NEW ISSUE – Book Entry Only **RATING: S&P: AA**

Fairbanks North Star Borough, Alaska

$13,680,000
General Obligation Refunding Bonds, 2010 Series O

Dated: Date of delivery **Due:** As shown on inside cover

Tax Exemption: In the opinion of K&L Gates LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes. See "Tax Matters."

Bank Qualification: The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Redemption: The Bonds are not subject to optional redemption prior to their stated dates of maturity.

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. See "Security."

A portion of the Bonds are eligible for reimbursement of 70 percent of debt service from the State of Alaska.

Purpose: The Bonds will be used to refund outstanding maturities of the Borough's General Obligation Bonds, 1999 Series B.

Interest Payments: **April 1 and October 1, beginning April 1, 2011** according to the schedule on inside cover

Sale: November 23, 2010 **Bond Counsel:** K&L Gates LLP, Seattle, WA

Closing: December 10, 2010 **Borough Attorney:** René Broker, Fairbanks, AK

Denominations: $5,000 or multiples thereof **Financial Advisor:** Bartle Wells Associates, Berkeley, CA

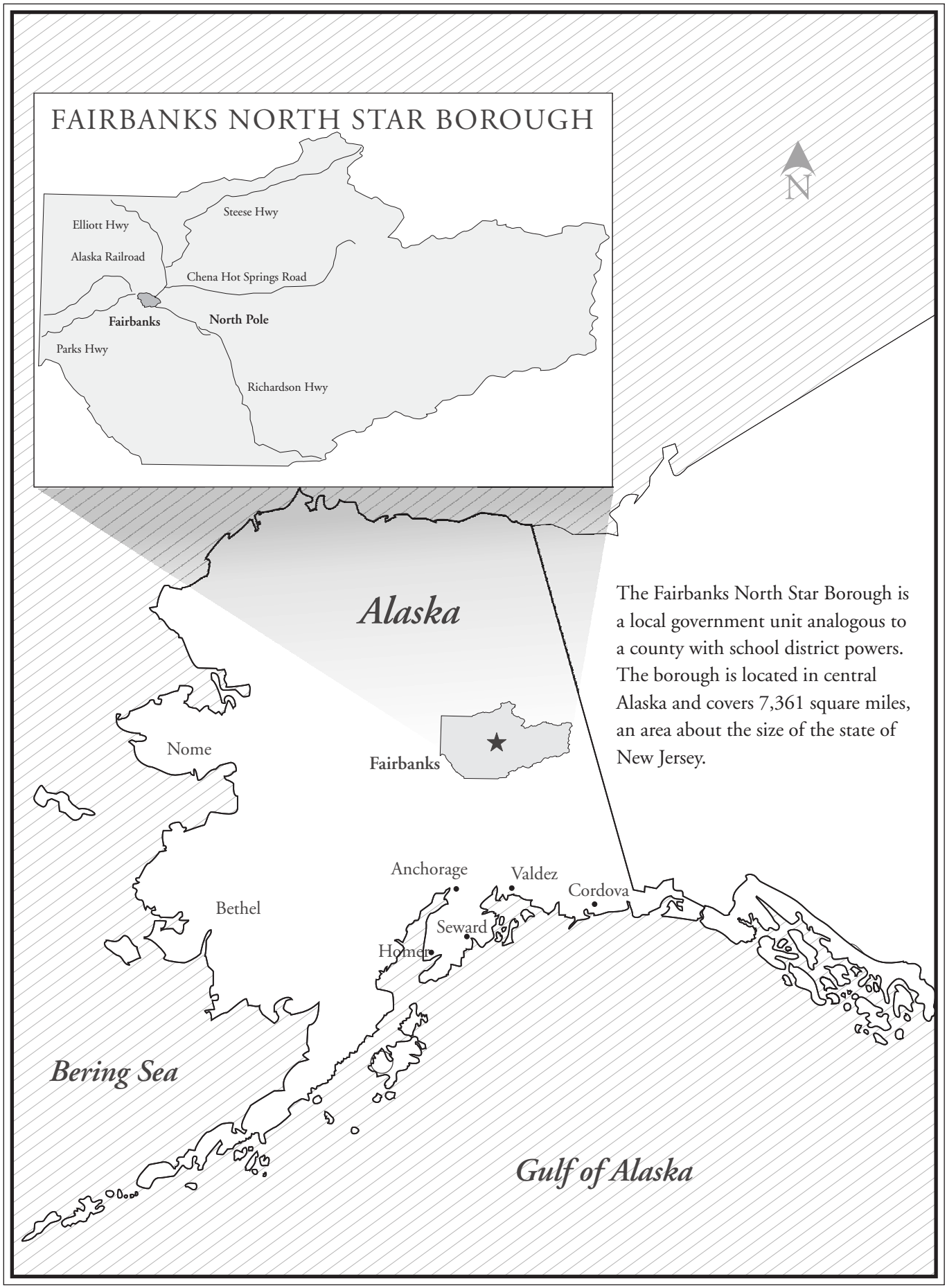
Paying Agent: Bank of New York Mellon Trust Company, N.A., Seattle, WA

This official statement is dated November 23, 2010.

HUTCHINSON, SHOCKEY, EARLY & CO.

Maturity Schedule

Year April 1	Principal Amount	Interest Rate	Yield	CUSIP 303531
2011	$1,475,000	2.00%	0.50%	ZQ3
2012	1,360,000	2.00%	0.75%	ZR1
2013	1,390,000	2.00%	1.00%	ZS9
2014	1,420,000	4.00%	1.24%	ZT7
2015	1,475,000	4.00%	1.50%	ZU4
2016	1,530,000	4.00%	1.78%	ZV2
2017	1,595,000	5.00%	2.08%	ZW0
2018	1,675,000	5.00%	2.42%	ZX8
2019	1,760,000	5.00%	2.68%	ZY6



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

Luke Hopkins, *Mayor*

Borough Assembly Members
Tim Beck
Joseph Blanchard II
Michael Dukes
Natalie Howard
Diane Hutchison
Karl Kassel
Mike Musick
Matt Want
Nadine Winters

School Board Members
Kristina Brophy
Silver Chord
Wendy Dominique
Leslie Hajdukovich
Sue Hull
Sharon McConnell
Sean Rice
Danielle Wilson, *Student Representative*
Colonel Jesse Johnson, *Base Representative*
Colonel Timothy A. Jones, *Post Representative*

Borough Administration
Jeff Jacobson, *Chief of Staff*
Michael E. Lamb, *Chief Financial Officer*
René Broker, *Borough Attorney*
Mona Lisa Drexler, *Borough Clerk*

Professional Services
K&L Gates LLP, Seattle, Washington *Bond Counsel*
Bartle Wells Associates, Berkeley, California *Financial Advisor*
The Bank of New York Mellon Trust Company, N.A., Seattle, WA *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, 2009

Appendix B – Book Entry System

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Appendix D – Form of Bond Counsel Opinion

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THE BONDS

Description: Fairbanks North Star Borough
General Obligation Refunding Bonds, 2010 Series O
$13,680,000

Date: Date of delivery

Denomination: $5,000 or multiples thereof.

Maturities: The Bonds are payable **April 1, 2011** through **April 1, 2019** in the amounts shown on the inside cover of this official statement.

Interest: Interest on the Bonds is payable on April 1 and October 1 of each year to the respective dates of maturity, beginning **April 1, 2011.**

Registrar / Paying Agent: The Bank of New York Mellon Trust Company, N.A. will be the paying agent and registrar for the Bonds.

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."

No Optional Redemption – The Bonds are not subject to optional redemption prior to maturity.

Authority for Issuance

The Bonds will refund $14,875,000 principal amount of outstanding General Obligation School Bonds, 1999 Series B (the "Refunded Bonds"), dated April 1, 1999, as authorized by Ordinance 2009-56 (the "Bond Ordinance") passed by the Assembly on January 14, 2010.

Additional Bonds

Following issuance of the Bonds, the Borough will have no authorized but unissued bonds. The Borough has no current plans to issue general obligation bonds within the next twelve months.

Purpose

Proceeds of the Bonds will be used to refund the 1999 Series B Bonds listed below and pay costs incurred in connection with the issuance and refunding.

1999 Series B Bonds

Maturity Date	Principal Amount	Interest Rate
04/01/11	$1,360,000	4.75%
04/01/12	1,425,000	4.75%
04/01/13	1,490,000	4.75%
04/01/14	1,565,000	4.75%
04/01/15	1,640,000	4.75%
04/01/16	1,715,000	4.75%
04/01/17	1,800,000	4.75%
04/01/18	1,890,000	4.75%
04/01/19	1,990,000	4.75%

On the closing date, proceeds of the Bonds together with other funds of the Borough will be deposited in an escrow account established with The bank of New York Mellon Trust Company, N.A., as escrow agent, in an amount sufficient to pay the redemption price for the 1999 Series B Bonds on January 12, 2011.

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 full faith, credit and resources of the Borough are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

In addition, the State of Alaska partially reimburses municipalities for debt service on bonds issued for State-approved school construction projects. Approximately 96.34% of the principal and interest on the 1999 Series B Bonds is 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 eligible portion of the Bonds.

