Borough. The entire Series 2000C, 2001D, 2002E, 2003F, 2004G, 2005H are eligible for reimbursement at 70 percent. 54 percent of the Series 2006I bonds are reimbursable at 70 percent; the remaining 46 percent are eligible for reimbursement at 100 percent.

- The debt service on 47.479 percent of the Series 2007K bonds (or, $5,080,253) is reimbursable at 70 percent.

Table 3 summarizes the total annual debt service on outstanding bonds, estimated debt service on the Bonds included in this issuance, reimbursement entitlement, and the net local expense. Table 3 is presented on a cash flow basis, to project the net local cost to the Borough's taxpayers each year. Overall, the net local cost is about one-third of total annual debt service.

Table 3 ■ Fairbanks North Star Borough
Debt Service Reimbursement Eligibility

Fiscal Year	Debt Service Prior Issues	Debt Service 2008L	Debt Service Total	Reimbursement Entitlement	Net Borough Expense
2007/08	$16,630,540	$0	$16,630,540	$11,462,286	$5,168,254
2008/09	13,391,949	853,555	14,245,504	9,476,345	$4,769,159
2009/10	13,372,268	855,563	14,227,830	9,462,466	$4,765,364
2010/11	13,353,243	855,255	14,208,498	9,448,277	$4,760,221
2011/12	13,380,299	854,155	14,234,454	9,452,026	$4,782,428
2012/13	13,362,050	852,255	14,214,305	9,444,682	$4,769,623
2013/14	13,443,061	849,755	14,292,816	9,487,142	$4,805,674
2014/15	13,432,138	851,555	14,283,693	9,487,059	$4,796,633
2015/16	13,429,900	852,555	14,282,455	9,469,272	$4,813,183
2016/17	13,550,830	851,998	14,402,828	9,538,448	$4,864,380
2017/18	12,144,732	849,853	12,994,584	9,073,354	$3,921,231
2018/19	9,302,790	851,740	10,154,530	7,154,767	$2,999,763
2019/20	7,242,148	852,553	8,094,700	5,767,592	$2,327,108
2020/21	7,286,171	852,290	8,138,461	5,799,378	$2,339,083
2021/22	5,851,054	854,900	6,705,954	4,796,117	$1,909,837
2022/23	5,872,994	855,230	6,728,224	4,811,072	$1,917,152
2023/24	3,675,646	854,180	4,529,826	3,274,369	$1,255,458
2024/25	2,649,469	856,635	3,506,104	2,556,723	$949,381
2025/26	1,646,703	856,720	2,503,423	1,856,589	$646,834
2026/27	898,920	859,280	1,758,200	1,230,740	$527,460
2027/28	0	855,040	855,040	598,528	$256,512
Totals	$193,916,903	$17,075,065	$210,991,968	$143,647,232	$67,344,736

Source: Prepared by Bartle Wells Associates

School Operating Aid

The State provides aid to local school districts for the payment of operating expenses under the public school foundation program. The purpose of the foundation program is to provide a uniform system of public school aid throughout the state. Under the program, the State makes appropriations to districts and for centralized correspondence study programs. State funding also includes contract fees for schools located at Fort Wainwright and Eielson Air Force Base.

Foundation funding for Alaska's public schools represents the largest single appropriation by the legislature each year. The State's system of providing school operating aid is based on a formula that is intended to equalize funding to school districts around the State.

BOROUGH FINANCES

The Borough's accounting policies conform to generally accepted accounting principles as applicable to governments. The annual financial report also conforms to applicable provisions of the Alaska Statutes and the Borough's Code of Ordinances. The Borough has received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report since 1991, except for 1993, and has received the GFOA Distinguished Budget Award Presentation since 1990. The school district issues a separate financial report, which is incorporated into the Borough's financial statement, and has also received the GFOA's Certificate of Achievement for Excellence in Financial Reporting every year since 1991. Financial reports of both entities are audited annually by an independent certified public accountant.

Funds and Accounts

The Borough's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Borough's fund financial statements and accounts are organized on the basis of funds, each representing a separate accounting entity. The Borough maintains three broad fund categories–governmental, proprietary, and fiduciary. The Borough maintains its accounting records on a modified accrual basis for the governmental funds and on the accrual basis for its proprietary funds and government-wide financial statements.

Governmental funds are those through which most of the Borough's governmental functions are financed, and include the following fund types:

- **General Fund:** Accounts for all financial resources except those required to be accounted for in another fund. Revenue is received from such sources as general property taxes, intergovernmental revenues, and charges for services. Expenditures are authorized in the annual budget and include administration, recreation, public facilities, library, planning and zoning, and other areawide community activities.

- **Special Revenue Funds:** Account for the proceeds of specific revenue sources provided by local taxation and State or Federal revenues that are legally restricted to expenditures for specific purposes. Certain annual operating activities are conducted with this fund type, usually on a geographical basis. These include solid waste collection, emergency medical services, economic development, emergency communication services (enhanced 911), and various service area functions. Additional special revenue funds are used for multi-year, non-capital construction projects funded by grants from the state, federal pass-through grants, federal grants, and certain local funds and includes revenue for the Borough's trust.

- **Debt Service Fund:** Accounts for the payment of interest, principal, and related costs on general obligation debt. Debt service requirements are funded by the general fund and by state reimbursements for school construction received through the general fund.

- **Capital Projects Funds:** Account for financial resources to be used for the acquisition, construction, renovation, or major repair or maintenance of capital facilities and assets.

The Borough's proprietary funds include:

- **Enterprise Funds:** Account for the Borough's ongoing operations that are similar to those conducted in the private sector. Enterprise funds include transportation, land management program, solid waste disposal, and the John A. Carlson Community Activity Center.

- **Internal Service Fund:** Accounts for the financing of goods or services provided by one department to other departments of the Borough on a cost-reimbursement basis. The Borough's vehicle and equipment replacements are funded and purchased through the Vehicle and Equipment Fleet Fund.

The Borough's fiduciary fund includes:

- **Agency Fund:** Accounts for assets held for other governmental units. These are custodial funds. The agency fund is used to account for taxes collected by the Borough for the two cities located within the FNSB boundaries.

General Fund Financial Information

Table 4 summarizes the general fund revenues, expenditures, and changes in fund balance for the past five fiscal years. The Borough's largest combined source of general fund revenue is taxes, totaling $73.7 million in 2005/06 and accounting for 80 percent of general fund revenue. Tax revenue also includes hotel-motel, alcohol, and tobacco taxes collected outside the City of Fairbanks. The balance of tax revenue is from property taxes.

Table 4 ■ Fairbanks North Star Borough
General Fund Revenues, Expenditures, and Change in Fund Balance

	2001/02	2002/03	2003/04	2004/05	2005/06
Revenues					
Taxes	$57,261,548	$58,508,210	$63,547,779	$69,565,848	$73,746,922
Intergovernmental revenues	12,273,453	11,973,317	11,918,127	12,328,741	13,676,229
Charges for services	1,270,557	1,216,277	1,341,740	1,340,993	1,314,225
Charges to school district[1]	796,814	-	-	-	-
Other revenues	4,963,745	2,159,771	1,043,996	1,881,034	3,873,637
Total revenues	$76,566,117	$73,857,575	$77,851,642	$85,116,616	$92,611,013
Expenditures					
General government	$9,981,127	$8,760,047	$9,207,117	$9,678,631	$10,822,721
Community planning	1,117,465	1,216,560	1,280,795	1,348,512	1,529,291
Public works	3,513,069	2,539,377	2,559,173	3,284,743	3,686,299
Direct services	1,265,690	1,393,661	1,423,538	-	-
Parks and recreation	4,051,609	4,186,349	4,376,174	4,726,082	5,156,001
Library	2,943,106	3,136,426	3,250,739	3,385,302	3,733,846
Emergency Services	223,075	213,548	215,269	1,438,477	1,524,988
Capital outlay	546,579	343,370	296,753	363,367	363,635
Total expenditures	$23,641,721	$21,789,339	$22,609,558	$24,225,114	$26,816,781
Excess of revenues over expenditures	$52,924,396	$52,068,236	$55,242,084	$60,891,502	$65,794,232
Operating Transfers In (Out)					
Other funds[2]	($18,898,952)	($19,748,668)	($21,521,819)	($22,595,785)	($27,158,176)
School district	(32,555,700)	(33,545,600)	(34,545,700)	(36,545,700)	(38,022,700)
Total other financing uses	($51,454,652)	($53,294,268)	($56,067,519)	($59,141,485)	($65,180,876)
Excess (deficiency) of revenues over expenditures & other uses	$1,469,744	($1,226,032)	($825,435)	$1,750,017	$613,356
Fund balance, July 1	16,242,766	19,015,239	17,789,207	16,963,772	18,123,945
Adjustments[3]	1,302,729	-	-	(589,844)	-
Fund balance, June 30	$19,015,239	$17,789,207	$16,963,772	$18,123,945	$18,737,301

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2005/06
Totals may not add due to rounding.
1- Not shown beginning in FY 2002/03 due to accounting changes from GASB Statement #34.
2- Includes transfer to debt service fund.
3- FY 2001/02 beginning balance restated (resulting in an increase of $1,152,727) due to GASB Interpretation No. 6.

In 2005/06, intergovernmental revenues amounted to $13.7 million. This included approximately $12.1 million in state reimbursement of school debt service. The State's reimbursement for school construction is discussed elsewhere in this official statement, under the heading "State Aid to Education."

The general fund's contribution to education was $38.0 million, shown as an operating transfer to the school district. General fund contribution to debt service was $17.2 million, and is included as a portion of the transfer to other funds.

Table 5 summarizes the 2007/08 general fund budget. The Borough's general fund budget totals $106.1 million. Taxes, the largest revenue source, account for about 74 percent of budgeted general fund revenues, and consist primarily of areawide property taxes. Various categories of state aid, of which school construction reimbursement is the largest, make up another 12 percent of general fund revenues.

Table 5 ■ Fairbanks North Star Borough Approved General Fund Budget

	2007/08
Revenue Sources	
Taxes	$78,767,950
State and federal revenues	12,450,140
Alcohol and tobacco taxes	2,219,000
Charges for services	1,402,140
Intragovernmental charges	5,088,930
Other local revenue	3,727,620
Contribution from fund balance and transfers	2,413,373
Total local revenue	$106,069,153
Expenditures and Other Financing Uses	
Mayor and assembly	$2,539,920
Law	926,560
Assessing	2,507,960
Community planning	1,967,030
Computer services	2,841,930
Emergency operations	1,979,950
Facilities maintenance	0
Financial services	2,966,380
General services	1,475,760
Human resources	2,760,710
Library services	4,871,470
Parks and recreation	6,250,200
Public works	6,506,350
Nondepartmental	547,640
Intergovernmental charges	143,290
Total operating expenditures	$38,285,150
Contributions to Other Funds	
Capital projects	$2,709,760
Debt service	16,587,710
Education	42,222,700
Other operating transfers	6,263,833
Total contributions	$67,784,003
Total expenditures and contributions	$106,069,153

Source: Fairbanks North Star Borough 2007/08 Approved Budget

The Borough has budgeted operating expenditures of $38.3 million. The balance of general fund expenditures consists of contributions to other funds. The contribution to

education, at $42.2 million, is 40 percent of the total general fund budget. The 2007/08 budget increased 2.9 percent from the 2006/07 revised budget.

Table 6 shows the general fund balance sheet as of June 30, 2002 through 2006.

Table 6 ■ Fairbanks North Star Borough General Fund Balance Sheet, June 30

	2002	2003	2004	2005	2006
Assets					
Equity in central treasury cash	$22,251,165	$21,543,345	$20,023,623	$20,295,791	$20,209,282
Taxes receivable	602,306	2,197,273	2,500,103	2,300,767	2,446,764
Accounts receivable	72,528	104,655	66,525	25,095	49,507
Accrued interest receivable	282,047	218,271	148,691	337,163	399,510
Interfund receivables	386,761	655,478	888,025	1,359,168	2,297,550
Due from governmental agencies	558,353	392,042	563,475	576,496	508,274
Other assets	1,249,876	1,228,859	1,232,616	1,211,712	2,361,817
Total assets	$25,403,036	$26,339,923	$25,423,058	$26,106,192	$28,272,704
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$651,249	$584,593	$746,443	$658,466	$590,932
Wages and payroll taxes	500,490	852,585	760,988	622,226	692,207
Accrued annual leave	1,152,727	131,827	0	0	0
Accrued self-insurance losses	750,724	622,686	591,883	513,367	590,613
Due to school district	0	7,194	4,246	1,620	0
Deposits from others	128,831	177,388	241,421	142,406	159,241
Estimated claims, judgements and settlements payable	0	0	0	0	0
Deferred revenues	0	1,599,735	1,422,247	1,687,590	1,804,718
Advance tax payments	4,356,503	4,574,708	4,692,059	4,356,570	5,697,691
Total liabilities	$7,540,524	$8,550,716	$8,459,287	$7,982,245	$9,535,402
Fund Balance:					
Reserved for encumbrances	$231,960	$316,869	$284,465	$247,848	$223,860
Reserved for deposit	0	0	1,060,880	1,060,880	2,221,672
Unreserved, designated for:					
Compensated absences	0	1,199,830	1,394,310	1,487,591	1,534,592
Self-insurance losses	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net unrealized gains	146,009	0	0	0	0
Subsequent year's expenditures	880,740	1,060,990	10,000	833,000	1,000,000
Education	1,000,000	0	0	0	0
Unreserved, undesignated	14,103,801	13,711,517	12,714,117	12,994,626	12,257,177
Adjustment due to restatement*	1,152,728	0	0	0	0
Total fund balance	$19,015,238	$17,789,206	$16,963,772	$18,123,945	$18,737,301
Total liabilities and fund balance	$25,403,036	$26,339,923	$25,423,058	$26,106,192	$28,272,704

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2005/06
Totals may not add due to rounding.
*Fund balance restated due to GASB Interpretation No. 6.

Assessed Valuation and Property Taxes

Under State law, the Borough is required to assess property at 100 percent of its true market value as of January 1 of each year, with minor exceptions. The Borough assessor assesses taxable real property within the Borough, except for oil and gas pipeline-related

property. Oil and gas pipeline-related property is assessed by the State, but is subject to the property tax levied by the Borough.

Table 7 shows the Borough's certified real property assessed valuation from 2003 through 2007. The Borough's 2007 assessed value is about $7.0 billion, which represents an increase of 9.8 percent over 2006.

Table 7 ■ Fairbanks North Star Borough Assessed Valuation History (000)

Tax Year	Within Cities	Outside Cities	Pipeline-Related*	Borough Total	Percentage Increase
2003	$1,715,449	$2,868,516	$270,806	$4,854,771	6.3%
2004	1,857,523	3,110,669	271,188	5,239,380	7.9%
2005	2,005,314	3,458,998	275,303	5,739,614	9.5%
2006	2,215,276	3,824,480	377,800	6,417,556	11.8%
2007	2,401,474	4,272,548	369,500	7,043,522	9.8%

Source: Fairbanks North Star Borough 2007/08 Approved Budget
*Assessed by state.

Alaska law provides for both optional and mandatory property tax exemptions. Senior citizens, disabled veterans, and widows/widowers receive mandatory exemptions of up to $150,000 of assessed valuation. An exemption for 20 percent of the assessed valuation of residential property, up to a maximum of $20,000 per residence, is permitted under State law if locally adopted. The Borough has adopted this exemption. In its 2002 legislative session, the Alaska Legislature approved additional optional exemptions of $10,000 per residence for certain types of lands and landowners starting in 2004. These exemptions have also been adopted and apply to primary residential properties owned by volunteer EMS medics and firefighters. Other local exemptions include personal property, economic development, and senior citizens housing. For 2007, the estimated optional residential and fire exemptions totaled $276 million; mandatory exemptions totaled $403 million.

The Borough's 2007 estimated net taxable value is $6.364 billion as shown in Table 8.

Table 8 ■ Fairbanks North Star Borough Estimated Assessed Valuation, 2007

Borough assessor's value	$7,043,522,263
Less:	
Mandatory exemptions	(403,353,821)
Optional residential exemptions	(276,119,213)
Borough net taxable value	$6,364,049,229

Source: Fairbanks North Star Borough 2007/08 Approved Budget

Property owners are notified during each February of their assessments as of January 1. The Borough's board of equalization annually hears assessment appeals during the month of April. Tax rates are established by the Assembly before June 15, following the adoption of the Borough budget. Current taxes levied on real property are due and payable on July 1 of each year, but may be paid in two equal installments on September 1 and November 1 without incurring penalties or interest.