State reimbursement payments are subject to annual appropriation by the Alaska legislature.

See “State Aid to Education.”

Refunding or Defeasance of the Bonds

As provided by the Bond Ordinance, the Borough may issue refunding bonds or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease such Bonds.

In the event that money or obligations issued by, or the principal and interest of which are guaranteed by, the United States, or a combination of such money and obligations, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire, refund or defease part or all of the Bonds in accordance with their terms, are set aside in a special account of the Borough to effect such redemption and retirement, refunding or defeasance, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the debt service accounts established for the Bonds for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of the Bond Ordinance except the right to receive the money so set aside and pledged, and such Bonds shall be deemed not to be outstanding under the Bond Ordinance.

Projected Debt Service

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

Fairbanks North Star Borough
Debt Service – General Obligation Refunding Bonds, 2010 Series O

Year	1-Oct	1-Apr		Interest Rate	Total Debt Service	DEED Eligible	DEED 70% Payment	Net Borough Payment
FY	Interest	Interest	Principal	Coupon		96.34%	70.00%	
2010/11	$0.00	158,175.00	$1,475,000.00	2.00%	$1,633,175.00	$1,573,400.80	$1,101,380.56	$531,794.44
2011/12	241,750.00	241,750.00	1,360,000.00	2.00%	1,843,500.00	1,776,027.90	1,243,219.53	600,280.47
2012/13	228,150.00	228,150.00	1,390,000.00	2.00%	1,846,300.00	1,778,725.42	1,245,107.79	601,192.21
2013/14	214,250.00	214,250.00	1,420,000.00	4.00%	1,848,500.00	1,780,844.90	1,246,591.43	601,908.57
2014/15	185,850.00	185,850.00	1,475,000.00	4.00%	1,846,700.00	1,779,110.78	1,245,377.55	601,322.45
2015/16	156,350.00	156,350.00	1,530,000.00	4.00%	1,842,700.00	1,775,257.18	1,242,680.03	600,019.97
2016/17	125,750.00	125,750.00	1,595,000.00	5.00%	1,846,500.00	1,778,918.10	1,245,242.67	601,257.33
2017/18	85,875.00	85,875.00	1,675,000.00	5.00%	1,846,750.00	1,779,158.95	1,245,411.27	601,338.74
2018/19	44,000.00	44,000.00	1,760,000.00	5.00%	1,848,000.00	1,780,363.20	1,246,254.24	601,745.76

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 and certain material events relating to the Bonds. 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 Gates LLP, Bond Counsel, whose approving legal opinion in substantially the form attached herein as Appendix D, will be delivered with the Bonds.

Tax Matters

In the opinion of Bond Counsel 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.

Bond Counsel is also of the opinion that the Bonds and the interest thereon are exempt from taxation by the State, except for transfer, estate and inheritance taxes.

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 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.

Not Qualified Tax-Exempt Obligations: The Bonds are not "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.

Rating

Standard & Poor's Ratings Services has assigned a municipal bond rating of AA to the Bonds. Such a rating reflects only the view of Standard & Poor's and any desired explanation of the significance of the rating should be obtained from the rating agency at the following address: 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 this rating will continue for any given period of time or that this rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, 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 Ordinance, 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.

Luke Hopkins was elected Borough mayor in November 2009. Prior to being elected Mayor, Mr. Hopkins served on the Borough Assembly from 2004-2009, serving as Presiding Officer of the Assembly for two of those years.

Mr. Hopkins has served the Fairbanks community and the State in many capacities since 1974. He has served as Board Member and Secretary of the Alaska Gasline Port Authority (AGPA), as Vice Chair and member of the Borough's planning commission, on the Vocational Education Task Force, on the Fairbanks North Star Borough (FNSB) School District Recruitment Roundtable, on the Climate Change Task Force, on the Policy Committee for the Fairbanks Metropolitan Area Transportation system, as board member on the Alaska Municipal League, on the National Association of Counties Public Lands Steering Committee, and as FNSB representative to ICLEI, a national organization for local governments for sustainability.

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 20 years' experience as a chief financial officer for municipalities and has served as the Borough's CFO for the last 12 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 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 Fairbanks and North Pole and economic development on an areawide basis under a Memorandum of Understanding (MOU) with the two cities. The Borough provides solid waste collection services outside of the City of Fairbanks, which provides its own solid waste pick-up 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 pick-up 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, which the Borough owns, in addition to its own general government facilities.

By April 1 of each year, the School District adopts its annual fiscal year budget and submits it to the Borough Assembly for approval of bottom line spending authority. 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 Army Post, 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, facilities management, 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 Army Post 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 eight school years as provided by the School District. Enrollments include students at both in-town schools and on-base schools. After dipping in 2007/08, student enrollments increased in 2008/09 and in 2009/10. The official count period for 2010/11 is not over, but preliminary counts indicate total enrollment of about 14,100.

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		14,103	14,443
2008/09		14,132	14,227
2009/10		14,402	14,348
2010/11	prelim.	14,100	14,653

The School District operates nineteen elementary schools, nine secondary schools, four 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 about 2,000 benefited employees.

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 under 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 voter-approved 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 1 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 1 summarizes the Borough's outstanding school bonds and their reimbursement eligibility.

Table 1 ■ Fairbanks North Star Borough
Outstanding School Bonds as of November 2, 2010

Series	Purpose	Outstanding Principal	Final Payment	Reimbursement Eligibility
2000C	Schools	$6,140,000	12/1/2020	70%
2001D	Schools	6,005,000	2/1/2021	70%
2002E	Schools	9,940,000	8/1/2022	70%
2003F	Schools	9,845,000	10/1/2022	70%
2004G	Schools	10,230,000	10/1/2023	70%
2005H	Schools	10,625,000	10/1/2024	70%
2006 I(1)	Schools	8,105,000	11/1/2025	70%-100%
2007J	Schools	10,415,000	11/1/2026	70%
2007K Refunding(2)	Schools	6,965,000	11/1/2016	0%-70%
2008L	Schools	10,095,000	11/1/2027	70%
2010M	Schools	11,950,000	7/1/2029	70%
2010N Refunding (3)	Schools	15,595,000	11/1/2017	0%-70%
2010 O Refunding (4)	Schools	13,680,000	4/1/2019	0%-70%
Total		$129,590,000		

Source: Fairbanks North Star Borough Approved Budget FY 2010-11, adjusted for payments made through November 2, 2010

1 - The 2006 I bonds include 53.846% of the principal and interest reimbursable at 70%; the balance is reimbursable at 100% by the Dept. of Transportation and Public Facilities.

2 - The 2007K refunding bonds refunded the 1996U bonds; 47.479% of the principal and interest paid on these bonds is reimburseable at 70%; the balance is ineligible.

3 - The 2010N refunding bonds refunded the 1997A bonds; 96.454% of the principal and interest paid on these bonds is reimburseable at 70%; the balance is ineligible.

4 - The 2010 O refunding bonds refunded the 1999B bonds. The 1999B bonds include about $959,000 used for a local match for State grants; 96.343% of the principal and interest paid on these bonds is reimburseable at 70%; the balance is ineligible.

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 100 percent. Of note:

- The entire Series 2000C, 2001D, 2002E, 2003F, 2004G, 2005H, 2007J, and 2008L are eligible for reimbursement at 70 percent.

- Approximately 53.846 percent of the Series 2006I bonds are reimbursable at 70 percent; the remaining 46.154 percent are eligible for reimbursement at 100 percent.
- The debt service on 47.479 percent of the Series 2007K bonds is reimbursable at 70 percent.
- All projects funded by the Series 2010M bonds are eligible for the 70% DEED reimbursement. The 70% DEED reimbursement is payable **after** application of the 45% Federal Recovery Zone Economic Development Bonds interest subsidy.
- Approximately 96.454% of the Series 2010N bonds are eligible for reimbursement at 70 percent.
- Approximately 96.343 percent of the Series 2010O bonds are eligible for reimbursement at 70 percent.

Table 2 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 2 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 2 ■ Fairbanks North Star Borough
Debt Service Reimbursement Eligibility as of November 2, 2010

Fiscal Year	Outstanding Issues	2010 Series O	Total	Reimbursement Entitlement	Net Borough Expense	Weighted Reimbursement Percentage
2010/11	$3,329,984	$1,633,175	$4,963,159	$3,324,648	$1,638,511	67.0%
2011/12	13,586,502	1,843,500	15,430,002	9,959,013	5,470,989	64.5%
2012/13	12,781,695	1,846,300	14,627,995	9,530,891	5,097,104	65.2%
2013/14	12,824,683	1,848,500	14,673,183	9,560,388	5,112,795	65.2%
2014/15	12,829,484	1,846,700	14,676,184	9,564,642	5,111,542	65.2%
2015/16	12,864,527	1,842,700	14,707,227	9,581,794	5,125,433	65.2%
2016/17	12,841,287	1,846,500	14,687,787	9,574,268	5,113,519	65.2%
2017/18	11,496,902	1,846,750	13,343,652	9,112,499	4,231,153	68.3%
2018/19	8,999,120	1,848,000	10,847,120	7,433,176	3,413,944	68.5%
2019/20	9,019,963	0	9,019,963	6,208,336	2,811,627	68.8%
2020/21	9,063,322	0	9,063,322	6,246,076	2,817,246	68.9%
2021/22	7,629,975	0	7,629,975	5,250,035	2,379,940	68.8%
2022/23	7,646,052	0	7,646,052	5,268,435	2,377,617	68.9%
2023/24	5,455,228	0	5,455,228	3,742,375	1,712,853	68.6%
2024/25	4,427,629	0	4,427,629	3,031,051	1,396,578	68.5%
2025/26	3,407,003	0	3,407,003	2,325,799	1,081,204	68.3%
2026/27	2,658,085	0	2,658,085	1,812,958	845,127	68.2%
2027/28	1,738,501	0	1,738,501	1,181,692	556,809	68.0%
2028/29	859,862	0	859,862	579,897	279,965	67.4%
2029/30	843,575	0	843,575	583,076	260,499	69.1%
Totals	$154,303,379	$16,402,125	$170,705,504	$113,871,051	$56,834,453	

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

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 Army Base 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 Presentation Award since 1990.

The School District is presented as a component unit in the Borough's financial statement. The School District issues a separate financial report which has also received the GFOA's Certificate of Achievement for Excellence in Financial Report 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, land management, 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 from a trust that has designated the Fairbanks North Star Borough Public Library as a beneficiary.

- **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, 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 3 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 $82.3 million in 2008/09 and accounting for 85 percent of general fund revenue. Tax revenue includes tobacco taxes collected areawide and hotel-motel and alcohol taxes collected outside the City of Fairbanks and the City of North Pole. The balance of tax revenue is from property taxes.

Table 3 ■ Fairbanks North Star Borough
General Fund Revenues, Expenditures, and Changes in Fund Balance

	2004/05	2005/06	2006/07	2007/08	2008/09
Revenues					
Taxes	$69,565,848	$73,746,922	$79,119,557	$82,560,500	$82,268,806
Intergovernmental revenues	12,328,741	13,676,229	14,370,392	12,389,669	10,647,858
Charges for services	1,340,993	1,314,225	1,325,144	1,492,060	1,433,299
Other revenues	1,881,034	3,873,637	5,491,974	5,490,453	2,496,515
Total revenues	$85,116,616	$92,611,013	$100,307,068	$101,932,682	$96,846,478
Expenditures					
General government	$9,678,631	$10,822,721	$11,598,270	$11,936,192	$12,412,136
School district	36,545,700	38,022,700	40,022,700	42,222,700	44,222,700
Community planning	1,348,512	1,529,291	1,714,293	1,870,234	1,679,291
Public works	3,284,743	3,686,299	3,962,569	4,522,013	4,899,169
Parks and recreation	4,726,082	5,156,001	5,623,455	6,076,031	6,398,281
Library	3,385,302	3,733,846	4,207,605	4,481,792	4,704,807
Emergency operations	1,438,477	1,524,988	1,706,389	1,863,856	1,883,822
Capital outlay	363,367	363,635	350,658	400,891	371,553
Total expenditures	$60,770,814	$64,839,481	$69,185,939	$73,373,709	$76,571,759
Transfers In (Out) [1]	($22,595,785)	($27,158,176)	($24,276,963)	($29,121,283)	($22,547,543)
Excess (deficiency) of revenues over expenditures & transfers	$1,750,017	$613,356	$6,844,166	($562,310)	($2,272,824)
Fund balance, July 1	$16,963,772	$18,123,945	$18,737,301	$25,581,467	$25,019,157
Adjustment	(589,844)	0	0	0	0
Fund balance, June 30	$18,123,945	$18,737,301	$25,581,467	$25,019,157	$22,746,333

Source: Fairbanks North Star Borough Comprehensive Annual Financial Reports
Totals may not add due to rounding.
1- Including debt service fund.

In 2008/09, intergovernmental revenues amounted to $10.6 million. This included approximately $9.4 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 in 2008/09 was $44.2 million, and is shown as an operating expenditure. The general fund contribution to debt service was $14.2 million, of which $9,440,605 (or about 67 percent) was reimbursed by the State, and is included as a portion of the transfers in and out.

Table 4 summarizes the 2009/10 and 2010/11 general fund budgets. The Borough's current general fund budget totals $114.6 million. Taxes (not including alcohol and tobacco

taxes) are the largest revenue source and account for over 75 percent of budgeted general fund revenues. They consist primarily of areawide property taxes. Various categories of state aid, of which school construction reimbursement is the largest, make up another 8.6 percent of general fund revenues.

Table 4 ■ Fairbanks North Star Borough
Approved General Fund Budget FY 2009/10 and 2010/11

	2009/10	2010/11
Revenue Sources		
Taxes	$82,256,092	$88,065,296
State and federal revenues	10,440,610	10,982,400
Alcohol and tobacco taxes	2,355,800	2,104,600
Charges for services	1,418,910	1,514,890
Intragovernmental charges	5,667,670	5,741,040
Other local revenue	55,000	55,000
Interest earnings	1,802,510	856,150
Contribution from fund balance and transfers	5,300,000	5,288,780
Total general fund revenues	$109,296,592	$114,608,156
Expenditures and Other Financing Uses		
Mayor and assembly	$2,682,410	$2,775,610
Law	1,008,500	1,023,490
Assessing	2,586,390	2,699,180
Community planning	2,047,110	2,244,180
Computer services	3,572,590	3,702,930
Education	45,522,700	46,522,700
Emergency operations	2,260,850	2,296,840
Financial services	3,249,750	3,422,770
General services	1,484,940	1,560,910
Human resources	2,938,930	3,102,800
Land management	--	1,140,080
Library services	5,358,380	5,726,370
Parks and recreation	6,883,430	7,154,660
Public works	7,538,900	7,910,570
Nondepartmental	389,740	365,250
Intragovernmental charges	128,850	--
Total operating expenditures	$87,653,470	$91,648,340
Contributions/Transfers to Other Funds		
Capital projects	$516,450	$2,197,080
Debt service	14,154,520	13,471,850
Other transfers	6,461,432	7,290,886
Total contributions/transfers	$21,132,402	$22,959,816
Contribution to fund balance	$510,720	--
Total expenditures and contributions	$109,296,592	$114,608,156

Source: Fairbanks North Star Borough 2009/10 and 2010/11 Approved Budgets

The Borough has budgeted operating expenditures of $91.6 million. Education expenditures, at $46.5 million, are approximately 51 percent of total operating expenditures. The balance of general fund expenditures consists of contributions to other

funds. The contribution to debt service is $13.5 million, down about $700,000 from the previous year.

Table 5 shows the general fund balance sheet as of June 30, 2005 through 2009.

Table 5 ■ Fairbanks North Star Borough General Fund Balance Sheet, June 30

	2005	2006	2007	2008	2009
Assets					
Equity in central treasury cash	$20,295,791	$20,209,282	$29,892,638	$29,779,652	$30,795,162
Taxes receivable	2,300,767	2,446,764	2,378,449	2,531,187	2,099,818
Accounts receivable	25,095	49,507	65,563	2,541,963	38,946
Accrued interest receivable	337,163	399,510	269,838	252,457	44,728
Interfund receivables	1,359,168	2,297,550	852,600	732,065	2,838,613
Due from governmental agencies	576,496	508,274	116,638	566,812	592,191
Other assets	1,211,712	2,361,817	1,450,975	136,692	101,773
Total assets	$26,106,192	$28,272,704	$35,026,701	$36,540,828	$36,511,231
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$658,466	$590,932	$613,005	$784,880	$958,821
Wages and payroll taxes	622,226	692,207	944,033	876,877	960,017
Accrued self-insurance losses	513,367	590,613	749,036	980,138	953,746
Due to school district	1,620	0	880	4,208	136
Deposits from others	142,406	159,241	273,119	223,114	192,414
Deferred revenues	1,687,590	1,804,718	1,695,081	1,755,483	1,443,048
Advance tax payments	4,356,570	5,697,691	5,170,081	6,896,972	9,256,715
Total liabilities	$7,982,245	$9,535,402	$9,445,235	$11,521,672	$13,764,897
Fund Balance					
Reserved for encumbrances	$247,848	$223,860	$401,549	$286,354	$233,114
Reserved for deposit	1,060,880	2,221,672	1,345,000	0	0
Unreserved, designated for:					
Compensated absences	1,487,591	1,534,592	1,662,378	1,700,187	1,772,713
Self-insurance losses	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net unrealized gains	0	0	281,029	93,833	0
Subsequent year's expenditures	833,000	1,000,000	2,413,373	3,773,030	4,800,000
Tax or retirement system relief	0	0	523,033	0	0
Pipeline assessment	0	0	392,000	0	0
Unreserved, undesignated	12,994,626	12,257,177	17,063,104	17,665,754	14,440,506
Total fund balance	$18,123,945	$18,737,301	$25,581,466	$25,019,158	$22,746,333
Total liabilities and fund balance	$26,106,192	$28,272,704	$35,026,701	$36,540,828	$36,511,231

Source: Fairbanks North Star Borough Comprehensive Annual Financial Reports
Totals may not add due to rounding.