Delinquent taxes carry a penalty of 10 percent plus interest at 8 percent per year. The foreclosure process for delinquent taxes begins approximately three months after the second half due date in each taxing year. Under Alaska law, properties with delinquent taxes are awarded to the Borough when a foreclosure judgment is filed. Delinquent property owners have one year from the filing date to redeem their property. Unredeemed property may be sold to recover the collection costs, taxes, interest and penalty due. Title is transferred to the Borough by tax deed prior to the annual foreclosure sale.

Largest Taxpayers

About 90 miles of the Trans Alaska oil pipeline and a pumping station are located within the Borough. The Alyeska Pipeline Service Company, the primary owner of pipeline assets with a local assessed value of $369 million, is thus the Borough's largest taxpayer. The pipeline's valuation is generally declining, based on the expected life of the pipeline and the oil fields. The pipeline's assessed valuation is expected to continue to decline gradually. The pipeline's 2007 estimated assessed valuation within the Borough is about 5.2 percent of the Borough's total assessed valuation of $7.0 billion.

Table 9 shows the Borough's ten largest commercial/industrial taxpayers for 2007. Together they account for 13.6 percent of total assessed valuation, a slight decrease from 14.8 percent in 2006.

Table 9 ■ Fairbanks North Star Borough
Largest Commercial/Industrial Taxpayers, 2007

Taxpayer	Type of Property	Assessed Valuation (000)	Percent of Borough Total
Alyeska[1]	Oil transportation	$369,500	5.25%
Fort Knox	Mining	221,000	3.14%
Flint Hills Resources [2]	Oil refining	146,700	2.08%
Alaska Communications Systems	Telephone	41,000	0.58%
Westmark Hotel	Hotel	32,600	0.46%
HEBL Housing (Eielson)	Military housing	31,100	0.44%
Alaska Hotel Properties, Inc. (Princess)	Hotel	27,300	0.39%
Wal-Mart Stores	Shopping center	24,900	0.35%
Fred Meyer (East)	Shopping center	23,800	0.34%
Fred Meyer (Tract A)	Shopping center	22,900	0.33%
Jillian Square	Apartments	21,200	0.30%
		$962,000	13.66%
		$7,043,522	

Source: Fairbanks North Star Borough
1- Assessed value set by state
2- The former Williams Alaska Petroleum.

Tax Rates

Table 10 shows the tax rates levied by the Borough and its two cities for the last five years.

Table 10 ■ Fairbanks North Star Borough
Ad Valorem Tax Rate History
Mills per $1,000 Assessed Value[1]

Tax Year	Borough	Non-Areawide[2]	Solid Waste Collection[3]	City of Fairbanks	City of North Pole
2003	13.693	0.523	1.187	6.516	3.000
2004	13.606	0.435	1.183	7.171	3.000
2005	13.219	0.425	1.167	6.804	3.000
2006	12.923	0.418	1.150	6.700	3.000
2007	12.209	0.409	1.126	6.594	3.000

Source: Fairbanks North Star Borough 2007/08 Approved Budget
1 - Rates do not include service area levies.
2 - Outside the cities of Fairbanks and North Pole.
3 - Includes area outside the City of Fairbanks.

The Borough's 2007 areawide tax rate is 12.209 mills per $1,000 of assessed valuation. An additional 0.409 mills is levied on property outside the cities for ambulance service and economic development. 1.126 mills is levied outside the City of Fairbanks for solid waste collection. Properties outside the cities may also be included in service areas and subject to service area taxes. The city tax rates are 6.594 mills in Fairbanks and 3.000 mills in North Pole.

Table 11 shows total tax rates in the cities and outside, exclusive of service area taxes. Areawide taxes levied for debt service on the Borough's school and library bonds are shown separately. They are included in the Borough's mill rate of 12.209.

Table 11 ■ Fairbanks North Star Borough
Total Tax Rates, 2007/08
Mills per $1,000 of Assessed Value

	City of Fairbanks	City of North Pole	Outside Cities[1]
Borough areawide, excluding debt service	11.402	11.402	11.402
Borough debt service			
School bonds	0.791	0.791	0.791
Library bonds	0.016	0.016	0.016
Total debt service	0.807	0.807	0.807
Total Borough areawide	12.209	12.209	12.209
City of Fairbanks	6.594		
City of North Pole		3.000	
Solid waste collection	[2]	1.126	1.126
Non-areawide			0.409
Total[1]	18.803	16.335	13.744

Source: Fairbanks North Star Borough 2007/08 Approved Budget
1- Does not include service area tax rates.
2- Fairbanks provides its own solid waste collection service.

Tax Levies and Delinquencies

Table 12 shows property tax levies and current and delinquent collections for the Borough from 2001/02 through 2005/06. The Borough's total tax levy includes taxes levied on property which is exempt from property taxes. The net tax levy excludes local optional residential and State-mandated property tax exemptions for senior citizens, disabled veterans, and widows/widowers. In 2005/06, the Borough's current tax collections were 98.8 percent of the net current year levy on taxable property. Total collections, including delinquent taxes, totaled $69.4 million, or 99.8 percent of the net current year levy. As protection against potential tax delinquencies, the Borough includes a delinquency allowance of two percent of the taxes on taxable property when estimating its property tax revenues for budget purposes.

The Borough collects property taxes for the Borough and for the cities of Fairbanks and North Pole. Taxes collected on behalf of the cities are transmitted as collected to the cities. These are not included in Table 12, nor are the Borough taxes collected on a non-areawide, solid waste collection district, or service area basis.

Table 12 ■ Fairbanks North Star Borough
Areawide Property Tax Levies and Collections

	2001/02	2002/03	2003/04	2004/05	2005/06
Net tax levy[1]	$55,267,748	$57,373,161	$60,902,054	$65,289,393	$69,506,281
Current tax collections	54,516,342	56,643,449	60,228,158	64,576,590	68,689,017
Collections in sub	818,868	735,136	759,415	635,124	681,207
Total collections[2]	$55,335,210	$57,378,585	$60,987,573	$65,211,714	$69,370,224
Current year, percent of net levy collected	100.12%	100.01%	100.14%	99.88%	99.80%

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2005/06
Totals may not add due to rounding.
1- Areawide taxes levied by Borough only, net of excluded state-mandated and local property tax exemptions.
2- Excludes penalty, interest, legal fees, and collections for other governmental units.

Bonded Indebtedness

Under Alaska law, the Borough may issue general obligation bonds, revenue bonds, and assessment bonds. Only general obligation bonds are currently outstanding. General obligation bonds may be issued without limitation upon approval by a majority of Borough voters. There are no constitutional or statutory debt limitations under Alaska law.

Table 13 shows the Borough's outstanding direct bonded debt as of January 25, 2008. All of the Borough's outstanding bonds have been issued for school construction, except a portion of the 1997 Series A Bonds. The 1997 Series A Bonds included $1.25 million to finance an addition to and renovation of the Noel Wien Library.

As of January 25, 2008 total gross direct debt, including the Bonds, is $147.8 million. Table 13 also shows direct and total Borough debt in relation to the Borough's taxable assessed valuation (AV) and population. As Table 13 shows, $100.6 million of the Borough's direct debt (68 percent) is eligible for state reimbursement. The underlying debt applies only to property owners in the Cities of Fairbanks and North Pole, which represent 35 percent of Borough total AV.

In addition to the debt included in Table 13, the Borough has outstanding leases totaling $1.723 million and a net outstanding pension obligation of $2.673 million.

Table 13 ■ Fairbanks North Star Borough Direct and Underlying Bonded Debt

	Percent Applicable	1/25/2008
Direct Debt		
Outstanding school and library bonds	100%	$136,630,000
2008L bonds	100%	11,128,000
Total gross direct debt		147,758,000
Less: School bonds eligible for state reimbursement		(100,596,378)
Total net direct bonded debt		47,161,622
Direct and Underlying Debt		
Underlying debt:		
City of Fairbanks	100%	$8,790,000
City of North Pole	100%	2,067,655
Solid waste enterprise revolving fund loan	100%	3,758,471
Less: City of Fairbanks bonds eligible for state reimbursement	100%	(5,460,000)
Direct debt		147,758,000
Total gross direct and underlying debt		156,914,126
Less: School bonds eligible for state reimbursement		(100,596,378)
Total net direct and underlying bonded debt		56,317,749
		Percent of Taxable Assessed Value $6,364,049,229
Ratio of Direct Debt to Assessed Value		
Gross $147,758,000		2.32%
Net 47,161,622		0.74%

Source: Prepared by Bartle Wells Associates from information supplied by the Borough

Table 3 in the section entitled "State Aid to Education," shows total debt service on a fiscal year basis for all outstanding Borough bonds, including the Bonds. The Borough has paid all bond interest and principal promptly when due. Tables 3 and 13 also display the effect of state reimbursement on the Borough's debt service payments. With full funding of the debt service reimbursement program, the Borough's net local cost will be about one-third of its total annual debt service through the life of the Bonds.

Borough Tax Limitation

At the October 1987 regular election, Borough voters approved a tax cap proposition, which voters must renew every two years to avoid legislative action. In October 1996, Borough voters approved a change in the property tax cap to require inclusion of other tax revenues within the tax cap computation and to require publication of tax cap computations by May 31 of each year. This measure limits the amount of taxes that the Borough can levy to the prior year's tax levy with certain permitted adjustments. Voters re-approved these measures in October 2004, and then again in October of 2006. The prior year's total taxes levied can be adjusted to:

- pay debt service on bonds;
- adjust for increases due to inflation as measured by the Consumer Price Index-Anchorage;
- account for new construction and property improvements;
- pay for new services approved by the voters;
- pay for legal judgments against the Borough; and
- pay for expenses in emergencies.

The 2007/08 budget is $3.3 million below the current cap. Under the current tax cap, one year's actual tax levy is the beginning basis for the following year's limit. Levying less than the full amount permitted reduces future caps.

Budgetary Process

The budget process includes several steps, starting with the submission of initial budget recommendations from Borough departments to the mayor, who reviews the submissions and makes changes. According to Borough ordinance, the mayor's recommended budget must be presented to the assembly on or before the first Thursday following April 1 of each year. At least one public hearing must be held. The assembly adopts the budget and appropriates funds by passing an appropriating ordinance by May 31. In addition to its Comprehensive Annual Financial Report awards, every year since 1989/90, the Borough has been awarded the GFOA Distinguished Budget Award Presentation for its annual budget document. In order to receive this award from GFOA, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan, and a communications device.

Fiscal Policies

The Borough manages its finances in compliance with a variety of Assembly-adopted fiscal policies, including the following:

I. Operating Budget Policies

A. All general government current operating expenditures are to be paid from current and from excess revenues. The Borough will avoid budgetary and accounting procedures that balance the current budget at the expense of meeting future years' obligations. The use of one-time revenues for on-going operations will not be encouraged.

B. All budgetary procedures will conform to existing state law and FNSB Code.

C. The budget development process will examine and effect changes in program delivery responsibilities or management to improve productivity, lower costs, enhance service, and further communication with the public.

D. Where appropriate, the Borough's Boards and Commissions will be encouraged to be involved in the planning, programming, and budgeting process in order that the annual budget best reflects the current requirements of the Borough residents.

E. The Borough's annual operating budget is to reflect known salary and benefits adjustments.

F. The Borough will maintain a budgetary control system to ensure adherence to the budget and will prepare monthly reports comparing actual expenditures to current appropriations.

G. As is practical, the various taxing jurisdictions, special functions, and operating and capital grant projects will be charged for the services received from general government.

H. If it becomes apparent that revenue shortfalls or extraordinary expenses will create a deficit, efforts will be made first to reduce the deficiency through budgetary management techniques. On an exception basis and not depleting the fund balances to an inappropriate level, the use of existing reserve funds may be recommended to cover revenue shortfalls.

I. Debt will not be used to cover current operating expenses.

J. The Borough is expected to continue its scheduled level of facility maintenance and replacement of its facilities and equipment in order to maintain its facilities and equipment in good operating condition.

II. Revenue Policies

A. The Borough will attempt to develop a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.

B. The Borough will aggressively seek Federal and State grants, with a target emphasis to capital improvements funding.

C. The voter approved tax limitation (tax caps) will be conservatively applied.

D. Additionally, whenever possible, other revenue sources will be designed or modified to include provisions to automatically allow the collections to grow at a rate that keeps pace with the cost of providing the service.

E. The Borough will endeavor to pursue that the Borough receives a fair proportion of all State shared taxes and revenue.

F. The Borough will take all cost-effective actions available to collect delinquent revenues.

G. The Borough will set fees and rates for each enterprise fund (e.g. Transportation - except Transit Operations, Community Activity Center, Land Management, and Solid Waste Disposal), at a level that as fully as possible supports the total direct, indirect, and capital costs of the activity.

H. Investment income, including interest earnings, is allocated to the funds and accounts provided for in the FNSB Code on the basis of cumulative, month-end cash equity balances.

III. Reserve Policies

A. Adequate reserves shall be maintained for all known liabilities, including employees' leave liabilities, workers' compensation liabilities, and self-insured retention limits.

B. The Borough will endeavor to maintain a reserve in each operating fund to cover cash flow requirements, normal variance in revenue and expenditure estimates, abnormal variance in state revenue estimates versus state appropriations, potential for unreserved litigation expenses and judgments, and expenditures of an emergency nature. The target amount of reserves for operating funds with expenditure levels in excess of $500,000 is 7 to 10 percent of the prior year's expenditure level (approximately one month's cash flow); the target amount for each operating fund with expenditure levels of less than $500,000 is 20 percent of the prior year's expenditure level (approximately 90 days' cash flow).

   The amount of the reserve requirement will be reviewed annually and may be increased by the amount necessary to meet future identified, one-time, and specific expenditures requiring the accumulation of funds over a given period

IV. Debt Policies

A. Tax and revenue anticipation borrowing shall be consistent with state and federal laws and regulations.

B. Under Alaska law, the Borough may issue general obligation bonds, revenue bonds, and assessment bonds. To date, it has issued only general obligation bonds. General obligation bonds may be issued without limitation upon approval by a majority of Borough voters. There are no constitutional or statutory debt limitations under Alaska law, but the voters must approve all general obligation debt.

   The issuance of long-term debt will be only for construction and acquisition of land, capital improvements, or equipment when the useful life of the asset will exceed the term of the debt.

C. Debt financing will not be considered appropriate for current operating or maintenance expenses or for any recurring purposes.

D. Debt financing based on a projects revenue generating capacity will be used only when the project revenues or other identified revenue sources are sufficient to service the debt.

E. The Borough will endeavor to consolidate small debt issues or financing of equipment through lease-purchase financing to the maximum extent possible in order to obtain the lowest market rate of interest.

F. When the Borough obtains debt financing on behalf of or benefiting a third party (as with a special assessment district) such debt will be issued in conformance with existing Borough priorities and policies without contingent liability of the Borough and with all costs of issuance and administration fully reimbursed. When the Borough obtains debt financing on behalf of or benefiting a third party (non-borough entity), the Borough will charge a debt issuance fee to cover the cost of the administrative time required in preparation of the issuance, in addition to the cost of issuance.

G. The Borough's preference is to issue fixed-rate long-term debt with level debt service. Other debt service structures may be considered if an economic advantage is identified for a particular project. The Borough's preference is to place the debt through a public bid process. It is recognized that a sale through negotiation may be considered due to fluctuating market conditions, time constraints, size, or nature of the issue.

H. The Borough will actively endeavor to maintain a minimum bond rating objective for all debt issues in a Moody's and Standard & Poor's rating of A or better. Credit enhancements will be used to achieve higher ratings when there is an economic benefit.

Investments and Investment Practices

The Borough invests its ending daily cash balance in accordance with an overnight repurchase agreement, which normally results in a zero bank balance. The overnight repurchase agreement is collateralized by securities held in the Borough's name.

Borough Code Section 3.04 specifies the following authorized investments and maximum maturity schedule:

- U.S. Treasuries - 5 years;
- other obligations of the U.S. Government or its agencies and instrumentalities - 5 years;
- repurchase agreements of securities specified above, subject to qualification of the financial institution and specified margin requirements - 5 years;
- collateralized certificates of deposits and other deposits - 5 years;
- bank or credit union deposits insured by FDIC, NCUA, or FSLIC - 5 years;
- bonds or notes of any state or political subdivision thereof, rated A or higher - 5 years;
- prime commercial paper graded A1/P1 or higher - 270 days;
- prime bankers acceptances of the fifty largest international banks - 180 days;
- money market mutual funds consisting entirely of instruments specified above, maturity date not applicable; and

- the Alaska Municipal League Investment Pool, Inc., created in accordance with AS 37.23.020.

The Borough's Code also establishes an Investment Advisory Committee, composed of at least five members serving three-year terms. Members cannot be elected officials or Borough employees, and neither Investment Advisory Committee members nor members of their immediate families, can be an officer, director, employee, or have a substantial financial interest in any financial institution listed on the Borough's qualified bidders list.

The Committee reports annually to the assembly on the status of the Borough's investment program, its compliance with Borough Code Section 3.04, and the outlook for future investments. The Committee makes recommendations and suggestions to the mayor and assembly for the conduct and improvement of the Borough investment program. The Committee also consults with the mayor concerning the adoption of administrative procedures and internal controls needed to implement the investment code.

Risk Management and Insurance

The Borough's risk management program includes both the Borough and the School District. The program employs a combination of insurance provided by commercial carriers, and self-insured retention amounts. Commercial insurance with small deductibles is secured for the following coverages: auto and general liability, property, and workers' compensation for fire service areas; general liability for road and street light service areas; physical damage to Borough vehicles; employee life insurance; and employee fidelity bonds. The program self-insures some portion of the following risk exposures: employee and dependent medical, auto and general liability, workers' compensation, errors and omissions/public officials, property, and employment practices. Commercial insurance has also been obtained for excess coverage above self-retention limits for all risk exposures except environmental. Settled claims have not exceeded commercial coverage in any of the past four fiscal years.

From July 2000 through June 2004, the Borough was a member of the Alaska Municipal League Joint Insurance Association (AML/JIA), a public entity risk pool formed to provide pooled property and liability insurance coverage to AML members. Commercial insurance as described above has replaced this insurance. The AML/JIA has the option of requiring supplemental contributions from its members if annual contributions and other income are not sufficient to cover AML/JIA's aggregate pooled losses and expenses for any coverage year. Due to the Borough's high self-insurance threshold levels, the Borough has reduced exposure to any supplemental contributions. No supplemental contributions have been required of members in the last four fiscal years.

Management Discussion

The Borough has consistently funded a Facilities Maintenance Reserve Fund, a sinking fund for facilities maintenance. The Borough maintains over three million square feet of facilities in an extreme environment. Using annual revenues and reserves from this fund the Borough is able to complete outstanding maintenance requirements. About $21 million has been deposited in the fund since its creation.

The Borough also created a Vehicle and Equipment Fleet Internal Service Fund (VEFF) within the Transportation Department to serve as a revolving fund for vehicle and equipment replacement. The fund has stabilized annual cash requirements and has allowed the Borough to keep its fleet of vehicles and equipment in a well-maintained state in a cost efficient manner. Further, the VEFF program allows for better cost allocations to Borough functions, thus improving management decision-making. In 2004 the Borough created the Asset Replacement Reserve Fund (ARRF). The purpose of ARRF is to fund replacement of equipment and host-based software during the fiscal year that was not otherwise specifically budgeted. About $830,000 has been deposited in this fund since its creation.

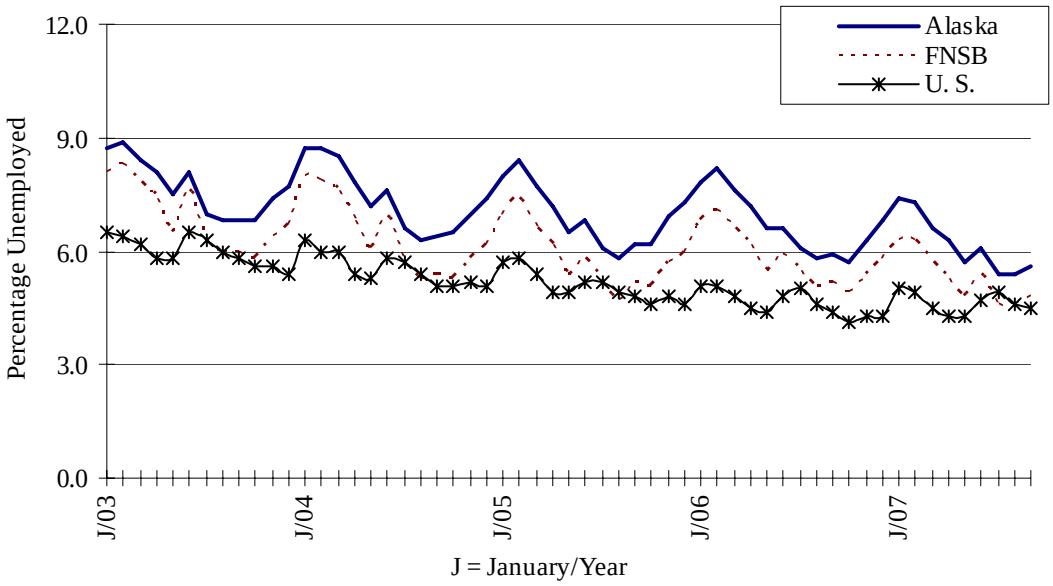
The Borough currently employs about 413 benefit eligible people, of which approximately 80 percent are covered by collective bargaining units. Current agreements are valid through June 30, 2009. The Borough has historically fully funded its retirement program, and had a net pension asset until fiscal year 2005. Then in actuarial valuation year 2002, the statewide Public Employees' Retirement System funding ratio decreased dramatically, which has caused an increase in the Borough's contribution rate each year beginning in FY 2005, capped at 5 percentage points a year through FY 2007 at least. The Borough School District is faced with similar shortfalls and increasing contribution rates in its PERS and Teachers' Retirement System accounts.

The mayor and Borough assembly and other municipalities throughout the state continue to work with the State legislature to find funding solutions for PERS and TRS, and to reinstate other funding to local governments. Many believe that the State should assist local governments in funding the increased pension costs.

The Borough is in compliance with all applicable, effective Governmental Accounting Standards Board statements with issuance of the FY 2006 comprehensive annual financial report. The Borough received the GFOA Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the fiscal year ended June 30, 2006.

The Borough is still expanding as a service center for northern and interior Alaska. Growth in retail, medical services, and other areas of the economy remains strong. The current real estate market continues to be healthy as vacancy rates are low, jobs are available and population continues to increase. The majority of the market took advantage of the recent low interest rates which helps offset the increase in the cost of energy and utilities. Commercial construction in 2007 included a hotel, restaurants, expansion to the WalMart, Sam's Club and a new Safeway.

The unemployment rate continues to fall in the Borough in relation to the national average. In the fall of 2007, the Borough's unemployment rate, typically .5 to 1% higher than the national average, dropped below the US rate as the following figure indicates.



SCHOOL DISTRICT FINANCES

The school district is included as a component unit in the Borough's Comprehensive Annual Financial Report and issues its own Comprehensive Annual Financial Report to meet compliance requirements of DEED. The school district's financial reports have received awards for excellence in reporting from both the Government Finance Officers Association and the Association of School Business Officials (since 1991). The school district must adhere to specific reporting procedures in order to receive revenue under the state foundation program.

The school district accounts for all funds using the modified accrual basis with the exception of its risk management internal service fund, which is accounted for on a full accrual basis, in accordance with generally accepted accounting principles. The school operating fund accounts for all revenues and expenditures applicable to the district's general operations, and the special revenue funds account for legally restricted revenue. The school district only accounts for capital projects directly contracted and funded through state or federal agencies. The majority of school construction projects are accounted for on the Borough's books.

Table 14 shows five years of school district operating fund revenues and expenditures. Of the district's $145.3 million operating fund revenues in 2006/07, State funding provided 63 percent and the Borough provided about 28 percent. The balance (about 9 percent) was provided by Federal sources. The State reduces foundation formula funding by a percentage of the amount received from the federal government.

Table 14 ■ Fairbanks North Star Borough School District Operating Fund Revenues and Expenditures

	2002/03	2003/04	2004/05	2005/06	2006/07
Revenues					
Borough appropriation	$33,545,700	$34,545,700	$36,545,700	$38,022,700	$40,022,700
Local sources	1,488,969	714,784	727,017	847,525	1,998,111
State sources	70,215,375	67,224,480	74,502,157	81,842,665	91,479,160
Federal pass-through	248,837	246,585	99,358	130,325	371,249
Federal sources	11,144,790	11,943,538	14,267,731	12,257,249	11,405,933
Total revenues	$116,643,671	$114,675,087	$126,141,963	$133,100,464	$145,277,153
Expenditures					
Instruction	$71,788,492	$70,765,104	$74,655,922	$79,742,527	$88,801,574
Supporting services	26,652,324	27,065,756	28,261,974	31,458,438	36,482,346
Operation & maint.	14,887,254	14,790,910	16,888,220	18,303,539	20,039,480
Pupil activities	1,483,249	1,333,434	1,544,539	2,148,068	2,204,195
Debt Service	205,484	205,484	206,836	0	0
Transfers	2,433,012	1,724,852	351,230	527,073	586,365
Total expenditures	$117,449,815	$115,885,540	$121,908,721	$132,179,645	$148,113,960

Source: Financial statements of the Fairbanks North Star Borough School District

School District Budget

Table 15 shows the district's 2007/08 operating fund budget. The school district establishes its final budget following action by the Borough assembly setting the local funding level. If the school district's local funding request is fully funded by the Borough, the budget process is complete. If not, the school board must adjust its budget based on the local contribution.

The school board is solely responsible for the allocation of its resources to programs. The Borough assembly cannot veto individual expenditure items in the school district budget. The school district budget must balance after the Borough appropriation is finalized. Consequently, school services are affected by the policies of both the Borough assembly and the school board.

State statute requires that the school district submit its budget to the Commissioner of the State DEED by July 15.

Table 15 ■ Fairbanks North Star Borough School District Operating Fund Budget

	2007/08
Revenues	
Borough appropriation	$42,222,700
Local sources	785,650
State sources	91,967,146
Federal pass-through	274,850
Federal sources	9,437,290
Fund balance utilization	3,206,414
Total revenues	$147,894,050
Expenditures	
Instruction	$85,515,062
Supporting services	36,688,688
Operation and maintenance	21,335,841
Pupil activities	2,041,389
Transfers to other funds	2,313,070
Total expenditures	$147,894,050

Source: Fairbanks North Star Borough School District

The Borough's Code of Ordinances allows for the retention and carryover, from one year to the next, by the school district of no more than 7 percent of that fiscal year's state revenues and local contribution to education.

GENERAL AND ECONOMIC DATA

Location, History, Climate

The Borough lies in the Tanana River Valley in the interior of Alaska. It is bounded on the north by the foothills of the White Mountains. The Alaska Range, which includes Mt. McKinley (elevation 20,300 feet), is about 150 miles to the south, and the Arctic Circle is about 125 miles to the north. The City of Fairbanks is about 260 miles north of Anchorage.

The Borough covers 7,361 square miles in central Alaska. About one percent of the land is developed for urban, residential, agricultural, or other purposes. Two first-class cities are located within the Borough - Fairbanks and North Pole. Developed, non-military land in and around the cities totals about 35 square miles.

The City of Fairbanks was founded in 1901, after the discovery of gold in the area. A U.S. District Courthouse was established in Fairbanks in 1904. In 1923, Fairbanks became the northern terminus of the Alaska Railroad, which links the city to the seaports of Anchorage, Seward, and Whittier. The railroad provided Fairbanks with a dependable, year-round transportation and communication system, enabling it to become the distribution center for central and northern Alaska.

In 1924, Noel Wien completed the first nonstop flight between Anchorage and Fairbanks in 3 hours and 45 minutes, a trip that took two days by train. At that time, Alaska was a nearly roadless territory, and settlements were widely scattered. Air transportation has played a vital role in Alaska ever since.

World War II further opened Alaska's Interior region. The construction of the Alaska Highway, terminating in Fairbanks, established the State's strategic importance. Military and defense establishments constitute an important segment of the Borough's economy. Fort Wainwright and Eielson Air Force Base are located within the Borough.

In 1968, oil and gas reserves were discovered on Alaska's North Slope, north of the Borough. The Borough was the staging, service, and supply center for the construction of the Trans Alaska pipeline. The discovery of oil and the construction of the transmission pipeline accelerated growth in nearly all sectors of the Borough's economy from 1974 through 1977. Two refineries operate within the Borough.

Fairbanks weather is continental interior, meaning lots of sun and very definite seasons. Winter extremes of -40 degrees (Fahrenheit) are balanced by summer days in the 70's and 80's. The average winter runs from October, with the first snowfall, through breakup in April, when the snow melts. Average winter temperature is -13 degrees. There is very little wind in Fairbanks, particularly during cold winter days. From November to March, daily sunshine ranges from four to ten hours. During June and July, the sun is above the horizon for 18 to 21 hours per day. Although total annual precipitation averages less than 11 inches, winter snowfall averages 65 inches.

Population and Housing

Table 16 shows the populations of the Borough, the cities of Fairbanks and North Pole, and the State of Alaska. According to the 2000 census, the Borough's population was 82,840, an increase of about 7 percent from the 1990 population of 77,720 and 53 percent since 1980.

In May of 2007 the Alaska Department of Commerce, Community and Economic Development (DCCED) certified the 2006 Fairbanks North Star Borough (FNSB) population as 96,888. This compares with a 2006 estimate of 87,849 (Alaska Department of Labor (DOL)) and 86,754 (US Census Bureau (Census Bureau)).

The FNSB submitted a challenge to the US Census population estimate, which was recently approved. The new July 1, 2006 estimate is 94,803.

Table 16 ■ Fairbanks North Star Borough Population

Year	Borough[1]	City of Fairbanks[2]	City of North Pole	State of Alaska[3]
1980	53,983	22,645	724	401,851
1990	77,720	30,843	1,456	550,043
1995	81,797	32,386	1,540	601,581
1996	82,435	31,633	1,523	605,212
1997	82,278	31,850	1,631	609,655
1998	83,928	31,601	1,619	617,082
1999	83,773	31,697	1,616	622,000
2000	82,840	30,224	1,570	628,800
2001	83,530	29,558	1,500	626,932
2002	84,791	29,670	1,683	626,932
2003	82,214	29,486	1,646	648,818
2004	84,979	30,083	1,532	655,435
2005	87,608	31,071	1,599	663,661
2006	96,888	30,552	1,710	670,053

Source: Borough, Fairbanks, and North Pole populations from Ak. Dept. of Commerce
1 - Includes Fairbanks, North Pole, Fort Wainwright, and Eielson AFB
2 - Includes population living on Fort Wainwright.
3 - State of Alaska population figures from Ak. Dept. of Labor

As of December 2006 the number of military personnel and family members totaled 20,932. The total military population comprises about 22 percent of total Borough population. Due to military base realignment and closures recently approved by the US Congress, a small net gain in military population is expected over the next several years (see "Base Realignment and Closure Commission Impact" section under the Military heading).

Table 17 shows the number of residential housing units sold and the average price per unit since 2002.

Table 17 ■ Fairbanks North Star Borough Residential Housing Sales

	Units Sold	Average Price Per Unit
2002		
1st Quarter	132	142,700
2nd Quarter	213	141,700
3rd Quarter	128	167,500
4th Quarter	220	157,100
2003		
1st Quarter	138	149,800
2nd Quarter	241	162,900
3rd Quarter	263	159,100
4th Quarter	251	162,900
2004		
1st Quarter	130	154,300
2nd Quarter	242	167,500
3rd Quarter	273	173,400
4th Quarter	211	178,500
2005		
1st Quarter	223	182,900
2nd Quarter	311	188,200
3rd Quarter	324	185,800
4th Quarter	214	195,400
2006		
1st Quarter	148	204,300
2nd Quarter	260	217,700
3rd Quarter	340	210,800
4th Quarter	268	218,300
2007		
1st Quarter	206	222,600

Source: FNSB Community Research Quarterly, Spring 2007

Income

Table 18 shows median household effective buying income (EBI) for the Borough, the State, and the U.S. for the period from 2001 through 2005, the last year for which data was available. Effective buying income is defined as money income less personal tax payments, a number often referred to as "disposable" or "after-tax" income. Between 2001 through 2005, the Borough's EBI increased at an annual average rate of 1.6 percent. EBI is based on "money income," provided by the Census Bureau. Money income does not include certain sources, such as pay-in-kind income, lump-sum payments such as bonuses, interest and rent from property, and some proprietor's income and transfer payments.