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 6 shows the Borough's certified real property assessed valuation from 2006 through 2010. The Borough's 2010 tax year assessed value, before exemptions, is about $8.3 billion, which represents an increase of 4.5 percent for one year and 30.0 percent since 2006.

Table 6 ■ Fairbanks North Star Borough Assessed Valuation History ($000)[1]

Tax Year	Within Cities	Outside Cities	Pipeline-Related*	Borough Total	Percentage Increase
2006	2,215,277	3,824,463	377,817	6,417,557	11.8%
2007	2,401,475	4,272,547	369,500	7,043,522	9.8%
2008	2,556,378	4,531,222	508,805	7,596,405	7.8%
2009	2,665,997	4,622,128	694,078	7,982,203	5.1%
2010	2,776,247	4,800,899	763,391	8,340,537	4.5%

Source: Fairbanks North Star Borough Approved Budgets

1- Full value, before exemptions

*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 tax year 2010, the estimated optional residential and fire exemptions totaled $286 million; mandatory exemptions totaled $496 million.

The Borough's 2010 estimated net taxable assessed value (NTAV) is $7.559 billion as shown in Table 7.

Table 7 ■ Fairbanks North Star Borough Estimated Assessed Valuation, 2010

Borough assessor's full value	$8,340,537,412
Less:	
Mandatory exemptions	(495,510,895)
Optional residential exemptions	(286,192,360)
Borough net taxable assessed value (NTAV)	$7,558,834,157

Source: Fairbanks North Star Borough 2010/11 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 (Alyeska), the primary owner of pipeline assets with a local assessed value of $763 million (tax year 2010), is the Borough's largest taxpayer. The pipeline's valuation has increased significantly since 2007, in response to a change in valuation from a tariff-based approach, which no longer reflected the pipeline's true value, to a cost-based approach. The pipeline's estimated assessed valuation within the Borough is about 9.1 percent of the Borough's total assessed valuation of $8.341 billion in tax year 2010.

Alyeska has paid fiscal years 2007, 2008, 2009, and 2010 taxes under protest, disputing the assessed valuation of the trans-Alaska pipeline system and other related properties. The Alaska Department of Revenue is responsible for the valuation. The Department's valuation was appealed by Alyeska as being too high and was also appealed by certain affected municipalities, including the Borough, as being too low. The State Assessment Review Board heard the appeals and sided with the municipalities that the assessments

were too low. Alyeska appealed the Board's decision to the Superior Court and the Court rendered its decision in the municipalities' favor, but there will likely be a Supreme Court appeal. The Borough is required to use the Department of Revenue valuations in the Borough's budgeting process. These valuations affect the mil rate calculations and actual taxes collected. There exists a possibility that the Borough may have to refund taxes to the company in the future, but the amount of the refund, if any, is unknown at this time. It is also possible that the company may owe more taxes than already paid.

Table 8 shows the Borough's ten largest commercial/industrial taxpayers for 2009, the last year for which data is available. Together they account for 21.3 percent of total assessed valuation, an increase from 15.5 percent in 2008.

Table 8 ■ Fairbanks North Star Borough
Largest Commercial/Industrial Taxpayers, 2009

Taxpayer	Type of Property	Assessed Valuation (000)	Percent of Borough Total
Alyeska[1]	Oil transportation	$694,078	8.70%
Fairbanks Gold Mining (Fort Knox)	Mining	359,370	4.50%
Doyon Utilities	Utilities	197,634	2.48%
Flint Hills Resources	Oil refining	144,453	1.81%
North Haven Communities	Military housing	123,826	1.55%
Alaska Communications Systems	Communications	49,016	0.61%
GCI Cable Fairbanks	Utillities	38,162	0.48%
Wal-Mart Stores	Shopping center	33,591	0.42%
Westmark Hotel	Hotel	33,251	0.42%
Alaska Hotel Properties, Inc. (Princess)	Hotel	27,754	0.35%
Total		$1,701,135	21.31%

Source: Fairbanks North Star Borough Preliminary Comprehensive Annual Financial Report 2009/10
1- Assessed value set by State

Tax Rates

Table 9 shows the tax rates levied by the Borough and its two cities for the last five years.

Table 9 ■ Fairbanks North Star Borough
Ad Valorem Tax Rate History
Mills per $1 Assessed Value[1]

Tax Year	Borough	Non-areawide[2]	Solid Waste Collection[3]	City of Fairbanks	City of North Pole
2006	12.923	0.418	1.150	6.700	3.000
2007	12.209	0.409	1.126	6.594	3.000
2008	11.287	0.400	1.103	5.991	3.000
2009	11.186	0.393	1.121	5.927	3.000
2010	11.432	0.400	1.141	5.803	3.000

Source: Fairbanks North Star Borough 2010/11 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 2010 areawide tax rate is 11.432 mills. An additional 0.400 mills is levied on property outside the cities for ambulance service and economic development

(non-areawide). A mill rate of 1.141 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 5.803 mills in Fairbanks and 3.000 mills in North Pole.

Table 10 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 11.432.

Table 10 ■ Fairbanks North Star Borough
Total Tax Rates, 2010
Mills per $1 of Assessed Value

	City of Fairbanks	City of North Pole	Outside Cities[1]
Borough areawide, excluding debt service	10.819	10.819	10.819
Borough debt service			
School bonds	0.601	0.601	0.601
Library bonds	0.012	0.012	0.012
Total debt service	0.613	0.613	0.613
Total Borough areawide	11.432	11.432	11.432
City of Fairbanks	5.803		
City of North Pole		3.000	
Solid waste pick-up	[2]	1.141	1.141
Non-areawide			0.400
Total[1]	17.235	15.573	12.973

Source: Fairbanks North Star Borough 2010/11 Approved Budget
1- Does not include service area tax rates.
2- Fairbanks provides its own solid waste pick-up service.

Tax Levies and Delinquencies

Table 11 shows property tax levies and current and delinquent collections for the Borough from 2004/05 through 2008/09. 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 2008/09, the Borough's current tax collections were $76.6 million. Current collections totaled 98.8 percent of the net tax 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 11, nor are the Borough taxes collected on a non-areawide, solid waste collection district, or service area basis.

Table 11 ■ Fairbanks North Star Borough
Areawide Property Tax Levies and Collections

	2004/05	2005/06	2006/07	2007/08	2008/09
Net tax levy[1]	$65,291,295	$69,496,812	$74,585,658	$77,656,254	$77,538,492
Current tax collections	64,576,590	68,689,017	73,722,859	76,752,199	76,584,066
Collections in subsequent years	639,465	755,358	695,142	405,500	0
Total collections[2]	$65,216,055	$69,444,375	$74,418,001	$77,157,699	$76,584,066
Current year, percent of net levy collected	99.88%	99.92%	99.78%	99.36%	98.77%

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2008/09
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 12 shows the Borough's outstanding direct bonded debt as of November 2, 2010. All of the Borough's outstanding bonds have been issued for school construction, except a portion of the Series N Bonds, which refunded 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 November 2, 2010 total gross direct debt, including the Bonds, is $129.6 million. Table 12 also shows direct and total Borough debt in relation to the Borough's net taxable assessed valuation (NTAV). As Table 12 shows, $88.5 million of the Borough's direct debt (68.3 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 NTAV.

In addition to the debt included in Table 12, the Borough has outstanding leases totaling $1.25 million as of June 30, 2010.

Table 12 ■ Fairbanks North Star Borough
Direct and Underlying Bonded Debt

	Percent Applicable	November 2, 2010
Direct Debt		
Outstanding school and library bonds	100%	$115,910,000
Series O Bonds	100%	13,680,000
Total gross direct debt		129,590,000
Less: School bonds eligible for state reimbursement		88,537,248
Total net direct bonded debt		$41,052,752
Direct and Underlying Debt		
Solid waste enterprise fund loan	100%	$1,271,522
Underlying debt:		
City of Fairbanks	100%	$5,730,000
City of North Pole	100%	1,798,574
Less: City of Fairbanks bonds eligible for state reimbursement	100%	(3,260,000)
Direct debt		129,590,000
Total gross direct and underlying debt		133,858,574
Less: School bonds eligible for state reimbursement		88,537,248
Total net direct and underlying bonded debt		$45,321,326
		Percent of Taxable Assessed Value
		$7,558,834,157
Ratio of Direct Debt to Assessed Value		
Gross $129,590,000		1.71%
Net 41,052,752		0.54%

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

Table 2 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 2 and 12 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 have re-approved this measure every two years, most recently in 2010. 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 2010/11 budget is $4,904,000 below the areawide maximum property tax. 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, except for amounts used from fund balance that were designated as tax reductions for one year.

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, 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, general liability, and property 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 $29.6 million has been deposited in the fund since its creation in 1999. The reserve currently has approximately $1.6 million available for appropriation to facility maintenance.