Table 18 ■ Fairbanks North Star Borough
Median Household Effective Buying Income

Year	Borough	State of Alaska	United States
2001	$43,924	$47,965	$39,129
2002	45,890	48,987	38,365
2003	44,600	45,882	38,035
2004	45,359	47,047	38,201
2005	46,762	48,862	39,324

Source: Sales & Marketing Management Magazine, Survey of Buying Power

Cities

Fairbanks: The City of Fairbanks, with a 2006 population of 30,552, is the largest in the Borough and the third largest in the State, after Anchorage and Juneau. Fairbanks is located at the confluence of the Chena and Tanana Rivers and has long served as the trade, transportation, government, education, finance, services, and information center for the Alaskan Interior and the North Slope. It is a transfer point for materials arriving by rail to the terminus at Fairbanks and continuing on to the North Slope over the Dalton Highway. The urbanized area of the City of Fairbanks covers about 10.5 square miles.

North Pole: North Pole is located 11 miles southeast of Fairbanks, and is the only other incorporated city in the Borough. The city's major industry is the Flint Hills Resources, a division of Koch Industries, Inc., a refinery which produces heating oil, jet fuel, and gasoline from North Slope crude oil.

Employment

Table 19 shows a four-year history of civilian employment by industry segment. The Alaska Department of Labor estimates average 2006 employment at 38,000, an increase of 300 jobs from the previous year.

Table 19 ■ Fairbanks North Star Borough
Average Annual Civilian Employment (by Industry)

Industry	2002	2003	2004	2005	2006
Natural resources and mining	900	900	900	1,000	1,000
Construction	2,250	2,500	2,800	2,900	2,800
Manufacturing	500	500	600	600	600
Trade/Transportation/Utilities	7,250	7,100	7,400	7,600	7,700
Information	600	600	600	600	600
Financial Activities	1,300	1,400	1,400	1,500	1,600
Professional & Business Svcs	1,850	2,100	2,200	2,200	2,200
Educational & Health Services	3,800	4,000	4,100	4,200	4,300
Leisure & Hospitality	3,850	4,000	4,200	4,100	4,100
Other Services	1,800	1,400	1,400	1,300	1,400
Government					
Federal Government	3,300	3,400	3,400	3,400	3,400
State Government	5,000	5,100	5,200	5,200	5,200
Local Government	3,050	3,000	3,000	3,100	3,100
	35,450	36,000	37,200	37,700	38,000

Source: Alaska Department of Labor, Research and Analysis, Current Employment Statistics (CES)

Table 20 lists the largest employers in the Borough. The largest individual employers are government related.

Table 20 ■ Fairbanks North Star Borough Largest Employers, 2006

Employer	Business Activity	Employees
Department of Defense	Military	8,427
University of Alaska, Fairbanks	Education	3,416
Military-related employment	Government	2,264
Fairbanks North Star Borough School District	Education	2,130
State government [(1)]	Government	1,798
Banner Health System	Hospital	1,268
Federal government (Agency personnel)	Government	1,116
ARSC Energy Services	Oilfield Services	751
Fred Meyer, Inc.	Grocery/retail	633
Wal-Mart/Sam's Club	Retail	501
Fairbanks North Star Borough	Government	445
Fairbanks Gold Mining Co.	Hard rock mining	378
Safeway	Grocery/retail	318
Tanana Chiefs Conference	Social services	301
McDonalds Restaurants of Alaska	Restaurant	271
Tanana Valley Medical Surgical Clinic	Hospital	267

Source: Fairbanks North Star Borough
1 - Total state government minus University of Alaska.

Government Sector: The University of Alaska Fairbanks (UAF) employs 3,416 and is the Borough's largest employer. UAF accounts for 65 percent of state employees within the Borough. Along with other federal, state, and school district employees, and with civilian jobs at Fort Wainwright and Eielson Air Force Base, government is the largest sector in terms of employment with 29 percent of the Borough's workforce. Nine percent of the work force is federally employed, 14 percent is state employed, and seven percent is employed by local government.

Services and Trade Sectors: Hotel/motel room receipts amounted to $52.6 million in 2006, a 13 percent increase from 2004. The services sector, to which tourism significantly contributes, has grown to become the largest employment sector with 37 percent of total Borough employment. The trade and transportation sectors account for about 20 percent of the Borough's employment.

Construction, Manufacturing and Mining Sectors: These employment sectors provide 11 percent of total employment. Although mining is a small employer, it provides local jobs and brings in new money to the local economy, including property tax revenues. Mining also includes the oil and gas industries which are important to the statewide economy.

Other Employment: The Banner Health System is the largest non-governmental employer with 1,268 full-time employees. Tanana Chiefs Conference is a nonprofit corporation representing Interior Athabaskan Indian villages. Tanana Chiefs manages social service programs for 43 interior villages and employs 301 in Fairbanks. Wal-Mart and Sam's Club employ 501. Fred Meyer, Inc., a grocery and retail store chain with two stores in Fairbanks, employs 633.

Military

The two main military installations within the Borough, Fort Wainwright and Eielson Air Force Base, continue to be important economic assets to the region. In addition to the military and family population centers the bases represent, the bases bring significant levels of civilian employment, last reported by the Federal Government as a combined 2,264 in fiscal year 2005/06.

The military also continues to attract added investment into local projects. The recently enacted Defense and Military Construction Appropriations Bills have allocated over $200 million in federal funds to projects in and around the Borough. These projects include over $104 million in construction and improvements at the Borough's two bases for homeland security preparedness purposes. An additional $95.8 million have been appropriated for training upgrades as well.

Base Realignment and Closure Commission (BRAC) Impact: In 2005, BRAC considered a list of recommended military base realignment and closures submitted by the Department of Defense. Included on the list was the recommended closure of Eielson Air Force Base. In the course of its hearings, BRAC removed the closure of Eielson Air Force Base from the list of recommended actions. Rather than recommending closure of the base, BRAC recommended that the base remain open and that the base's A-10 fighter planes be transferred to another base out of state. Eielson will retain its F-16 fighter jets, Alaska National Guard assets and other units. The transfer of the A-10 fighters represented the loss of about 500 military personnel.

BRAC also recommended that a contingent of 44 helicopters be transferred to Fort Wainwright from outside of Alaska; this process is currently underway. These helicopters, including 30 Kiowas, 8 Black Hawks, and 6 medical evacuation helicopters, are supported by 880 military personnel. The military estimates that approximately 65 percent of the soldiers assigned to the unit are married, and 400 dependants will accompany the relocating soldiers to the Borough.

The US Congress approved in 2005 the full BRAC recommendations; transfers have begun and will be completed after no more than six years. The net impact on military installations in the Borough is expected to be a gain of nearly 300 military personnel and a proportionate increase in military family population.

Fort Wainwright: Fort Wainwright, formerly known as Ladd Army Air Field, was built in 1941 as a cold weather test station and is comprised of 916,000 acres. During World

War II, it served as the transfer point for nearly 8,000 aircraft transferred from the U. S. to the Soviet Union. Ladd Airfield was transferred to the Army in 1961.

In 2003, First Stryker Brigade Combat Team (SBCT 1) 25th Infantry Division composed of 3,600 men was assigned to Fort Wainwright. SBCT 1 is one of four Stryker Brigades being deployed as a crucial step in the Army's efforts to transform its forces into rapidly deployable, sustainable and survivable force units. The SBCT is an infantry-centric unit that can deploy anywhere in the world within 96 hours, and is built around a medium-weight 19-ton Stryker combat vehicle.

The Army plans to use SBCTs as a prototype for the future of the entire Army, a transformation to take place over the next decade, making SBCT 1 (and by extension, Fort Wainwright) an important element in the Army's future. A strategic decision has been made that medium-weight units such as the SBCT will be more valuable assets in the new global security environment than the current mix of light-weight infantry units, which can be delivered to a theater quickly but do not have staying power against enemy armor, and heavy-weight armor units, which cannot be rapidly deployed. The SBCT concept is to combine the rapid deployment abilities of light-weight forces, with the strength and counterattack survivability attributes of heavy-weight forces.

Eielson Air Force Base: Eielson Air Force Base is located 26 miles south of Fairbanks and consists of 22,035 acres with access to an additional 40,000 acres. Originally built in 1944 as an auxiliary weather-alternate field for Ladd Army Field, the base was known as Mile-26-Strip. After being mothballed at the end of World War II, the base was reopened in 1946 and transformed into a large bomber base because of the onset of the Cold War. Eielson Air Force Base is home to the 354th Fighter Wing, 18th Aggressor Squadron, 353rd Combat Training Squadron, and the 168th Air Refueling Wing.

Table 21 shows military personnel and family members at Fort Wainwright and Eielson Air Force Base. In 2007, 6,834 military personnel and 7,440 family members were stationed at Fort Wainwright. In 2007, 3,056 military personnel and 5,133 family members were stationed at Eielson Air Force Base, exclusive of the 168th Air Refueling Wing.

Table 21 ■ Fairbanks North Star Borough Military Population

	2003	2004	2005	2006	2007
Fort Wainwright					
Military personnel	4,462	4,904	4,802	5,108	6,834
Family members	5,797	5,320	5,271	5,798	7,440
Eielson Air Force Base					
Military personnel	3,030	3,094	3,006	2,800	3,056
Family members	3,639	3,376	3,631	3,600	5,133

Source: As of first quarter of listed year in FNSB Community Research Quarterly, Spring 2007

Health Care

The Fairbanks Memorial Hospital and Denali Center (FMH/DC) is the Borough's largest employer outside of government and education. The hospital is managed by Banner Health, a nonprofit health care system operating facilities in Alaska and six other western states. FMH/DC offers a full complement of ambulatory, acute and skilled nursing services to the approximately 115,000 persons residing in the FMH/DC service area. The large size of the FMH/DC service area and the degree of isolation of the residents directly impacts the scope and delivery of health care needed in the region, thereby requiring FMH/DC to provide a comprehensive scope of services and programs.

The hospital is currently undergoing a $110 million expansion. A state of the art outpatient Imaging Center was completed and opened in the summer of 2005 and the first phase of the ED was complete in 2007, with phase II planned for March 2008. A Cardiac Cath Lab is set to open in December 2007 and FMH/DC continues to expand, working on a 10-15 year master plan. The Borough continues to expand its role as a major medical center for the interior of Alaska.

Retail Sales

Retail sales totaled $1.3 billion in 2004, the last year for which data was available via the *Survey of Buying Power*. This is an increase of about 9.6 percent from 2003. In the past few years, the Borough has witnessed growth in major national retailers. Stores such as Home Depot, Lowe's, Wal-Mart, and Fred Meyers have recently opened locations in Fairbanks, and Petco, Sportsman's Warehouse, Barnes & Noble, Old Navy, and others have locations under construction or have recently opened. In addition, Wal-Mart has submitted preliminary planning documents to add footage and create the only Alaska super-center, as the Borough expands its service center role. Retail sales increased at an average annual rate of 4 percent between 2000 and 2004. Table 22 shows retail sales by category from 2000 through 2004.

A review of data provided by Claritas, an independent vendor to the Borough, indicates that retail sales have remained strong, with total retail sales in 2006 of over $1.3 billion.

Table 22 ■ Fairbanks North Star Borough Retail Sales ($000)

	2000	2001	2002	2003	2004
Food	$108,481	$92,370	$82,569	$88,315	$94,407
Eating & drinking places	60,254	69,986	66,670	79,720	87,650
General merchandise	326,652	305,277	373,312	399,485	384,312
Furniture & appliances	29,312	27,139	29,735	33,980	37,179
Automotive	351,692	327,139	301,991	319,495	330,165
All Other	293,027	262,773	273,860	304,285	409,139
Total	$1,169,418	$1,084,684	$1,128,137	$1,225,280	$1,342,852

Source: Sales & Marketing Management Magazine, Survey of Buying Power

Real Estate Activity

Table 23 shows the value of deeds of trust filed in the Borough over the last five years.

Table 23 ■ Fairbanks North Star Borough Deeds of Trust Recorded ($1,000)

Year	Mortgage	Consumer	Construction	Commercial	**Total**
2002	$369,021	$21,222	$51,240	$119,699	**$561,182**
2003	561,965	31,859	61,653	125,887	**781,364**
2004	384,625	29,839	75,758	113,774	**603,996**
2005	417,308	31,878	82,163	140,076	**671,425**
2006	476,508	32,477	94,239	144,265	**747,489**

Source: FNSB Community Research Quarterly, Spring 2007

Oil and Gas Industry

Oil Pipeline: The discovery in 1968 of a vast oil and gas region on the arctic North Slope of Alaska marked the opening of another era in the economic development of the state. The 800-mile, $8 billion Trans Alaska pipeline system began transporting crude oil from Prudhoe Bay on the North Slope to shipping facilities in south-central Alaska at Valdez in 1977. The pipeline is permitted for operations through 2034.

The State receives a royalty on all gas and oil production from both state and federal lands; the State receives 90 percent of royalties received by the federal government from leases of federal lands in the state. The proven reserves of the Prudhoe Bay region on the North Slope are within state lease areas. The State's royalty is one-eighth of the oil production, which it may take in-kind or as royalty payments based on the dollar value of the production. Petroleum production activities also provide the State with revenue from oil and gas severance taxes, corporate taxes, and ad valorem taxes on petroleum production and transportation facilities in the state.

Gas Pipeline: In October 1999 voters in the Borough, the North Slope Borough, and Valdez approved creation of the Alaska Gasline Port Authority, to develop, own and operate a natural gas pipeline. The Port Authority's proposed pipeline would transport natural gas from the North Slope to Tidewater in Alaska for liquefied natural gas shipments to west coast markets. In November 2002 an initiative was presented to state voters that would create a gas pipeline development authority as a public corporation of the State. This measure received a 61 percent yes vote.

The Governor of Alaska is currently working towards building a natural gas pipeline that would transport natural gas to Alaskan users and for transport to the lower 48 states.

The Natural Gas Pipeline Act signed into law by President Bush contains significant incentives, including expedited permitting, $20 billion of federally guaranteed loans, and certain tax advantages for the construction of the gas pipeline.

FNSB Oil and Gas Operations

Two oil refineries are located in the Borough. The Flint Hills Resources (FHR) Alaska refinery (formerly Williams Alaska Petroleum, Inc.) began North Pole operations in 1977. The FHR refinery currently processes about 210,000 barrels per day of crude oil off the Trans Alaska Pipeline System and refines approximately 60,000 barrels per day into products that are sold in Alaska and Asia. The balance of 150,000 barrels per day is returned to the pipeline. Flint Hills Resources, a division of Koch Industries, Inc., purchased their North Pole refinery on April 1, 2004. The PetroStar refinery, constructed in 1985, has a capacity of 16,000 barrels per day and supplies jet fuel directly to Eielson Air Force Base by pipeline. The refinery produces kerosene, diesel, heating, and jet fuels.

Mining

Gold was discovered in Fairbanks in 1901. The eastern interior region of Alaska, centered at Fairbanks, is not only the state's leading gold-producing region, but also holds potential for the discovery and development of new mines. The proposed gas pipeline has been received warmly by local mining interests, as inexpensive local delivery of natural gas could make new mining operations and techniques economically feasible and allow further extraction of mineral wealth.

As the second largest taxpayer in the FNSB, Fort Knox open-pit gold mine is a world class operation. Original estimates of mine life have recently been extended to 2020 due to the high value of gold and the ability to process lower grade ore. This extension may go out further in time depending on the economic success of the recently permitted heap-leaching process that dramatically reduces operational costs which should expand proven reserves.

Development and construction of a mile-long exploratory tunnel to access the Pogo gold deposit, outside the Borough's southern boundary, was begun in 1999. The Pogo deposit is believed to contain 5.6 million ounces of gold. The mine became fully operational in late 2006. Estimated production is 375,000 ounces annually, with a mine life of 11 years. During primary construction, lasting approximately 30 months, the mine employed 700; regular mining operations will provide 300 jobs.

Usibelli Coal Mine, Inc. (UCM), Alaska's only coal producer, was founded in 1943. It is located about 120 miles south of Fairbanks. Today, the mine has a workforce of about 95 employees and operates year-round. UCM produces an average of 1.3 million tons of low sulfur subbituminous coal annually with 70 percent sold in interior Alaska where it is utilized in power plants to produce electricity and space heat. The remaining tons are shipped by railroad to Seward, Alaska for export to South Korea, South America, and other Pacific Rim destinations.

Capacity exists to increase total production to approximately 3 million tons per year with minimal capital expenditures. UCM has approximately 35 years of available production

on permitted lands. Usibelli Coal Mine has more than 65 years of reserves on active leases at current production rates.

University of Alaska

The University of Alaska Fairbanks is the largest single, non-military employer in the borough, with about 3,416 faculty and staff members. Established in 1917 as the Alaska Agricultural College and School of Mines, UAF's 2,250-acre campus is located about four miles from downtown Fairbanks. UAF is the oldest campus in the state university system, which also includes campuses in Anchorage and Juneau. UAF's Fairbanks campus is home to eight academic schools and colleges. UAF also serves a vast area of the state through the College of Rural and Community Development with campuses in Nome, Bethel, Dillingham and Kotzebue, the Tanana Valley Campus in Fairbanks, and the Interior-Aleutians Campus, which is headquartered in Fairbanks but supports educational opportunities throughout Interior Alaska and part of the Aleutian Islands. UAF reaches far beyond Fairbanks with a network of 30 campuses, learning centers, research centers and outreach offices.

UAF has more than a dozen research institutes. The International Arctic Research Center was established in 1999 as a cooperative research institute and is funded by both the U.S. and Japanese governments. The Geophysical Institute was established in 1946 to study of geophysical processes from the center of the Earth to the center of the sun. The Arctic Region Supercomputing Center has, since 1993, served the computational needs of researchers throughout the UA system, as well as other academic institutes and federal agencies. UAF has the nation's only university owned and operated sounding rocket launching facility. Poker Flat Research Range is located about 30 minutes from Fairbanks.

Recent new construction projects at UAF have included the new $32 million State Virology Lab, a joint project between the Alaska Department of Health and Social Services and UAF, which is expected to open 2009. The Biological and Research Diagnostics building, a $23-million, 42,000-square-foot animal care facility, opened in 2007. The West Ridge Research Building opened in 2004 and provided an additional 60,000 square feet of research space to support research funding of more than $113 million annually.

Transportation

Fairbanks International Airport is owned and operated by the State. From Fairbanks it is fifty minutes by air to Anchorage, four hours to Seattle, eight hours to Tokyo, eight and one-half hours to New York and nine and one-half hours to London. Several airlines operate passenger and cargo service from the airport. The airport is also used by airplane manufacturers to test new planes for use in cold weather. Table 24 shows a history of passengers, freight operations, and landings at the airport.

In 1998, the airport completed a $9.6 million federal and State-funded project to lengthen a runway and improve service for cargo carriers. The extension of the runway allows

larger, heavier planes to use the airport as a service center. In 2006 the airport facility began a terminal expansion and renovation project totaling approximately $96 million. About 90,000 square feet of new space is being built, with an expected opening date of summer 2008. Additionally, 60,000 square feet will be renovated; completion of this phase is expected in the summer of 2009. By the end of the project, 80,000 square feet of the existing facility will have been demolished, for a net gain of 10,000 square feet resulting in a final facility layout that totals 150,000 square feet.

Fairbanks is the terminus of the Alaska Railroad, which extends about 480 miles from Seward through Anchorage to Fairbanks. During the summer, the railroad operates daily passenger service between Fairbanks and Anchorage, with a stop at Denali National Park. The railroad's most important role is cargo transportation, primarily coal, fuel, trailer and container shipments, motor vehicles, and heavy equipment. About one-third of the annual coal production from the Usibelli Coal Mine in Healy is shipped north each year by railroad. Gasoline from the Flint Hills refinery in North Pole is shipped south on the railroad. The US Senate has recently agreed to provide $2 million to study the feasibility of expanding the railroad into Canada, along the route of a proposed gas pipeline.

Table 24 ■ Fairbanks International Airport Operating Statistics

	2002	2003	2004	2005	2006
Passengers - incoming	420,856	423,834	463,477	462,522	462,703
Passengers - outgoing	409,626	417,959	455,821	457,621	455,309
Revenue landings	28,943	29,738	29,683	27,600	25,792
Freight - incoming*	14,533	17,153	17,805	76,450	10,992
Freight - outgoing*	59,659	52,806	59,972	123,996	51,684

Source: FNSB Community Research Quarterly, Spring 2007
*Thousands of pounds

Community Facilities

Education: In addition to the public school system and the University of Alaska, a number of private schools are located in the Borough. Tanana Valley College, a non-baccalaureate part of the university system, offers academic, technical-vocational, and personal-interest programs.

Library: The Borough library system consists of the Noel Wien Library, the North Pole Branch Library, and van delivery service to homebound patrons and small communities throughout the Borough. The Noel Wien Library also provides grant-funded mail library service to northern and south-central Alaska.

John A. Carlson Community Activity Center: The Carlson Center provides space for sports, meetings, and conventions. The center, opened in 1990, is a multi-purpose facility, which can be configured from hockey rink to basketball court to concert seating.

The 100,000 square-foot center has a seating capacity of 6,500. The center hosts an average of 175 event days per year (not including ice rental) with an attendance of 150,000 to 175,000 per year.

Tourism and Recreation

Tourism is of increasing importance to the Borough. The Alaska Visitors Statistics Program reports that about 385,000 people visited the area in the summer of 2006. Investment in tourism infrastructure is reflected in the Borough's increased assessed valuation. Recently enacted federal appropriations bills include $6 million for completion of a cultural and visitors center in the Borough, to open in August of 2008. Since 2000, Federal appropriations will total $16.5 million

While most of Fairbanks visitation is in the summer, winter has been dubbed the "opportunity season." The aura and challenge of "Far North" outdoor activities are gaining attention from international and domestic media. Privately owned and operated riverboat and gold mining attractions host thousands of visitors during the summer season. Visitors are lured by the midnight sun in the summer and the aurora borealis in the winter. Facilities and amenities available for visitors to enjoy are also available for residents. An exemplary use of the community's human and infrastructure resources occurred in Fairbanks hosting the 2005 Convention of the Alaska Federation of Natives (AFN), the largest annual gathering of Native peoples in the United States and the largest meeting held in Alaska. This was only the second time in 40 years that the conference was held outside of Anchorage. Fairbanks, proving its ability to host a gathering of this size, hosted the AFN again in October 2007.

Fairbanks has abundant indoor and outdoor recreational facilities, including swimming pools, downhill and cross-country skiing, hiking and bicycle trails, golf courses, and softball and soccer fields. Community events include the annual Yukon Quest, a Fairbanks-to-Whitehorse, Canada, sled dog race; the North American Sled Dog Racing Championships; Fairbanks Winter Carnival and the World Ice Art Championships; Tanana Valley Fair; and the World Eskimo Indian Olympics.

The University of Alaska Museum of the North is a major visitor attraction and completed a $34 million renovation and expansion project in the summer of 2005. The museum includes Alaskan Native artifacts, botanical and natural history exhibits, and mineral and fossil samples. The museum has a continuous research program.

The 2,200-acre Chena Lakes Recreation Area was completed in 1984 by the Army Corps of Engineers as part of the Chena River flood control project. The $190 million project, about 15 miles south of downtown Fairbanks, is the Corps' largest project in Alaska and its only recreation project in the State. Facilities include a 260-acre lake, two campgrounds with 88 campsites, boat launch, swimming beach, playground, volleyball facilities, and numerous picnic areas including three covered pavilions. The park draws about 78,000 visitors annually.

Pioneer Park (formerly Alaskaland), owned by the Borough, is a 44-acre theme park built in 1967 to commemorate the centennial of the Alaska purchase. It is a recreated gold rush town of the 1900s, and includes restored original buildings moved in from the Fairbanks area, which now house retail businesses and restaurants. The park hosts conventions, fairs, and carnivals, and includes a civic center and art gallery which operates year-round. The park also includes playgrounds and picnic facilities.

Denali National Park is located about 150 miles south of Fairbanks. The park, open year-round, covers 4.3 million acres and includes Mt. McKinley, the highest peak in North America. Adjoining the park is the Denali National Preserve, covering 1.3 million acres.

APPENDIX A
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Cook & Haugeberg LLC
CERTIFIED PUBLIC ACCOUNTANTS

November 10, 2006

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Assembly
Fairbanks North Star Borough

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of and for the year ended June 30, 2006, which collectively comprise the Borough's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Borough's nonmajor governmental and fiduciary funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements and schedules are the responsibility of the management of the Fairbanks North Star Borough. Our responsibility is to express opinions on these financial statements and schedules based on our audit. The prior year partial comparative information has been derived from the Borough's June 30, 2005 financial statements and, in our report dated November 10, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and on each of the Borough's nonmajor governmental and fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Fairbanks North Star Borough, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds with annual budgets for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements and schedules referred to above present fairly, in all material respects, the respective financial position of each

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nonmajor governmental and fiduciary fund of the Fairbanks North Star Borough, as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our reports dated November 10, 2006, on our consideration of the Fairbanks North Star Borough'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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, which includes management's discussion and analysis and the schedule of funding progress for pension and post employment health care benefits, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fairbanks North Star Borough's basic financial statements. The accompanying schedules listed as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The June 30, 2006 additional information schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006, taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Borough's basic financial statements for the year ended June 30, 2005, which are not presented with the accompanying financial statements. In our report dated November 10, 2005, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information. In our opinion, the June 30, 2005 additional information schedules are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. The accompanying introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cook + Haugeberg LLC

FAIRBANKS NORTH STAR BOROUGH

Statement of Net Assets
June 30, 2006

	Primary Government		Primary Government Totals		Component Unit
	Governmental Activities	Business-type Activities	2006	2005	School District
Assets					
Equity in central treasury cash	$35,808,333	$21,578,101	$57,386,434	$55,944,812	$18,996,612
Restricted equity in central treasury cash	41,969,818	488,249	42,458,067	34,555,392	19,296
Taxes receivable (net of allowance for uncollectibles 2006 - $143,389; 2005 - $649,442)	2,446,764	153,342	2,600,106	2,499,305	
Restricted taxes receivable	250,553		250,553	228,986	
Accounts receivable (net of allowance for uncollectibles 2006 - $40,443; 2005 - $7,712)	49,507	425,243	474,750	1,031,424	8,885,257
Restricted accounts receivable (net of allowance for uncollectibles 2006 - $45,491; 2005 - $30,168)	391,672	6,860	398,532	341,741	
Accrued interest receivable	399,510	12,410	411,920	377,081	
Restricted accrued interest receivable	44,745		44,745	6,527	
Internal balances (payable from restricted assets: governmental activites $35,755; business-type activities $679,416)	552,581	(552,581)			
Due from Borough					227,158
Restricted due from School District	28,578		28,578	99,868	
Due from governmental agencies	508,274		508,274	576,496	
Restricted due from governmental agencies	2,239,352	729,848	2,969,200	1,390,686	
Inventories		8,376,559	8,376,559	9,534,329	599,762
Other assets	3,347,195		3,347,195	2,006,648	26,040
Land contracts receivable		1,948,554	1,948,554	1,249,832	
Long-term receivable (net of allowance for uncollectibles 2006 - none; 2005 - $124,218)				62,109	
Capital assets (See Note 7):					
Non-depreciable	235,353,940	2,634,195	237,988,135	267,059,164	317,044
Depreciable, net of accumulated depreciation	346,781,092	28,078,397	374,859,489	346,986,847	3,918,327
Assets total	670,171,913	63,879,176	734,051,090	723,951,245	32,989,496

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Net Assets
June 30, 2006

	Primary Government		Primary Government Totals		Component Unit
	Governmental Activities	Business-type Activities	2006	2005	School District
Liabilities					
Advance tax payments	$5,697,691	$	$5,697,691	$4,356,570	$
Accounts payable	1,904,243	244,455	2,148,697	1,264,996	1,144,636
Due to Borough					28,578
Due to School District				1,921	
Wages and payroll taxes	676,447	143,253	819,700	704,642	360,576
Payable from restricted assets:					
Accounts payable	2,742,370	84,337	2,826,706	3,342,769	
Due to School District	214,546		214,546	207,933	
Unearned revenues	2,082,436	154,317	2,236,753	1,168,461	19,296
Deposits from others	9,461		9,461	9,461	
Due to governmental agencies					38,440
Accrued interest payable	1,565,896	284,602	1,850,498	2,023,983	
Deposits from others	172,341	18,559	190,901	168,994	
Long-term liabilities (See Note 11):					
Due within one year	11,499,572	466,076	11,965,649	14,734,730	4,486,795
Due in more than one year	133,825,134	21,192,564	155,017,698	151,693,090	5,987,874
Liabilities total	160,390,137	22,588,163	182,978,300	179,677,549	12,066,195
Net Assets					
Invested in capital assets, net of related debt	472,363,319	24,830,906	497,194,225	491,754,304	4,235,371
Restricted for:					
Employee healthcare and labor relations	2,135,897		2,135,897	1,861,230	
Special revenue funds	20,960,535		20,960,535	16,994,856	
Capital projects funds	6,010,439		6,010,439	4,202,105	
Proprietary fund grants and asset replacement	6,163	306,887	313,050	454,878	
Unrestricted	8,305,423	16,153,220	24,458,643	29,006,323	16,687,930
Net assets total	$509,781,777	$41,291,013	$551,072,789	$544,273,696	$20,923,301

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Totals 2006	Primary Government: Totals 2005	Component Unit: School District
Primary government:										
Governmental activities:										
General government	$17,974,315	($2,391,069)	$640,713	$1,616,702	$702,609	($12,623,222)	$	($12,623,222)	($11,816,850)	$
Community planning	1,879,426	247		272,033		(1,607,640)		(1,607,640)	(1,485,652)	
Public works	10,073,106	(1,230,448)	119,708		321,699	(8,401,250)		(8,401,250)	(7,005,430)	
Parks and recreation	7,469,228	9,150	1,003,199	64,103	2,003,209	(4,407,868)		(4,407,868)	(5,428,937)	
Library	4,776,712	247	28,995	2,330,947	24,576	(2,392,441)		(2,392,441)	(3,848,825)	
Road and other service areas	1,699,683	311,660		268,058	971,508	(771,777)		(771,777)	(900,373)	
Education	53,694,197			16,425	505,167	(53,172,605)		(53,172,605)	(8,581,486)	
Emergency operations	4,666,234	130,415	973,475	1,308,313	577,714	(1,937,147)		(1,937,147)	(1,767,697)	
Fire service areas	4,842,353	12,273		164,678	580,517	(4,109,431)		(4,109,431)	(4,335,291)	
Interest on long-term debt	6,437,366					(6,437,366)		(6,437,366)	(6,532,239)	
Total governmental activities	113,512,620	(3,157,525)	2,766,089	6,041,259	5,687,000	(95,860,748)		(95,860,748)	(51,702,780)	
Business-type activities:										
Transit	5,454,882	598,058	1,206,101	2,118,529	1,657,866		(1,070,444)	(1,070,444)	(2,621,962)	
Land	1,887,904	121,600	1,894,329		20,915		(94,260)	(94,260)	(459,526)	
Carlson Center	1,145,975	424,834		87,932	140,477		(1,342,400)	(1,342,400)	(1,316,880)	
Solid waste disposal	5,407,751	679,981	5,331,961		404,520		(351,250)	(351,250)	(3,471,690)	
Total business-type activities	13,896,511	1,824,474	8,432,392	2,206,461	2,223,778		(2,858,354)	(2,858,354)	(7,870,059)	
Total primary government	$127,409,131	($1,333,051)	$11,198,480	$8,247,720	$7,910,778	(95,860,748)	(2,858,354)	(98,719,102)	(59,572,839)	
Component units:										
School District	$167,978,787	$1,333,051	$1,894,564	$27,354,672	$1,544,726					(138,517,876)
General revenues:										
Property taxes						82,605,092		82,605,092	77,031,587	
Hotel-motel taxes						1,551,623		1,551,623	1,531,027	
Alcoholic beverage taxes						1,233,545		1,233,545	1,247,562	
Tobacco excise taxes						1,013,728		1,013,728	988,813	
Grants and contributions not restricted to specific programs						13,775,527	114,509	13,890,036	12,278,529	
Foundation program										80,045,140
Other federal and state aid										12,257,249
Unrestricted investment earnings						3,968,731	852,984	4,821,715	2,485,334	
Borough direct appropriation										38,022,700
Other						401,295	1,161	402,456	553,317	2,771,155
Transfers						(3,636,875)	3,636,875			
Total general revenues and transfers						100,912,665	4,605,530	105,518,195	96,116,169	133,096,244
						5,051,918	1,747,177	6,799,093	36,543,331	(5,421,632)
Net assets, beginning						504,729,859	39,543,836	544,273,696	507,730,366	26,344,933
Net assets, ending						$509,781,777	$41,291,013	$551,072,789	$544,273,696	$20,923,301

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

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FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Balance Sheet
June 30, 2006