The Borough also created a Vehicle and Equipment Fleet Internal Service Fund (VEFF) within the Transportation Department in 1999 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 effective 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. Over $1.6 million has been deposited in this fund since its creation.

Though the Borough annually issues over 800 W-2's to its entire workforce, it currently employs about 412 benefit eligible people, of which approximately 80 percent are covered by collective bargaining units. Current agreements are valid through June 30, 2012.

Substantially all regular employees of the Borough and of the School District component unit are either members of the Alaska Public Employees' Retirement System (PERS) or the Alaska Teachers' Retirement System (TRS). PERS consists of a defined benefit plan (Tiers I, II, and III) and a defined contribution plan with a component of defined benefit post-employment healthcare (Tier IV). The defined benefit plan is closed to new members. Eligible employees who first enter PERS after June 30, 2006 participate in the defined contribution plan. Contribution and benefit provisions for both plans are established by State law and may be amended only by the State Legislature.

In April 2008, State legislation was enacted changing the PERS defined benefit plan from a single agent, multiple-employer plan to a cost-sharing, multiple-employer plan. Effective July 1, 2008, the employer contribution rate is statutorily set at the greater of 22.00 percent or the actuarially determined normal cost rate. When the 22.00 percent exceeds the normal cost rate, the excess is applied to the past service liability of the plan. The legislation was enacted to correct a current under funded status.

The Borough is in compliance with all applicable, effective Governmental Accounting Standards Board statements with issuance of the FY 2009 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, 2009.

During the current national and global recession, the Borough's economy, while showing some signs of strain, continues to hold its own. The Mayor is actively engaged with Borough issues and is proactive in encouraging employment, business, and economic development.

The Borough continues to be the service center for northern and interior Alaska. Commercial construction over the last several years has included new branch bank locations, hotels, restaurants, office/medical buildings, and a variety of retail stores.

A gold find at Livengold (north of Fairbanks) is deemed to be one of the largest new discoveries in the world in the past decade. A mine there could be operational in five to six years. In addition, Fort Knox gold mine bucked the nationwide trend and forged ahead on major exploration and expansion projects this last year.

While BP and Conoco Philips chose to redirect their current interests from Alaska oil, citing concerns over the voter approved change in taxation, Exxon Mobil began exploration drilling at the Point Thompson gas field in December 2009. If successful, the firm estimates it could begin producing gas from the wells in 2014.

As the nation looks at alternative energy sources, Alaskans have been looking at its rich resources. Natural gas, propane, coal, geothermal power, and wind power are some of the areas of greatest interest and funding. Denali Education Center in Denali Park became a test site for using a solar thermal system to heat water and reduce fossil fuel consumption. Alaskans' energy costs are very high and the need to reduce the costs is important for individuals and businesses. The University of Alaska has received $4.6 million for geothermal research. Chena Hot Springs, 50 miles northeast of Fairbanks, has become a hub for researchers to see how a resort can be self-contained energy-wise, by using geothermal technology.

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 ensure compliance with DEED and Borough audit requirements. 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 13 shows five years of School District operating fund revenues and expenditures. Of the District's $175.7 million operating fund revenues in 2008/09, State funding provided 69 percent and the Borough provided about 26 percent. The balance (about 5 percent) was provided by Federal and other sources. The State reduces foundation formula funding by a percentage of the amount received from the federal government.

Of note, the large increase in revenues (and offsetting expenditures) between 2006/07 and 2007/08 was due to increases in State "on behalf" payments for PERS and TRS retirement systems.

Table 13 ■ Fairbanks North Star Borough School District Operating Fund Revenues and Expenditures

	2004/05	2005/06	2006/07	2007/08	2008/09
Revenues					
Borough appropriation	$36,545,700	$38,022,700	$40,022,700	$42,222,700	$44,222,700
Local sources	727,017	827,619	940,657	845,985	669,383
State sources (1)	74,502,157	81,842,665	91,479,160	122,430,200	121,216,124
Federal pass-through	99,358	130,325	371,249	412,090	0
Federal sources	14,267,731	12,257,249	11,405,933	11,118,081	9,596,676
Total revenues	$126,141,963	$133,080,558	$144,219,699	$177,029,056	$175,704,883
Expenditures and transfers out					
Instruction	$74,655,922	$79,742,527	$88,801,574	$106,336,057	$106,111,390
Supporting services	28,261,974	31,458,438	36,482,346	42,390,696	45,971,090
Operation & maint.	16,888,220	18,303,539	20,039,480	21,775,769	22,049,314
Student activities	1,544,539	2,148,068	2,204,195	2,405,649	2,488,308
Debt service	206,836	0	0	0	0
Net transfers out/(in)	351,230	527,073	(471,089)	2,148,898	1,479,641
Total expenditures	$121,908,721	$132,179,645	$147,056,506	$175,057,069	$178,099,743

Source: Financial statements of the Fairbanks North Star Borough School District
1- Increase in state sources in 2007/08 due to State "on behalf" payments to PERS and TRS retirement system. Revenue is offset by recording expenses.

School District Budget

Table 14 shows the District's 2009/10 and 2010/11 operating fund budgets. 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 14 ■ Fairbanks North Star Borough School District Operating Fund Budget

	2009/10	2010/11
Revenues		
Borough appropriation	$45,522,700	$46,522,700
Local sources	738,820	1,112,000
State sources		
Foundation funding	102,405,540	112,927,380
On-behalf payments (TRS and PERS)	20,667,010	22,614,950
Other	1,825,490	1,854,030
Federal pass-through	0	0
Federal sources	9,722,230	10,211,110
Fund balance utilization	5,480,390	7,726,910
Total revenues	$186,362,180	$202,969,080
Expenditures		
Instruction	$111,310,354	$120,283,152
Supporting services	46,841,946	52,513,438
Operation and maintenance	24,002,560	24,692,547
Student activities	2,749,010	2,810,633
Transfers to other funds	1,458,310	2,669,310
Total expenditures	$186,362,180	$202,969,080

Source: Fairbanks North Star Borough School District 2010/11 Approved Budget

The Borough's Code of Ordinances states that the School District may carry over from one year to the next unreserved local appropriation fund balances, not exceeding seven percent of the local contribution to education for the fiscal year. The first 28.5 percent of the total annual lapse shall, to the extent permitted by law, lapse to the Borough's School District facilities reserve fund for the purpose of major maintenance, repairs and upgrades of Borough School District facilities.

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 air 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 Army Post 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 15 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.

The Alaska Department of Commerce approved population for the Borough in 2009 is 98,660. The City of Fairbanks has 32,506 inhabitants and the City of North Pole has 2,200. Population was stable for three years and then increased in 2009.

Table 15 ■ 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	656,569
2005	87,608	31,071	1,599	663,085
2006	96,888	30,552	1,710	669,716
2007	96,888	30,552	1,710	674,510
2008	97,970	30,367	2,099	679,720
2009	98,660	32,506	2,200	692,314

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 the second quarter of 2010, the number of military personnel and family members totaled 17,289, about 17.5 percent of the total Borough population. (See also: Military section)

Table 16 shows the number of residential housing units sold and the average price per unit since 2005. Housing sales were relatively constant from 2005 through 2007, and dipped in 2008 and 2009 from a three-year annual average of 1,032 to about 870. The average price per unit, however, has remained almost constant. Unit sales for the first two quarters of 2010 exceed those during the first two quarters of 2009.

Table 16 ■ Fairbanks North Star Borough Residential Housing Sales

	Units Sold	Average Price Per Unit
2005		
1st Quarter	223	$182,900
2nd Quarter	311	188,200
3rd Quarter	324	185,800
4th Quarter	214	195,400
	1,072	
2006		
1st Quarter	148	204,300
2nd Quarter	260	217,700
3rd Quarter	340	210,800
4th Quarter	268	218,300
	1,016	
2007		
1st Quarter	206	222,600
2nd Quarter	272	224,000
3rd Quarter	289	224,900
4th Quarter	243	216,100
	1,010	
2008		
1st Quarter	154	218,400
2nd Quarter	260	220,700
3rd Quarter	278	216,000
4th Quarter	173	197,600
	865	
2009		
1st Quarter	101	226,300
2nd Quarter	217	214,900
3rd Quarter	287	219,100
4th Quarter	271	215,700
	876	
2010		
1st Quarter	137	201,300
2nd Quarter	274	227,000
	411	

Source: FNSB Community Research Quarterly, Summer 2010

As with many areas in the country, the Borough has seen an increase in notices of default and foreclosures. Table 17 summarizes the default notice and foreclosure activity in the Borough over the last five years. Foreclosure activity increased from approximately 60-75 per year in 2005 through 2007 to just over 180 in 2009. However, with over 35,000

total housing units in the Borough, the rate of foreclosure activity remains very low compared to other parts of the country.

Table 17 ■ Fairbanks North Star Borough
Notices of Default and Foreclosures, 2005-2009

	2005	2006	2007	2008	2009
Notices of default	92	113	124	196	206
Forclosures	76	59	69	102	181

Source: FNSB Community Research Quarterly, Summer 2010

Cities

Fairbanks: The City of Fairbanks, with a 2009 population of 32,506, is the largest in the Borough and the second largest in the State, after Anchorage. 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 18 shows a five-year history of civilian employment by industry segment. The Alaska Department of Labor estimates average 2009 employment at 37,800, a decrease of about 1.2 percent from the previous year.