	General	Service Areas	Federal Grants Special Revenue	Debt Service	Bond Projects	Local Projects	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in central treasury cash	$20,209,282	$8,863,064	$1,753,805	$13,600	$16,780,725	$12,574,697	$17,070,736	$77,265,911
Taxes receivable (net of allowance for uncollectibles - $143,389)								
Taxes receivable	2,446,764	125,700					124,853	2,697,317
Accounts receivable (net of allowance for uncollectibles - $57,406)	49,507						391,672	441,179
Accrued interest receivable	399,510				44,702	43		444,255
Interfund receivable	2,297,550							2,297,550
Due from School District						28,578		28,578
Due from governmental agencies	508,274		395,468				1,843,884	2,747,626
Other assets	2,361,817							2,361,817
Assets total	$28,272,703	$8,988,764	$2,149,273	$13,600	$16,825,427	$12,603,319	$19,431,146	$88,284,233
Liabilities and Fund Balances (Deficit)								
Liabilities								
Accounts payable	$590,932	$221,921	$290,573	$	$1,687,130	$1,335,249	$520,807	$4,646,612
Wages and payroll taxes	692,207							692,207
Accrued self-insurance losses	590,613							590,613
Interfund payable		190,531	109,133				1,493,469	1,793,134
Due to School District					141,969		72,577	214,546
Deposits from others	159,241						9,461	168,702
Deferred revenues	1,804,718	118,436					168,902	2,092,056
Unearned revenues			1,735,382				328,854	2,064,236
Advance tax payments	5,697,691							5,697,691
Liabilities total	9,535,402	530,887	2,135,088		1,829,099	1,335,249	2,594,071	17,959,797
Fund balances (deficit)								
Reserved								
Reserved for encumbrances	223,860	695,000	257,455		3,383,337	3,762,188	2,134,711	10,456,551
Reserved for deposit	2,221,672							2,221,672
Unreserved, designated for								
Compensated absences	1,534,592							1,534,592
Subsequent year's expenditures	1,000,000	180,970				210,000		1,390,970
Self-insurance losses	1,500,000							1,500,000
Reported in special revenue funds							7,623,220	7,623,220
Undesignated, reported in								
General fund	12,257,177							12,257,177
Special revenue funds		7,581,907	(243,271)				7,817,102	15,155,738
Debt service fund				13,600				13,600
Capital projects funds					11,612,991	7,295,882	(737,957)	18,170,915
Fund balances (deficit) total	18,737,301	8,457,877	14,185	13,600	14,996,328	11,268,070	16,837,075	70,324,436
Liabilities and fund balances (deficit) total	$28,272,703	$8,988,764	$2,149,273	$13,600	$16,825,427	$12,603,319	$19,431,146	$88,284,233

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Reconciliation of Balance Sheet
to the Statement of Net Assets
June 30, 2006

Total fund balances of governmental funds		$ 70,324,436
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		578,646,916
Deferred bond issuance costs are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		985,378
An internal service fund is used by management to charge the costs of vehicle and equipment fleet acquisitions and financing to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		2,539,081
Earned revenues that are not available to pay current period expenditures are reported as deferred revenues in the funds.		2,092,056
Long-term and related liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds payable	($139,430,000)	
Deferred bond issuance premiums	(620,406)	
Accrued interest payable on bonds	(1,565,896)	
Accrued compensated absences	(1,534,592)	
Net pension obligation	(1,655,196)	
		(144,806,090)
Net assets of governmental activities		$509,781,777

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2006

	General	Service Areas	Federal Grants Special Revenue	Debt Service	Bond Projects	Local Projects	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes	$73,746,922	$6,803,407	$	$	$	$	$5,710,606	$86,260,935
Intergovernmental revenues	13,676,229	9,327	933,819				5,148,013	19,767,388
Charges for services	1,314,225						1,346,858	2,661,083
Other revenues	3,873,637	777,870	(7,543)		508,230	128,878	2,502,377	7,783,449
Revenues total	92,611,013	7,590,603	926,276		508,230	128,878	14,707,854	116,472,855
Expenditures								
Current								
General government	10,822,721		89,609			161,852	3,614,399	14,688,581
Community planning	1,529,291		125,091				158,349	1,812,730
Public works	3,686,299					1,063,056	4,000,662	8,750,017
Parks and recreation	5,156,001					558,399	100,349	5,814,749
Library	3,733,846					82,492	228,342	4,044,681
Road and other service areas		1,920,314				6,190	92,685	2,019,189
Education	38,022,700				4,888,878	3,345	472,071	43,386,995
Emergency operations	1,524,988		32,905			288,772	2,695,975	4,542,640
Fire service areas		4,008,295				234,047	72,131	4,314,473
Capital outlay	363,635	257,754	699,760		1,509,642	1,746,147	1,895,108	6,472,046
Debt service								
Principal retirement				10,645,000				10,645,000
Interest and fiscal agent fees				6,591,969				6,591,969
Expenditures total	64,839,481	6,186,364	947,365	17,236,969	6,398,521	4,144,300	13,330,072	113,083,071
Excess (deficiency) of revenues over expenditures	27,771,532	1,404,240	(21,089)	(17,236,969)	(5,890,290)	(4,015,422)	1,377,782	3,389,784
Other financing sources (uses)								
Transfers in	150,000	1,959		17,136,440		10,378,969	4,353,329	32,020,697
Transfers out	(27,308,176)	(1,706,981)				(5,323,671)	(1,459,027)	(35,797,855)
Bond issuance					9,750,000			9,750,000
Premium on bond debt					110,458			110,458
Other financing sources (uses) total	(27,158,176)	(1,705,022)		17,136,440	9,860,458	5,055,298	2,894,302	6,083,300
Net change in fund balances	613,356	(300,782)	(21,089)	(100,529)	3,970,168	1,039,876	4,272,084	9,473,084
Fund balances, beginning (General fund as restated)	18,123,945	8,758,659	35,274	114,129	11,026,160	10,228,194	12,564,991	60,851,352
Fund balances, ending	$18,737,301	$8,457,877	$14,185	$13,600	$14,996,328	$11,268,070	$16,837,075	$70,324,436

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances To the Statement of Activities For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds		$9,473,084
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period		
Capital outlay	$6,472,046	
Depreciation expense	(13,498,263)	
		(7,026,217)
The net effect of other transactions involving capital assets (i.e., dispositions, trade-ins, and donations) is to increase (decrease) net assets.		2,154,602
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,195,941
Tax revenues that were reported as resources in the funds but were earned in prior fiscal years are not reported in the statement of activities.		(2,041,568)
The issuance of long-term debt 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 any effect on net assets. 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.		
Debt proceeds	(9,750,000)	
Premium on debt	(110,458)	
Deferred bond issuance costs	277,955	
Debt principal payments	10,645,000	
Accrued interest and amortization	69,822	
		1,132,319
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.		(1,055,062)
An internal service fund is used by management to charge the cost of vehicle and equipment fleet acquisition and financing to individual funds. The change in net assets of the internal service fund is reported with governmental activities.		218,322
The internal service fund lookback adjustment results in a balance between governmental and business-type activities.		496
Change in net assets of governmental activities		$5,051,918

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

General Fund

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property tax	$68,767,430	$68,767,430	$69,344,073	$576,643
Hotel-motel and sales taxes	1,600,000	1,600,000	1,552,897	(47,103)
Alcoholic beverage tax	1,200,000	1,200,000	1,222,016	22,016
Tobacco excise tax	1,100,000	1,100,000	1,016,190	(83,810)
Interest and penalties on taxes	550,000	550,000	611,746	61,746
Taxes total	73,217,430	73,217,430	73,746,922	529,492
Intergovernmental revenues				
State of Alaska				
Aid for school construction	12,068,790	12,068,790	12,076,610	7,820
Retirement system funding	626,280	626,280	601,036	(25,244)
Other shared revenue	313,250	313,250	332,412	19,162
Grants	50,000	50,000	55,270	5,270
Federal government				
Payment in lieu of taxes	605,000	605,000	610,901	5,901
Intergovernmental revenues total	13,663,320	13,663,320	13,676,229	12,909
Charges for services	1,439,180	1,439,180	1,314,225	(124,955)
Charges to School District	1,520,130	1,520,130	1,333,051	(187,079)
Other revenues				
Charges to other funds	3,057,310	3,057,310	2,534,110	(523,200)
Investment income, including net unrealized investment gains/losses	2,127,980	2,127,980	3,460,812	1,332,832
Indirect charges to grants	255,000	255,000	357,020	102,020
Various	95,000	99,325	55,805	(43,520)
Other revenues total	5,535,290	5,539,615	6,407,747	868,132
Revenues total	95,375,350	95,379,675	96,478,174	1,098,499

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

General Fund

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Expenditures				
Current				
General government				
Non-departmental	$800,390	$542,899	$264,587	$278,312
Mayor	949,350	918,125	840,932	77,193
Assembly	1,259,090	1,271,510	1,225,935	45,575
Legal	816,910	810,467	755,970	54,497
Computer services	2,499,210	2,500,664	2,175,605	325,060
Financial services	2,525,770	2,525,770	2,376,748	149,022
Assessing	2,265,900	2,260,901	2,103,094	157,807
General services	1,324,430	1,324,430	1,231,367	93,063
Human resources	2,530,870	2,527,570	2,356,866	170,704
General government total	14,971,920	14,682,335	13,331,102	1,351,233
Community planning	1,633,940	1,634,740	1,531,068	103,672
Public works	4,944,700	5,202,829	5,007,131	195,699
Parks and recreation	5,301,130	5,328,819	5,151,555	177,263
Library	3,732,380	3,734,034	3,571,807	162,227
Emergency operations	1,712,760	1,721,860	1,567,490	154,370
Capital outlay	648,210	975,084	632,575	342,509
Expenditures total	32,945,040	33,279,702	30,792,728	2,486,974

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

General Fund

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenditures	$62,430,310	$62,099,973	$65,685,446	$3,585,473
Other financing sources (uses)				
Transfers in				
Enterprise funds	150,000	150,000	150,000	
Transfers out				
Special revenue funds	(2,333,990)	(2,866,565)	(2,592,119)	274,446
Debt service fund	(17,136,440)	(17,136,440)	(17,136,440)	
Capital projects funds	(1,448,000)	(3,463,413)	(3,463,413)	
Enterprise funds	(3,639,180)	(4,116,631)	(4,116,204)	427
School District	(38,022,700)	(38,022,700)	(38,022,700)	
Long-term debt proceeds				
Long-term debt proceeds		300,000		(300,000)
Other financing sources (uses) total	(62,430,310)	(65,155,749)	(65,180,876)	(25,127)
Net change in fund balance	$	($3,055,777)	$504,570	$3,560,346

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Air Park				
Total revenues and transfers in	$480	$480	$510	$30
Total expenditures and transfers out	$13,090	$13,090	$2,110	$10,980
Airway				
Total revenues and transfers in	$10,340	$10,340	$10,765	$425
Total expenditures and transfers out	$23,717	$26,717	$9,071	$17,647
Arctic Fox				
Total revenues and transfers in	$4,470	$4,470	$4,517	$47
Total expenditures and transfers out	$18,101	$18,101	$1,370	$16,731
Aztec				
Total revenues and transfers in	$17,610	$17,610	$17,614	$4
Total expenditures and transfers out	$83,601	$87,601	$6,611	$80,990
Ballaine Lake Sewer & Water				
Total revenues and transfers in	$20,730	$20,730	$20,059	($671)
Total expenditures and transfers out	$20,730	$20,730	$13,630	$7,100
Bear's Den Road				
Total revenues and transfers in	$190	$190	$152	($38)
Total expenditures and transfers out	$2,166	$4,166	$1,727	$2,439
Becker Ridge				
Total revenues and transfers in	$77,590	$77,590	$79,003	$1,413
Total expenditures and transfers out	$113,788	$113,788	$51,134	$62,654
Birch Hill				
Total revenues and transfers in	$73,340	$73,340	$73,508	$168
Total expenditures and transfers out	$78,773	$78,773	$67,706	$11,067
Bluebird Road				
Total revenues and transfers in	$5,080	$5,080	$5,229	$149
Total expenditures and transfers out	$9,248	$16,748	$9,198	$7,550

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Borda Road				
Total revenues and transfers in	$22,860	$22,860	$23,939	$1,079
Total expenditures and transfers out	$58,660	$58,660	$5,482	$53,178
Brookside				
Total revenues and transfers in	$7,660	$7,660	$7,873	$213
Total expenditures and transfers out	$35,059	$33,904	$20,435	$13,469
Chena Goldstream Volunteer Fire				
Total revenues and transfers in	$684,300	$684,300	$697,777	$13,477
Total expenditures and transfers out	$890,341	$891,341	$596,420	$294,921
Chena Hills Road				
Total revenues and transfers in	$61,440	$61,440	$62,781	$1,341
Total expenditures and transfers out	$74,074	$74,074	$56,961	$17,112
Chena Hot Springs II				
Total revenues and transfers in	$1,000	$1,000	$1,008	$8
Total expenditures and transfers out	$1,000	$1,000	$1,000	$
Chena Marina				
Total revenues and transfers in	$15,090	$15,090	$15,502	$412
Total expenditures and transfers out	$18,732	$18,732	$5,577	$13,154
Chena Point Road				
Total revenues and transfers in	$48,380	$223,380	$51,731	($171,649)
Total expenditures and transfers out	$79,744	$257,850	$232,324	$25,526
Chena Spur				
Total revenues and transfers in	$22,520	$22,520	$22,515	($5)
Total expenditures and transfers out	$31,827	$51,827	$26,262	$25,565
Cleary Summit				
Total revenues and transfers in	$1,140	$1,140	$1,081	($59)
Total expenditures and transfers out	$1,580	$1,580	$1,090	$490

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
College				
Total revenues and transfers in	$427,400	$427,400	$454,675	$27,275
Total expenditures and transfers out	$1,799,968	$1,799,968	$264,224	$1,535,744
College Hills				
Total revenues and transfers in	$21,940	$21,940	$22,390	$450
Total expenditures and transfers out	$32,590	$37,590	$22,490	$15,099
Cooper Estates				
Total revenues and transfers in	$18,650	$18,650	$18,216	($434)
Total expenditures and transfers out	$54,029	$54,029	$6,489	$47,541
Cordes Drive				
Total revenues and transfers in	$17,170	$17,170	$17,453	$283
Total expenditures and transfers out	$30,994	$31,994	$14,454	$17,540
Cripple Creek				
Total revenues and transfers in	$42,630	$42,630	$43,780	$1,150
Total expenditures and transfers out	$110,941	$110,941	$28,749	$82,192
Deep Forest				
Total revenues and transfers in	$15,080	$15,080	$15,249	$169
Total expenditures and transfers out	$19,870	$19,870	$5,021	$14,848
Deep Forest Conifer & Daqan				
Total revenues and transfers in	$26,590	$26,590	$26,893	$303
Total expenditures and transfers out	$26,590	$40,062	$40,062	$
Diane Subdivision				
Total revenues and transfers in	$4,040	$4,040	$4,622	$582
Total expenditures and transfers out	$43,872	$43,872	$1,110	$42,762
Drake Estates				
Total revenues and transfers in	$13,540	$13,540	$14,539	$999
Total expenditures and transfers out	$29,180	$28,840	$20,230	$8,611

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Edanella Heights Road				
Total revenues and transfers in	$24,700	$24,700	$25,430	$730
Total expenditures and transfers out	$56,028	$56,028	$16,438	$39,591
Ester Lump Road				
Total revenues and transfers in	$15,320	$15,320	$16,239	$919
Total expenditures and transfers out	$82,127	$81,527	$13,342	$68,185
Ester Volunteer Fire				
Total revenues and transfers in	$242,710	$242,710	$251,786	$9,076
Total expenditures and transfers out	$325,322	$327,822	$228,905	$98,917
Fairfields				
Total revenues and transfers in	$14,090	$14,090	$14,352	$262
Total expenditures and transfers out	$39,098	$39,098	$8,017	$31,081
Fairhill				
Total revenues and transfers in	$10,350	$10,350	$10,414	$64
Total expenditures and transfers out	$17,664	$17,264	$8,660	$8,604
Fairwest				
Total revenues and transfers in	$19,790	$19,790	$22,057	$2,267
Total expenditures and transfers out	$141,568	$141,568	$6,507	$135,061
Garden				
Total revenues and transfers in	$18,560	$18,560	$19,302	$742
Total expenditures and transfers out	$30,670	$30,670	$5,771	$24,899
Golden Valley Road				
Total revenues and transfers in	$6,130	$6,130	$6,066	($64)
Total expenditures and transfers out	$13,537	$12,737	$6,261	$6,476
Goldstream Alaska				
Total revenues and transfers in	$11,350	$11,350	$10,982	($368)
Total expenditures and transfers out	$19,565	$24,565	$14,594	$9,971

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Goldstream Moose Creek				
Total revenues and transfers in	$36,540	$38,040	$37,187	($853)
Total expenditures and transfers out	$57,652	$63,902	$40,183	$23,719
Gordon				
Total revenues and transfers in	$35,740	$35,740	$38,863	$3,123
Total expenditures and transfers out	$165,241	$165,241	$1,925	$163,316
Granola Estates				
Total revenues and transfers in	$4,640	$4,640	$4,983	$343
Total expenditures and transfers out	$38,802	$39,102	$3,198	$35,904
Grieme Road				
Total revenues and transfers in	$11,960	$11,960	$12,397	$437
Total expenditures and transfers out	$34,734	$39,734	$6,212	$33,522
Haystack				
Total revenues and transfers in	$18,550	$18,550	$19,580	$1,030
Total expenditures and transfers out	$23,162	$23,162	$16,020	$7,142
Herning Hills				
Total revenues and transfers in	$19,630	$19,630	$20,474	$844
Total expenditures and transfers out	$33,213	$34,733	$12,549	$22,185
Hopeless				
Total revenues and transfers in	$760	$760	$613	($147)
Total expenditures and transfers out	$15,676	$15,676	$2,422	$13,254
Horseshoe Downs				
Total revenues and transfers in	$9,110	$9,110	$8,759	($351)
Total expenditures and transfers out	$12,168	$12,168	$9,880	$2,288
Jennifer Drive				
Total revenues and transfers in	$3,840	$3,840	$3,933	$93
Total expenditures and transfers out	$5,284	$5,284	$1,760	$3,524

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Jones Road				
Total revenues and transfers in	$43,100	$43,100	$44,003	$903
Total expenditures and transfers out	$67,808	$64,008	$46,806	$17,202
Joy Road				
Total revenues and transfers in	$5,780	$5,780	$5,516	($264)
Total expenditures and transfers out	$13,537	$16,537	$3,965	$12,572
Keeney Road				
Total revenues and transfers in	$1,720	$1,720	$1,787	$67
Total expenditures and transfers out	$2,481	$4,481	$1,110	$3,371
Kendall				
Total revenues and transfers in	$8,960	$8,960	$9,579	$619
Total expenditures and transfers out	$35,589	$35,589	$3,327	$32,263
Keystone				
Total revenues and transfers in	$10,890	$10,890	$11,598	$708
Total expenditures and transfers out	$39,203	$40,203	$6,967	$33,236
Kris Kringle				
Total revenues and transfers in	$12,490	$12,490	$12,114	($376)
Total expenditures and transfers out	$37,852	$47,124	$9,213	$37,912
Lakloey Hill				
Total revenues and transfers in	$27,640	$27,640	$29,112	$1,472
Total expenditures and transfers out	$84,213	$109,213	$29,156	$80,058
Lee Lane				
Total revenues and transfers in	$4,930	$4,930	$5,142	$212
Total expenditures and transfers out	$20,081	$30,081	$8,490	$21,591
Loose Moose				
Total revenues and transfers in	$5,450	$5,450	$5,316	($134)
Total expenditures and transfers out	$9,372	$23,372	$17,953	$5,420

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Martin				
Total revenues and transfers in	$11,190	$11,190	$10,585	($605)
Total expenditures and transfers out	$21,546	$20,946	$12,158	$8,787
McCloud				
Total revenues and transfers in	$24,160	$24,160	$23,957	($203)
Total expenditures and transfers out	$54,592	$54,592	$18,186	$36,407
McGrath Estates				
Total revenues and transfers in	$54,770	$54,770	$57,544	$2,774
Total expenditures and transfers out	$108,778	$108,778	$41,586	$67,192
McKinley View				
Total revenues and transfers in	$3,850	$3,850	$4,080	$230
Total expenditures and transfers out	$15,184	$15,184	$2,100	$13,084
Mellow Woods Road				
Total revenues and transfers in	$13,410	$13,410	$13,597	$187
Total expenditures and transfers out	$23,961	$23,961	$3,739	$20,222
Miller Hill Extension				
Total revenues and transfers in	$40,530	$40,530	$40,423	($107)
Total expenditures and transfers out	$51,083	$51,083	$31,888	$19,194
Moose Creek				
Total revenues and transfers in	$13,380	$13,380	$13,460	$80
Total expenditures and transfers out	$49,733	$49,733	$3,777	$45,955
Moose Meadows				
Total revenues and transfers in	$48,660	$48,660	$50,576	$1,916
Total expenditures and transfers out	$73,365	$73,365	$8,409	$64,956
Mt. View				
Total revenues and transfers in	$21,620	$21,620	$22,849	$1,229
Total expenditures and transfers out	$61,878	$61,878	$8,152	$53,726

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Murphy				
Total revenues and transfers in	$9,280	$9,280	$9,482	$202
Total expenditures and transfers out	$19,903	$22,903	$6,565	$16,338
Musk Ox				
Total revenues and transfers in	$20,340	$20,340	$21,122	$782
Total expenditures and transfers out	$71,335	$71,335	$14,301	$57,034
Newby Park				
Total revenues and transfers in	$8,370	$8,370	$8,220	($150)
Total expenditures and transfers out	$13,169	$13,169	$3,107	$10,062
North Ridge				
Total revenues and transfers in	$6,280	$6,280	$6,281	$1
Total expenditures and transfers out	$8,053	$10,053	$6,682	$3,370
North Star Volunteer Fire				
Total revenues and transfers in	$1,065,980	$1,065,980	$1,082,240	$16,260
Total expenditures and transfers out	$1,191,933	$1,233,665	$959,459	$274,206
O'Connor Creek				
Total revenues and transfers in	$91,060	$91,060	$93,950	$2,890
Total expenditures and transfers out	$154,894	$144,255	$87,071	$57,184
Old Wood Road				
Total revenues and transfers in	$8,110	$8,110	$8,257	$147
Total expenditures and transfers out	$10,734	$21,734	$14,476	$7,259
Our				
Total revenues and transfers in	$2,670	$2,670	$2,798	$128
Total expenditures and transfers out	$8,564	$8,444	$2,282	$6,162
Parksridge				
Total revenues and transfers in	$7,180	$7,180	$7,566	$386
Total expenditures and transfers out	$20,223	$30,223	$3,722	$26,501

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Peede Country Estates				
Total revenues and transfers in	$4,240	$4,240	$4,770	$530
Total expenditures and transfers out	$4,240	$28,882	$20,148	$8,734
Pine Stream				
Total revenues and transfers in	$17,870	$17,870	$18,703	$833
Total expenditures and transfers out	$71,051	$70,971	$24,683	$46,288
Pleasureland				
Total revenues and transfers in	$7,030	$7,030	$7,539	$509
Total expenditures and transfers out	$34,726	$42,726	$2,717	$40,009
Polar Heights				
Total revenues and transfers in	$15,570	$15,570	$15,792	$222
Total expenditures and transfers out	$30,923	$35,423	$8,148	$27,275
Potlatch				
Total revenues and transfers in	$11,110	$11,110	$11,309	$199
Total expenditures and transfers out	$15,683	$15,683	$4,042	$11,641
Prospect Park				
Total revenues and transfers in	$4,340	$4,340	$4,416	$76
Total expenditures and transfers out	$18,646	$20,646	$10,038	$10,608
Reed Acres Road				
Total revenues and transfers in	$7,310	$7,310	$7,966	$656
Total expenditures and transfers out	$49,010	$52,010	$6,630	$45,380
Ridgecrest				
Total revenues and transfers in	$1,860	$1,860	$1,844	($16)
Total expenditures and transfers out	$2,052	$4,552	$3,440	$1,112
Salchaket Heights				
Total revenues and transfers in	$2,000	$2,000	$2,136	$136
Total expenditures and transfers out	$7,939	$7,939	$1,000	$6,939

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Scenic Heights				
Total revenues and transfers in	$16,370	$16,370	$17,000	$630
Total expenditures and transfers out	$70,217	$70,217	$9,666	$60,551
Seavy				
Total revenues and transfers in	$8,980	$8,980	$9,335	$355
Total expenditures and transfers out	$36,743	$36,242	$5,514	$30,728
Secluded Acres				
Total revenues and transfers in	$6,990	$6,990	$7,391	$401
Total expenditures and transfers out	$24,386	$24,386	$5,710	$18,676
Serendipity Hill				
Total revenues and transfers in	$5,820	$5,820	$6,287	$467
Total expenditures and transfers out	$24,931	$24,931	$2,290	$22,641
Six Mile Village Road				
Total revenues and transfers in	$6,980	$6,980	$7,291	$311
Total expenditures and transfers out	$19,144	$19,144	$4,470	$14,674
Smallwood Trail Road				
Total revenues and transfers in	$4,610	$4,610	$4,965	$355
Total expenditures and transfers out	$20,391	$20,391	$1,900	$18,491
Smith Ranch				
Total revenues and transfers in	$1,560	$1,560	$1,860	$300
Total expenditures and transfers out	$47,498	$47,498	$6,184	$41,314
Spring Glade				
Total revenues and transfers in	$22,760	$22,760	$23,933	$1,173
Total expenditures and transfers out	$68,934	$73,934	$11,238	$62,696
Spruce Acres				
Total revenues and transfers in	$5,210	$5,210	$5,600	$390
Total expenditures and transfers out	$27,549	$27,549	$2,991	$24,557

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Steamboat Landing				
Total revenues and transfers in	$11,270	$11,270	$11,670	$400
Total expenditures and transfers out	$33,075	$31,475	$2,730	$28,745
Steese Volunteer Fire				
Total revenues and transfers in	$901,360	$1,601,360	$938,576	($662,784)
Total expenditures and transfers out	$1,634,451	$2,431,304	$2,400,839	$30,465
Straight Creek				
Total revenues and transfers in	$8,700	$8,700	$9,144	$444
Total expenditures and transfers out	$10,337	$10,337	$5,795	$4,542
Summerwood				
Total revenues and transfers in	$27,880	$27,880	$28,516	$636
Total expenditures and transfers out	$58,056	$58,056	$17,638	$40,417
Summit Drive				
Total revenues and transfers in	$78,240	$78,240	$80,471	$2,231
Total expenditures and transfers out	$244,652	$244,652	$59,555	$185,098
Sunny Hills Terrace				
Total revenues and transfers in	$24,370	$24,370	$25,888	$1,518
Total expenditures and transfers out	$77,129	$77,129	$7,591	$69,538
Sunrise				
Total revenues and transfers in	$10,220	$10,220	$11,187	$967
Total expenditures and transfers out	$55,860	$55,860	$3,397	$52,463
Tan Terra				
Total revenues and transfers in	$8,670	$8,670	$8,939	$269
Total expenditures and transfers out	$14,350	$19,350	$6,392	$12,958
Thomas				
Total revenues and transfers in	$8,680	$8,680	$8,064	($616)
Total expenditures and transfers out	$11,179	$14,879	$13,355	$1,523

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Timberlane Road				
Total revenues and transfers in	$7,900	$7,900	$8,673	$773
Total expenditures and transfers out	$60,346	$60,346	$1,764	$58,582
Tungsten				
Total revenues and transfers in	$24,560	$24,560	$25,416	$856
Total expenditures and transfers out	$29,391	$28,810	$27,464	$1,346
Twenty Three Mile Slough				
Total revenues and transfers in	$20,020	$20,020	$20,495	$475
Total expenditures and transfers out	$104,781	$104,781	$7,053	$97,727
Ullrhaven				
Total revenues and transfers in	$3,540	$3,540	$3,869	$329
Total expenditures and transfers out	$20,976	$20,976	$1,965	$19,011
University Fire				
Total revenues and transfers in	$1,630,840	$1,630,840	$1,966,030	$335,190
Total expenditures and transfers out	$2,019,456	$2,475,356	$1,988,874	$486,483
University Heights				
Total revenues and transfers in	$44,590	$44,590	$46,152	$1,562
Total expenditures and transfers out	$105,378	$105,378	$31,889	$73,489
University West Street Light				
Total revenues and transfers in	$51,180	$51,180	$54,161	$2,981
Total expenditures and transfers out	$173,353	$172,953	$18,295	$154,658
Vienna Wood				
Total revenues and transfers in	$16,750	$16,750	$17,392	$642
Total expenditures and transfers out	$43,481	$43,481	$13,358	$30,123
Viewpointe				
Total revenues and transfers in	$17,410	$17,410	$17,388	($22)
Total expenditures and transfers out	$88,275	$88,275	$3,541	$84,734

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2006

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Violet Drive				
Total revenues and transfers in	$42,800	$42,800	$44,189	$1,389
Total expenditures and transfers out	$58,086	$58,086	$29,543	$28,543
Vista Gold Road				
Total revenues and transfers in	$29,800	$29,800	$29,930	$130
Total expenditures and transfers out	$34,499	$33,715	$22,410	$11,305
Vue Crest				
Total revenues and transfers in	$23,710	$23,710	$25,401	$1,691
Total expenditures and transfers out	$110,906	$110,906	$15,400	$95,506
Whitman				
Total revenues and transfers in	$3,260	$3,260	$3,561	$301
Total expenditures and transfers out	$14,832	$14,832	$1,631	$13,201
Wildview				
Total revenues and transfers in	$142,570	$142,570	$143,881	$1,311
Total expenditures and transfers out	$544,335	$526,335	$219,557	$306,778
Woodland				
Total revenues and transfers in	$1,990	$1,990	$2,021	$31
Total expenditures and transfers out	$3,162	$3,162	$1,830	$1,332
Yak Road				
Total revenues and transfers in	$62,850	$62,850	$65,460	$2,610
Total expenditures and transfers out	$146,485	$146,485	$18,909	$127,576
Total All Service Areas				
Total revenues and transfers in	$7,090,600	$7,967,100	$7,592,563	($374,537)
Total expenditures and transfers out	$13,353,730	$15,012,079	$8,319,811	$6,692,268

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2006

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Assets						
Current assets						
Equity in central treasury cash	$1,785,067	$4,835,859	$314,800	$14,642,375	$21,578,101	$487,877
Restricted equity in central treasury cash	25,639		462,610		488,249	24,363
Taxes receivable - foreclosure reimbursement		153,342			153,342	
Accounts receivable (net of allowance for uncollectibles - $28,528)		60,032	26,323	338,888	425,243	
Restricted accounts receivable			6,860		6,860	
Accrued interest receivable		12,410			12,410	
Land contracts receivable, current portion		260,244			260,244	
Interfund receivable				175,000	175,000	
Restricted due from governmental agencies	634,763	860	73,998	20,226	729,848	
Inventories	150,567	53			150,620	
Current assets total	2,596,036	5,322,799	884,591	15,176,489	23,979,916	512,240
Noncurrent assets						
Land inventory - long-term		8,225,938			8,225,938	
Land contracts receivable		1,688,310			1,688,310	
Capital assets - non-depreciable						
Retained land		296,148			296,148	
Land and land improvements	595,234		509,032	836,876	1,941,142	
Works of art			120,790		120,790	
Construction work in progress			140,377	135,737	276,115	
Capital assets - depreciable						
Land				255,171	255,171	
Buildings	3,941,791	314,927	14,815,299	4,542,614	23,614,630	
Improvements other than buildings	261,774		1,608,028	16,918,998	18,788,800	
Equipment	2,577,065		230,845	2,495,606	5,303,516	6,371,084
Intangible assets - software	170,171	18,864			189,035	
Accumulated depreciation	(2,865,094)	(262,165)	(5,046,805)	(11,898,691)	(20,072,754)	(2,882,968)
Noncurrent assets (net) total	4,680,941	10,282,023	12,377,567	13,286,310	40,626,841	3,488,116
Assets total	$7,276,977	$15,604,823	$13,262,158	$28,462,799	$64,606,757	$4,000,356