Table 18 ■ Fairbanks North Star Borough
Average Annual Civilian Employment (by Industry)

Industry	2005	2006	2007	2008	2009
Natural resources and mining	1,210	1,350	1,150	1,100	1,100
Construction	2,910	2,760	2,760	2,770	2,500
Manufacturing	620	630	650	650	700
Trade/Transportation/Utilities	7,810	7,740	7,670	7,700	7,600
Information	580	590	560	590	600
Financial Activities	1,400	1,580	1,600	1,530	1,500
Professional & Business Svcs	2,120	2,100	2,220	2,340	2,100
Educational & Health Services	4,190	4,280	4,240	4,380	4,500
Leisure & Hospitality	4,140	4,110	4,320	4,160	4,000
Other Services	1,360	1,320	1,290	1,250	1,200
Government					
Federal Government	3,350	3,380	3,450	3,470	3,500
State Government	5,200	5,210	5,230	5,250	5,300
Local Government	3,000	3,030	3,050	3,070	3,200
	37,900	38,130	38,230	38,260	37,800

Source: Alaska Department of Labor and Workforce Development
Totals may not add due to rounding

Table 19 lists the largest civilian employers in the Borough. New reporting requirements prohibit the release of exact employment data without consent, so ranges are given instead. The rankings, however, do reflect the exact number of employees.

The largest individual employers are government related.

Table 19 ■ Fairbanks North Star Borough Largest Employers, 2009

Employer	Business Activity	Employees[1]
Federal government [2]	Government	1,000 - 3,500
University of Alaska Fairbanks [3]	Education	1,000 - 3,500
Fairbanks North Star Borough School District	Education	1,000 - 3,500
State government [4]	Government	1,000 - 3,500
Banner Health [5]	Hospital	1,000 - 3,500
Sam's Club/Wal-Mart	Grocery/retail	500 - 749
Fred Meyer Stores Inc	Grocery/retail	500 - 749
Fairbanks North Star Borough (FNSB)	Government	250 - 499
Fairbanks Gold Mining, Inc. (Ft. Knox)	Mining	250 - 499
Carrs/Safeway	Grocery/retail	250 - 499

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.
1 - Federal regulations prohibit the release of exact employment numbers without consent. The rankings are, however, based on actual employment figures.
2 - Excludes military uniformed personnel: for 2009: includes 1,529 civilian employees at Fort Wainwright Army Post and 823 civilian employees at Eielson AFB.
3 - Student employment not included: 840 in 2009
4 - State government is total except for the University of Alaska
5 - Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic

Government Sector: The Federal government, including civilian employees at both Fort Wainwright Army Post and Eielson AFB, is the largest employer in the Borough. The University of Alaska Fairbanks (UAF) is the second largest. UAF accounts for approximately 65 percent of state employees within the Borough. In total, over 30 percent of employment in the Borough is with Federal, State, and local government agencies.

Retail and Leisure/Hospitality Sectors: The trade, transportation, and utilities sector is the largest provider of non-government employment. About 7,600, or 20 percent, of all employment is in this sector. This includes about 4,600 retail jobs. The leisure and hospitality sector employs 4,000 people, and includes food service and hotel employment.

Other Employment: The largest non-governmental employers include the Banner Health System (which runs Fairbanks Memorial Hospital, Denali Center, and Tanana Valley Clinic), Sam’s Club/Wal-Mart, and Fred Meyer stores.

Unemployment

Prior to the recent national recession, Alaska's unemployment rate consistently ran higher than the national average. However, since the beginning of 2009, the unemployment rate in the Borough has dropped below that of the United States.

As illustrated more fully in Table 20, as of June 2010, the Borough's unemployment rate stood at 6.9 percent, while the unemployment rate in the State of Alaska was 7.7 percent and the U.S. rate was 9.6 percent.

Table 20 ■ Fairbanks North Star Borough Unemployment Rate: FNSB, Alaska, and United States (1)

	2006	2007	2008	2009	2010(1)
Fairbanks North Star Borough MSA	5.6%	5.4%	5.9%	7.3%	6.9%
Alaska	6.5%	6.1%	6.5%	8.0%	7.7%
United States	4.6%	4.6%	5.8%	9.3%	9.6%

Source: FNSB Community Research Quarterly, Summer 2010
1- Annual averages except for 2010, which is based on June 2010.
MSA = Metropolitan Statistical Area

Military

The military bases close to Fairbanks continue to be a strong part of the Borough economy and the community works hard to keep officials aware of the strategic advantages of the Fort Wainwright and Eielson facilities.

Alaska hosts the U.S. Pacific Command's annual Northern Edge air and sea training exercise in which more than 9,000 troops from all branches of the military participate. In addition, Red Flag-Alaska, a ten-day combat training exercise for U.S. Air Force and allied crews, is held three to five times a year with about 3,600 U.S. and international participants, over 2,000 of which deploy to Eielson through the course of a year's exercises.

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 (during the fifth round) 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 retained 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 Army Post: 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 AP and Eielson AFB. In 2010, 4,412 military personnel and 7,832 family members were stationed at Fort Wainwright. In 2010, 1,955 military personnel and 3,090 family members were stationed at Eielson Air Force Base, exclusive of the 168th Air Refueling Wing.

Table 21 ■ Fairbanks North Star Borough Military Population

	2007	2008	2009	2010
Fort Wainwright Army Post				
Military personnel	6,203	4,593	4,825	4,412
Family members	7,300	7,413	8,482	7,832
Eielson Air Force Base				
Military personnel	3,056	2,056	2,007	1,955
Family members	3,591	3,049	3,343	3,090

Source: As of second quarter of listed year in FNSB Community Research Quarterly, Summer 2010

Health Care

The Fairbanks Memorial Hospital/Denali Center/Tanana Valley Clinic (FMH/DC/TVC) is the Borough's largest employer outside of government and education. The hospital, nursing home, and clinic are managed by Banner Health, a nonprofit health care system operating facilities in Alaska and six other western states. Banner Health employs approximately 1,600 people in the Borough, generating in excess of $80 million in annual gross salaries. FMH/DC/TVC offers a full complement of ambulatory, acute and skilled nursing services to the approximately 115,000 persons residing in the FMH/DC/TVC service area. The large size of the FMH/DC/TVC 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/TVC to provide a comprehensive scope of services and programs.

The facilities' nonprofit owner, The Greater Fairbanks Community Hospital Foundation, has, through the hospital, made significant steps towards improving quality and access to care for the Fairbanks North Star Borough and the interior region since 1972. Recent community developments include:

- A cardiology cath lab was opened in December of 2007 with the first full year of operation (2008) performing 472 cardiology cath lab cases. Additionally, the Harry and Sally Porter Heart Center opened in 2009 accommodating 3 cardiologists and support services, including echocardiography, nuclear medicine, and cardiac rehabilitation programs all in one setting.

- In July 2008, a newly renovated and expanded emergency department was opened, with 27,000 square feet of modern emergency care space.
- In February 2008, the Foundation purchased the Tanana Valley Clinic, the largest multi-specialty physician clinic in the State, and contracted with Banner Health to operate the clinic. This merger will help provide access to primary care for Medicare patients and strengthen the community physician recruitment effort in partnership with the hospital and other medical providers. The hospital sponsored community-wide physician recruitment effort resulted in over 30 successful placements in the last 2 years.

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: For many years, Alaskans have been advocating for commercialization of the state's vast natural gas reserves on the North Slope, estimated at 155 trillion cubic feet (mean value), of which 35 trillion cubic feet are known reserves. Key federal incentives for an Alaska natural gas pipeline were obtained in October 2004 when Congress passed legislation providing for up to $18 billion in loan guarantees, accelerated depreciation, tax credits, and expedited permitting and judicial review.

In October 1999 voters in the Borough, the North Slope Borough, and the City of Valdez approved creation of the Alaska Gasline Port Authority, to develop, own and operate a natural gas pipeline. 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. In 2010 the North Slope Borough withdrew from the Authority.

Currently, there are two competing gas line projects. Under the State's Alaska Gasline Inducement Act (AGIA), TransCanada Corporation was approved for a license, qualifying it for special incentives in advancing the construction of a pipeline. In June 2009, ExxonMobil agreed to work together with TransCanada on the project. Denali – The Alaska Gas Pipeline is a jointly owned company of BP and ConocoPhillips, formed

to build a similar pipeline. Both proposed pipeline routes traverse land within the Borough and would terminate in Alberta, Canada. In 2010, both projects plan to solicit long-term commitments from natural gas owners to send gas through the pipeline (open season). BP, ConocoPhillips, and ExxonMobil currently hold leases for most of the known reserves. Due to the leaseholders' uncertainty over gas taxes, it is likely those commitments will come with conditions.