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2006

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Liabilities and Net Assets						
Current liabilities						
Accounts payable	$55,761	$707	$	$187,987	$244,455	$
Wages and payroll taxes	83,963	18,143	1,465	39,682	143,253	
Accrued interest payable				284,602	284,602	
Accrued compensated absences	151,024	35,335	2,453	25,401	214,212	
Accrued self-insurance losses	22,324			116,313	138,637	
Deposits from others	3,280	15,279			18,559	13,100
Payable from restricted assets						
Accounts payable	49,170		35,167		84,337	
Interfund payable	585,819	860	72,511	20,226	679,416	
Unearned revenues	13,136		141,180		154,316	18,200
Capital leases payable				16,261	16,261	411,428
Unrealized gain on land contracts, current portion		96,966			96,966	
Current liabilities total	964,476	167,290	252,777	690,473	2,075,016	442,728
Long-term liabilities						
Accrued compensated absences	63,564	4,260	2,089	8,924	78,837	
Accrued self-insurance losses	31,988			157,766	189,754	
Unrealized gain on land contracts		661,512			661,512	
Capital leases payable						1,066,712
Loans payable				5,865,425	5,865,425	
Landfill closure and postclosure care				13,997,470	13,997,470	
Net pension obligation	251,369	53,426	1,802	92,968	399,566	
Long-term liabilities total	346,922	719,197	3,892	20,122,554	21,192,564	1,066,712
Liabilities total	1,311,397	886,488	256,668	20,813,027	23,267,580	1,509,440
Net assets						
Invested in capital assets, net of related debt	4,680,941	367,774	12,377,567	7,404,624	24,830,906	2,009,976
Restricted for:						
Asset replacement			294,610		294,610	
Grants	12,277				12,277	6,163
Unrestricted	1,272,362	14,350,561	333,313	245,149	16,201,384	474,777
Net assets total	5,965,580	14,718,335	13,005,490	7,649,773	41,339,177	2,490,917
Liabilities and net assets total	$7,276,977	$15,604,823	$13,262,158	$28,462,799	$64,606,757	$4,000,356

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH **Sheet 3 of 3**

Proprietary Funds

Reconciliation of Net Assets Between the Government-wide and Fund Financial Statements June 30, 2006

Total net assets of enterprise funds	$41,339,177
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds.	(48,164)
Net assets of business-type activities	$41,291,013

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Operating revenues						
Fares	$183,657	$	$	$	$183,657	$
Land sales, net of cost		392,721			392,721	
Land leases		37,829			37,829	
Interest on land contracts receivable		147,339			147,339	
Advertising	2,681				2,681	
Charges for services	1,019,763	275,082	87,932	5,331,961	6,714,739	511,220
Retirement system funding	59,911	20,292	936	33,370	114,509	
Other revenues		1			1	
Operating revenues total	1,266,012	873,265	88,868	5,365,332	7,593,477	511,220
Operating expenses						
Wages and benefits	3,460,500	731,788	34,997	1,369,248	5,596,532	
Fuels, lubricants, and parts	460,952	34		162,797	623,783	
Other commodities	2,444		47,222	27,078	76,744	
Contractual services	546,406	76,443	435,330	1,286,967	2,345,147	
Utilities	91,972			90,557	182,528	
Professional services	258,914	61,198	1,232	294,499	615,843	
Depreciation	253,644	7,242	339,507	361,529	961,921	481,692
Training, dues and professional expenses	20,943	10,333		14,379	45,655	
Repairs and maintenance	68,425	750	5,000	324,493	398,668	7,949
Supplies	37,613	9,891	135,909	146,164	329,578	
Management contractor fee			146,998		146,998	
Landfill closure and postclosure care costs				1,274,625	1,274,625	
Interest expense - capital leases						7,585
Intragovernmental charges	597,316	121,353	424,587	676,519	1,819,775	24,730
Operating expenses total	5,799,129	1,019,030	1,570,783	6,028,855	14,417,798	521,956
Operating income (loss)	(4,533,116)	(145,766)	(1,481,916)	(663,523)	(6,824,321)	(10,736)

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Non-operating revenues (expenses)						
Interest expense	$	$	$	($51,826)	($51,826)	$
Grants revenue	3,552,717	20,915	140,477	404,520	4,118,629	
Fares from grants	223,677				223,677	
Investment income	47,521	179,707	21,058	604,698	852,984	
Gain (loss) on sales of capital assets	(253,732)			(6,685)	(260,417)	26,726
Miscellaneous revenue (expense)	329		34	799	1,161	540
Increase in market value of land inventory		50,910			50,910	
Non-operating revenues (expenses) total	3,570,512	251,531	161,569	951,506	4,935,119	27,266
Income (loss) before contributions and transfers	(962,604)	105,766	(1,320,347)	287,983	(1,889,202)	16,530
Capital contributions			16,515		16,515	201,792
Transfers in	2,653,250	101,573	1,316,381		4,071,204	
Transfers out	(125,947)	(30,851)	(150,000)	(144,046)	(450,844)	
Change in net assets	1,564,699	176,488	(137,450)	143,937	1,747,673	218,322
Net assets total, beginning	4,400,881	14,541,847	13,142,940	7,505,836	39,591,504	2,272,595
Net assets total, ending	$5,965,580	$14,718,335	$13,005,490	$7,649,773	$41,339,177	$2,490,917

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH **Sheet 3 of 3**

Proprietary Funds

Reconciliation of Statement of Revenues, Expenses, and Changes in Net Assets To the Statement of Activities For the Year Ended June 30, 2006

Change in net assets - total enterprise funds	$1,747,673
Amounts reported for business-type activities in the statement of activities are different because:	
The internal service fund lookback adjustment results in a balance between governmental and business-type activities.	(496)
Change in net assets of business-type activities	$1,747,177

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Cash Flows
Increases (Decreases) in Equity in Central Treasury Cash
Year Ended June 30, 2006

	Business-type Activities -		Enterprise Funds			Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Cash flows from operating activities						
Cash received from customers	$1,206,101	$1,630,598	$63,566	$5,781,084	$8,681,349	$511,220
Cash payments to suppliers for goods and services	(2,051,515)	(516,883)	(1,196,279)	(2,963,020)	(6,727,697)	(33,214)
Cash payments to employees for services	(3,199,654)	(697,611)	(30,312)	(1,310,814)	(5,238,391)	
Net cash provided by (used for) operating activities	(4,045,068)	416,104	(1,163,026)	1,507,250	(3,284,740)	478,006
Cash flows from noncapital financing activities						
Grants received	1,441,903				1,441,903	
Transfers from other funds	2,653,250	100,000	1,316,381		4,069,631	
Transfers to other funds			(150,000)	(144,046)	(294,046)	
Proceeds from interfund financing activity	147,742				147,742	
Net cash provided by (used for) noncapital financing activities	4,242,895	100,000	1,166,381	(144,046)	5,365,230	
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(2,288,863)		(159,985)	(2,031,929)	(4,480,776)	(8,995)
Capital grants received	1,858,170		180,123	404,520	2,442,813	18,200
Capital lease payments						(407,516)
Interest on capital lease payments						(51,571)
Proceeds from sale of capital assets				5,108	5,108	26,726
Proceeds from surplus sale	329		34	799	1,162	540
Proceeds from interfund financing activity	248,985		72,511		321,496	
Proceeds from capital lease						197,500
Payments on loan				(1,720,520)	(1,720,520)	
Net cash provided by (used for) capital and related financing activities	(181,379)		92,683	(3,342,022)	(3,430,718)	(225,116)
Cash flows from investing activities						
Investment income allocation from central treasury	47,521	179,707	21,058	604,698	852,984	
Loans to other funds				(175,000)	(175,000)	
Net cash provided by investing activities	47,521	179,707	21,058	429,698	677,984	
Net increases (decreases) in equity in central treasury cash	63,970	695,811	117,097	(1,549,120)	(672,243)	252,890
Equity in central treasury cash at beginning of year	1,746,737	4,140,048	660,313	16,191,495	22,738,593	259,350
Equity in central treasury cash at end of year	$ 1,810,706	$ 4,835,859	$ 777,410	$ 14,642,375	$ 22,066,350	$ 512,240

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Cash Flows
Increases (Decreases) in Equity in Central Treasury Cash
Year Ended June 30, 2006

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	($4,533,116)	($145,766)	($1,481,916)	($663,523)	($6,824,321)	($10,736)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	253,644	7,242	339,507	361,529	961,922	481,692
Interest expense for capital leases						7,585
Change in assets and liabilities						
(Increase) decrease in receivables		(587,814)	(24,366)	449,123	(163,058)	
Decrease (Increase) in inventories	21,307	861,946			883,253	
Increase in net pension obligation	137,185	29,829	1,803	52,037	220,854	
Increase (decrease) in accounts payable	12,093	(66,547)		60,433	5,979	(534)
Increase (decrease) in deposits from others	71	(8,100)			(8,029)	
Increase in wages and payroll taxes	16,388	1,952	635	3,020	21,995	
Increase (decrease) in compensated absences	28,809	(7,249)	1,312	(5,191)	17,681	
Increase (decrease) in accrued self-insurance losses	18,553			(24,803)	(6,250)	
Increase in unrealized gain on land contracts		330,611			330,611	
Increase in landfill closure and postclosure care liability				1,274,625	1,274,625	
Adjustments total	488,049	561,870	318,890	2,170,773	3,539,582	488,742
Net cash provided by (used for) operating activities	($4,045,068)	$416,104	($1,163,026)	$1,507,250	($3,284,740)	$478,006
Noncash investing, capital and financing activities						
Capital leases						$615,298
Accrued interest payable				($284,602)	($284,602)	
Capital asset transfers to other funds		$30,851	$16,515		$47,366	
Reconciliation of equity in central treasury cash to Statement of Net Assets Accounts						
Equity in central treasury cash	$ 1,785,067	$ 4,835,859	$ 314,800	$ 14,642,375	21,578,101	$ 487,877
Restricted equity in central treasury cash	25,639		462,610		488,249	24,363
Equity in central treasury cash at end of year	$ 1,810,706	$ 4,835,859	$ 777,410	$ 14,642,375	$ 22,066,350	$ 512,240

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Fiduciary Fund

Statement of Net Assets
June 30, 2006

	Taxes Agency Fund
Assets	
Equity in central treasury cash	$26,596
Property tax liens receivable	289,007
Sales tax receivable	44,445
Assets total	$360,048
Liabilities	
Due to other governmental agencies for collected taxes	$6,484
Due to other governmental agencies for uncollected taxes	333,451
Advance tax payments	20,113
Liabilities total	$360,048

See accompanying notes to financial statements.

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APPENDIX B
BOOK ENTRY SYSTEM

The following information has been provided by DTC. The Issuer makes no representation as to the accuracy or completeness thereof. Beneficial Owners should confirm the following with DTC or the Participants (as hereinafter defined).

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the bonds ("the Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U. S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX C
CONTINUING DISCLOSURE UNDERTAKING

By Ordinance No. 2006-41, approved by Borough voters on October 3, 2006, Ordinance No. 93-041, voter approved on October 5, 1993, Ordinance No. 96-008, voter approved on March 28, 1996, and Ordinance No. 96-009, voter approved May 7, 1996 (the "Bond Ordinances"), the Borough has undertaken for the benefit of the owners and beneficial owners of the Borough's General Obligation School Bonds, 2008 Series L in the aggregate principal amount of $11,128,000 ("Bonds"), as follows:

Undertaking to Provide Ongoing Disclosure

A. Contract/Undertaking. Section 18 of the Bond Ordinances constitutes the Borough's written undertaking for the benefit of owners of the Bonds as required by Section (b)(5) Securities and Exchange Commission Rule 15c2-12 under the Securities and Exchange Act of 1934 (the "Rule").

B. Financial Statements/Operating Data. The Borough agrees to provide or cause to be provided to each NRMSIR and to the State Information Depository for the State of Alaska, if one is created, (the "SID"), in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2008 for the fiscal year ended June 30, 2007):

1. Annual financial statements, which may or may not be audited, showing ending fund balances prepared in accordance with generally accepted accounting principles applicable to governmental entities and generally of the type included in Appendix A of the official statement for the Bonds and titled "General Purpose Financial Statements;"

2. The assessed valuation of taxable property in the Borough;

3. Property taxes due, property taxes collected and property taxes delinquent;

4. Property tax levy rates per $1,000 of assessed valuation; and

5. Authorized, issued and outstanding general obligation debt of the Borough.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be so provided on or before the expiration of nine months after the end of the Borough's fiscal year. The Borough's fiscal year currently ends on June 30. The Borough may adjust such fiscal year by

providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Borough may cross-reference to other documents provided to the NRMSIRs, the SID, if any, or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the annual financial information discussed above, the Borough shall provide the Borough's audited annual financial statement prepared in accordance with generally accepted accounting principles applicable to governmental entities from time to time when and if available, to each then existing NRMSIR and the SID, if any.

C. Material Events. The Borough agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to the rights of Bond owners;

8. Bond calls (optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to the SEC's Exchange Act Release 34-23856);

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Bonds; and

11. Rating changes.

Solely for purposes of disclosure and not intending to modify this undertaking, the Borough advises that no debt service reserves secure payment of the Bonds, there are no credit or liquidity providers, and no property secures the repayment of the Bonds.

D. Notification Upon Failure to Provide Financial Data. The Borough agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB, notice of its failure to provide the annual information described in subsection B above on or prior to the date set forth in subsection B above.

E. Termination/Modification. The Borough's obligations to provide the annual financial information and notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this undertaking shall be null and void if the Borough (i) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires such provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds; and (ii) notifies each NRMSIR and the SID, if any, of such opinion and the cancellation of such provision.

Notwithstanding any other provision of this undertaking or the Bond Ordinances, the Borough may amend this undertaking with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this undertaking, the Borough shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section C of this undertaking, and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) complying with applicable requirements of the body that established the changed accounting principles between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

F. DisclosureUSA. The Borough may elect to cause any information or notices required by this Section 18 to be provided to the NRMSIRs and the SID, if any, by using the services of DisclosureUSA or other authorized service unless or until the SEC withdraws its approval of this submission process.

G. Bond Owner’s Remedies Under This Section. The right of any Bond owner or beneficial owner of Bonds to enforce the provisions of this section and the agreement hereunder shall be limited to a right to obtain specific enforcement of the Borough’s obligations hereunder, and any failure by the Borough to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds under this Ordinances. For purposes of this section, “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to

dispose of ownership of any Bonds, including persons holding Bonds through nominees or depositories.

K&L | GATES

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January __, 2008

Fairbanks North Star Borough
Fairbanks, Alaska

_____
_____

Re: Fairbanks North Star Borough, Alaska
General Obligation School Bonds, 2008 Series L - $11,128,000

Ladies and Gentlemen:

We have acted as bond counsel to Fairbanks North Star Borough, Alaska (the "Borough"), and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Borough of its General Obligation School Bonds, 2008 Series L, in the aggregate principal amount of $11,128,000 (the "Bonds"). The Bonds are issued pursuant to Ordinance No. 2007-__ of the Borough, passed by the Borough Assembly on December __, 2007 (the "Bond Ordinance"), for the purpose of providing funds to pay for certain school capital projects approved by Borough voters at an election held on October 3, 2006.

The Bonds are subject to redemption as provided in the Bond Ordinance.

As to questions of fact material to our opinion, we have relied upon representations of the Borough contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid general obligations of the Borough, except to the extent that the enforcement of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. By the Bond Ordinance, the Borough has covenanted that, unless the principal of and interest on the Bonds are paid from other sources, it will levy taxes annually without limitation as to rate or amount upon all property within the Borough subject to taxation in amounts sufficient to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Borough are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Borough comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Borough has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The Bonds have not been designated "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

4. Interest on the Bonds is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Bonds may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Bonds is subject to the federal alternative minimum tax.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have not been engaged nor have we undertaken to review the accuracy, completeness of sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement). We express no opinion

relating to the undertaking by the Borough to provide ongoing disclosure pursuant to SEC Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L PRESTON GATES ELLIS LLP

By
David O. Thompson

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APPENDIX E
BOND INSURANCE AND
FINANCIAL GUARANTY INSURANCE POLICY

Bond Insurance

The following information is not complete and reference is made to Appendix [_] for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the holder of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent, to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "AAA" by Fitch, Inc. and "Aaa" by Moody's Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp.

As of December 31, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2007, Assured Guaranty had total admitted assets of $1,324,414,515 (unaudited), total liabilities of $1,073,740,147 (unaudited), total surplus of $250,674,368 (unaudited) and total statutory capital (surplus plus contingency reserves) of $950,697,359 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2006 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 28, 2007), as amended by the Form 10-K/A filed by AGL on March 1, 2007;

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2007 (which was filed by AGL with the SEC on May 7, 2007);

- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (which was filed by AGL with the SEC on August 9, 2007);

- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 (which was filed by AGL with the SEC on November 8, 2007); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "Bond Insurance-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "Bond Insurance".

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

SPECIMEN

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee

or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:_____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

_____
Counsel

SPECIMEN

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