Both of the gas line proposals are enormous, multi-year undertakings, with international, federal, and State regulatory and environmental hurdles to overcome. A project is expected to take ten years to permit and construct once a complete application is filed with the Federal Energy Regulatory Commission (FERC), which would occur after financing is obtained, secured by the open season commitments.

See the following web sites for further information:

www.arcticgas.gov
gasline.alaska.gov
www.transcanada.com/alaskapipelineproject.html
www.denali-thealaskagaspipeline.com

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 130,000 barrels per day of crude oil off the Trans Alaska Pipeline System and refines approximately 35,000 barrels per day into products that are sold in Alaska and Asia. The balance of 95,000 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 22,000 barrels per day and supplies jet fuel directly to Eielson Air Force Base and helicopter fuel to Ft. Wainwright. 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 recent $104 million investment allowing for the use of a heap-leaching process that dramatically reduces operational costs.

In addition, the Pogo Mine is located southeast of the Borough and draws its support services, resources and personnel largely from the Borough. This is a below ground mine and its mine life continues to be extended as more resources are found.

Future mine development includes the ongoing development of International Tower Hills project in Livengood which is 70 miles north of Fairbanks on the Eliott Highway. A significant amount of drill and assay work indicates that an open pit cyanide heap leach operation like Fort Knox could generate as much as 12.5 million troy ounces of gold. This facility would have to rely on the Fairbanks economy in the same manner and to a larger degree than the Pogo Mine.

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 130 employees and operates year-round. UCM produces approximately 2.0 million tons of ultra low sulfur subbituminous coal annually with half utilized in interior Alaska power plants 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 double annual production with minimal capital expenditures. UCM has identified a surface mineable reserve of approximately 700 million tons on current lease lands – hundreds of years of available coal at current production levels.

University of Alaska

The University of Alaska Fairbanks (UAF) is the largest single, non-military employer in the Borough, with about 3,400 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 only doctoral-granting institution in Alaska and the principal research center for the statewide university system. Research expenditures for the Fairbanks campus were $114 million in fiscal year 2010.

UAF saw one of its largest ever annual increases in enrollment (6.6%) in FY 2010. Current capital construction at UAF consists primarily of major maintenance projects. The university received over $20 million in deferred maintenance funding from the legislature in 2010. Critical electrical, utility, and wastewater infrastructure work will be accomplished with this funding. A top priority for new construction remains the Life Sciences replacement building that is part of the general obligation bond ballot proposition that will be before the voters November 2, 2010.

In total, 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 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.

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 22 shows a history of passengers, freight operations, and landings at the airport.

Fairbanks International Airport completed a $41 million renovation to its main runway in October 2009. The renovation included paving, electrical wiring and lighting improvements. The new Fairbanks International Airport Terminal was functionally complete by May of 2009 and additional demolition work was completed over the summer. The new terminal provides improved services for cargo and passenger travel.

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-half of the annual coal production from the Usibelli Coal Mine in Healy is shipped north each year by railroad.

Flint Hills refinery in North Pole ships jet fuel south on the railroad. A reduction in demand for jet fuel out of Anchorage created a ripple effect to Fairbanks oil refining and the railroad. The Flint Hills refinery shut down one of its three refining units and the Alaska Railroad had to decrease its operating costs.

Table 22 ■ Fairbanks International Airport Operating Statistics

	2005	2006	2007	2008	2009
Passengers - incoming	462,522	462,703	494,879	492,964	470,702
Passengers - outgoing	457,621	455,309	472,019	480,380	452,434
Revenue landings	27,600	25,792	24,940	25,678	24,083
Freight - incoming*	76,450	10,992	11,197	10,845	13,411
Freight - outgoing*	123,996	51,684	41,192	34,723	36,872

Source: FNSB Community Research Quarterly, Summer 2010
*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 annually about 400,000 people visit the area each summer.

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 also a major visitor attraction. 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.

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.

During 2008 and 2009, the effects of the global recession were felt on the tourism industry. In 2009, the hotel/motel tax collections for the City of Fairbanks declined 14 percent from the same period in 2008, primarily reflecting the reduced deployment of cruise ships from the Gulf of Alaska from which land tours to Fairbanks and interior Alaska emanate. Bed tax is a reflection of the variables of occupancy and room rates. The recession, combined with a seven percent increase of year-round hotel inventory in the Fairbanks area contributed to the 2009 decline.

Through August 2010, the hotel/motel tax collections for Fairbanks increased by an estimated eight percent in comparison with the same period in 2009.

The outlook for 2011 visitor numbers indicates a slight increase from 2010, but is not expected to return to 2008 levels. According to the Alaska Alliance for Cruise Travel (AlaskaACT) in a September 27, 2010 e-news, the expected 2011 changes to the Alaska cruise market will be an increase of about 11,520 passengers. This increase will be primarily in Inside Passage cruises which do not lead to land tours. Of note, pent-up demand may have led to an increase in independent travel in 2010. However, the Fairbanks Convention and Visitors Bureau does not expect consumer confidence to boost enough to result in comparable increases in 2011.

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APPENDIX A
BASIC FINANCIAL STATEMENTS, JUNE 30, 2009

Cook & Haugeberg LLC
CERTIFIED PUBLIC ACCOUNTANTS

December 16, 2009

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 (Borough), as of and for the year ended June 30, 2009, 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, internal service, and fiduciary funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2009, 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, 2008 financial statements which have been restated as described in Note 18 to these financial statements and, in our report dated December 22, 2008, 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, internal service, 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 the 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, 2009 and the respective changes in financial position and, where applicable, cash flows 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

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referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, internal service, and fiduciary fund of the Fairbanks North Star Borough, as of June 30, 2009, and the respective changes in financial position and cash flows, 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 December 16, 2009, 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, 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, 2009 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, 2009, 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, 2008, which are not presented with the accompanying financial statements. In our report dated December 22, 2008, 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, 2008 additional information schedules are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole which have been restated as described in Note 18 to these financial statements. 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

Fairbanks, Alaska

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Jim Whitaker, Borough Mayor

Prepared by
Financial Services Department:

Michael E. Lamb, Chief Financial Officer
Debra L. R. Brady, Controller

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

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

Fund Financial Statements

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

Notes to Financial Statements

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

FAIRBANKS NORTH STAR BOROUGH

Statement of Net Assets
June 30, 2009

	Primary Government				Component Unit
			Totals		
	Governmental Activities	Business-type Activities	2009	2008 Restated	School District
Assets					
Equity in central treasury cash	$45,198,625	$20,442,381	$65,641,006	$65,964,996	$21,392,081
Restricted equity in central treasury cash	61,375,052	556,085	61,931,137	71,023,565	18,249
Taxes receivable (net of allowance for uncollectibles 2009 - $723,399; 2008 - $260,543)	2,099,818	198,889	2,298,707	2,722,085	
Restricted taxes receivable	334,408		334,408	303,118	
Accounts receivable (net of allowance for uncollectibles 2009 - $13,043; 2008 - $13,803)	156,159	629,664	785,823	3,084,974	7,589,434
Restricted accounts receivable (net of allowance for uncollectibles 2009 - $132,529; 2008 - $106,391)	763,173	9,099	772,272	627,584	
Accrued interest receivable	44,749	20,034	64,783	267,211	
Restricted accrued interest receivable	4,548		4,548	44,945	
Internal balances (payable from restricted assets: governmental activites $93,652; business-type activities $339,326)	227,474	(227,474)			
Due from Borough			-		188,813
Restricted due from School District				99,495	
Due from governmental agencies	597,793	2,929	600,722	566,812	
Restricted due from governmental agencies	4,195,706	418,125	4,613,832	891,617	
Inventories		13,471,070	13,471,070	13,416,322	843,601
Other assets	1,173,084		1,173,084	1,345,042	12,075
Land contracts receivable		727,519	727,519	987,234	
Long-term receivable (net of allowance for uncollectibles 2009 - $203,290; 2008 - $199,120)					
Capital assets (See Note 7)					
Non-depreciable	258,946,711	3,290,120	262,236,831	248,292,639	
Depreciable, net of accumulated depreciation	324,447,829	32,207,264	356,655,093	361,643,692	3,672,266
Assets total	$699,565,129	$71,745,705	$771,310,835	$771,281,330	$33,716,519

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Net Assets
June 30, 2009

	Primary Government				
	Governmental Activities	Business-type Activities	Totals 2009	Totals 2008 Restated	Component Unit School District
Liabilities					
Advance tax payments	$9,256,715	$	$9,256,715	$6,896,972	$
Accounts payable	2,472,078	566,281	3,038,359	1,556,088	783,718
Due to School District	7,367		7,367	7,435	
Wages and payroll taxes	934,116	195,728	1,129,843	1,019,098	832,510
Payable from restricted assets					
Accounts payable	4,653,959	57,072	4,711,031	4,093,512	
Due to School District	181,445		181,445	20,314	
Unearned revenues	2,819,956	837	2,820,793	2,331,442	18,249
Due to governmental agencies					5,421
Accrued interest payable	1,330,109		1,330,109	1,523,798	
Deposits from others	202,302	585,157	787,459	1,104,175	
Long-term liabilities (See Note 11)					
Due within one year	11,065,628	1,769,306	12,834,934	12,137,454	6,224,974
Due in more than one year	128,557,038	24,233,022	152,790,060	157,905,066	2,319,721
Liabilities total	161,480,713	27,407,404	188,888,116	188,595,353	9,984,593
Net Assets					
Invested in capital assets, net of related debt	487,414,214	31,738,913	519,153,127	507,059,656	3,672,266
Restricted for					
Debt service	383,194		383,194	373,550	
Employee healthcare and labor relations	2,978,855		2,978,855	2,734,490	
Grant-funded special programs	1,317,653		1,317,653	1,833,388	
Special taxing jurisdictions	18,234,101		18,234,101	15,772,883	
Enhanced 911	2,399,162		2,399,162	2,320,099	
Library special revenue (donor-restricted)	8,041,293		8,041,293	7,277,887	
Grant-funded capital projects	8,991,915		8,991,915	10,722,543	
School bond capital projects	5,326,517		5,326,517	7,103,779	
Proprietary fund grants and asset replacement	6,163	586,075	592,239	430,616	
Unrestricted	2,991,349	12,013,314	15,004,663	27,057,087	20,059,660
Net assets total	$538,084,417	$44,338,302	$582,422,719	$582,685,977	$23,731,926

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Activities
For the Year Ended June 30, 2009

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: 2009	Primary Government: Totals: 2008 Restated	Component Unit: School District
Primary government										
Governmental activities										
General government	$22,096,937	($2,800,415)	$995,973	$1,281,934	$27,796	($16,990,819)	$	($16,990,819)	($13,712,437)	$
Community planning	1,874,958	434		150,304		(1,725,088)		(1,725,088)	(1,769,666)	
Public works	12,165,059	(1,601,156)	52,268	51,062		(10,460,574)		(10,460,574)	(9,552,943)	
Parks and recreation	9,241,852	15,457	1,106,668	23,886	136,287	(7,990,469)		(7,990,469)	(5,815,674)	
Library	5,590,825	608	93,804	1,049,126		(4,448,503)		(4,448,503)	(3,706,487)	
Road and other service areas	3,998,062	395,460		287,092	3,691,986	(414,443)		(414,443)	(2,053,146)	
Education	61,898,187				13,404,142	(48,494,045)		(48,494,045)	(58,476,152)	
Emergency operations	5,580,214	152,657	1,111,970	622,797	515,625	(3,482,480)		(3,482,480)	(3,125,852)	
Fire service areas	5,386,970	11,650		29,382	2,011,786	(3,357,452)		(3,357,452)	(4,595,385)	
Interest on long-term debt	6,052,131					(6,052,131)		(6,052,131)	(5,550,818)	
Total governmental activities	133,885,194	(3,825,305)	3,360,683	3,495,583	19,787,620	(103,416,003)		(103,416,003)	(109,358,359)	
Business-type activities										
Transit	6,444,844	837,326	1,429,331	1,908,418	13,299		(3,931,122)	(3,931,122)	(1,038,914)	
Land	1,134,729	198,412	736,617	39,812	55,606		(501,106)	(501,106)	504,539	
Carlson Center	1,131,693	464,418		105,393	7,961		(1,482,757)	(1,482,757)	(1,283,402)	
Solid waste disposal	10,361,915	873,546	5,920,210				(5,315,250)	(5,315,250)	375,984	
Total business-type activities	19,073,180	2,373,701	8,086,158	2,053,623	76,866		(11,230,235)	(11,230,235)	(1,441,793)	
Total primary government	$152,958,374	($1,451,604)	$11,446,841	$5,549,205	$19,864,486	(103,416,003)	(11,230,235)	(114,646,238)	(110,800,152)	
Component unit										
School District	$205,283,903	$1,451,604	$2,365,595	$50,760,894	$2,515,129					(151,093,889)
General revenues										
Property taxes						93,707,963		93,707,963	93,330,750	
Hotel-motel taxes						1,660,803		1,660,803	1,824,832	
Alcoholic beverage taxes						1,384,156		1,384,156	1,434,006	
Tobacco excise taxes						1,077,166		1,077,166	983,683	
Grants and contributions not restricted to specific programs						14,124,381	41,495	14,165,875	15,378,985	
Foundation program										96,001,077
Other federal and state aid										11,418,547
Unrestricted investment earnings						1,910,276	115,677	2,025,953	6,718,688	
Borough direct appropriation										44,222,700
Other						356,210	4,854	361,063	356,646	680,263
Transfers						(5,022,034)	5,022,034			
Total general revenues and transfers						109,198,920	5,184,059	114,382,979	120,027,590	152,322,587
Change in net assets						5,782,917	(6,046,175)	(263,258)	9,227,438	1,228,698
Net assets, beginning as restated for 2008						532,301,500	50,384,476	582,685,977	573,458,537	22,503,228
Net assets, ending						$538,084,417	$44,338,302	$582,422,719	$582,685,977	$23,731,926

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Balance Sheet
June 30, 2009

	General	Service Areas	Debt Service
Assets			
Equity in central treasury cash	$30,795,162	$12,599,439	$428,017
Taxes receivable (net of allowance for uncollectibles - $723,399)	2,099,818	173,678	
Accounts receivable (net of allowance for uncollectibles - $141,788)	38,946		
Accrued interest receivable	44,728		21
Interfund receivable	2,838,613		
Due from governmental agencies	592,191	705	
Other assets	101,773		
Assets total	$36,511,231	$12,773,822	$428,038
Liabilities and Fund Balances (Deficit)			
Liabilities			
Accounts payable	$958,821	$340,124	$
Wages and payroll taxes	960,017		
Accrued self-insurance losses	953,746		
Interfund payable		164,279	
Due to School District	136		
Deposits from others	192,414		
Deferred revenues	1,443,048	154,495	
Unearned revenues			
Advance tax payments	9,256,715		
Liabilities total	13,764,897	658,897	
Fund balances (deficit)			
Reserved			
Reserved for encumbrances	233,114	26,502	
Unreserved, designated for			
Compensated absences	1,772,713		
Subsequent year's expenditures	4,800,000	501,720	
Self-insurance losses	1,500,000		
Reported in nonmajor special revenue funds			
Undesignated, reported in			
General fund	14,440,506		
Special revenue funds		11,586,703	
Debt service fund			428,038
Capital projects funds			
Fund balances (deficit) total	22,746,334	12,114,925	428,038
Liabilities and fund balances (deficit) total	$36,511,231	$12,773,822	$428,038

See accompanying notes to financial statements.

State Grants Capital Projects	Bond Projects	Other Governmental Funds	Total Governmental Funds
$9,704,873	$16,207,895	$36,158,848	$105,894,234
		160,730	2,434,226
		880,386	919,332
	4,544	4	49,297
32,538			2,871,151
3,290,255		904,746	4,787,898
			101,773
$13,027,666	$16,212,438	$38,104,714	$117,057,910
$1,458,510	$2,117,399	$2,243,592	$7,118,446
			960,017
			953,746
1,946,453		549,466	2,660,198
87,608	7,267	93,802	188,813
		9,888	202,302
		689,856	2,287,399
2,157,059		644,696	2,801,756
			9,256,715
5,649,630	2,124,666	4,231,301	26,429,391
1,908,375	6,744,990	5,270,471	14,183,453
			1,772,713
			5,301,720
			1,500,000
		11,521,084	11,521,084
			14,440,506
		8,220,480	19,807,183
			428,038
5,469,661	7,342,782	8,861,377	21,673,821
7,378,036	14,087,772	33,873,413	90,628,518
$13,027,666	$16,212,438	$38,104,714	$117,057,910

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FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Reconciliation of Balance Sheet to the Statement of Net Assets
June 30, 2009

Total fund balances of governmental funds		$ 90,628,519
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.		580,451,829
Deferred bond issuance costs are not available to pay for current-period expenditures and, therefore are not reported in the funds.		1,071,312
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.		2,612,000
Earned revenues that are not available to pay current period expenditures are reported as deferred revenues in the funds.		2,287,400
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	$ (135,260,000)	
Deferred premiums on bonds	(693,044)	
Deferred refunding bonds difference	89,224	
Accrued interest payable on bonds	(1,330,109)	
Accrued compensated absences	(1,772,713)	
		(138,966,643)
Net assets of governmental activities		$538,084,417

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, 2009

	General	Service Areas	Debt Service
Revenues			
Taxes	$82,268,806	$8,706,549	$
Intergovernmental revenues	10,647,858	705	
Charges for services	1,433,299		
Other revenues	2,496,515	149,136	9,644
Revenues total	96,846,478	8,856,390	9,644
Expenditures			
Current			
General government	12,412,136		
Community planning	1,679,281		
Public works	4,899,169		
Parks and recreation	6,398,281		
Library	4,704,807		
Road and other service areas		2,224,420	
Education	44,222,700		
Emergency operations	1,883,822		
Fire service areas		5,043,291	
Capital outlay	371,553		
Debt service			
Principal retirement			7,903,000
Interest and fiscal agent fees			6,262,825
Expenditures total	76,571,758	7,267,711	14,165,825
Excess (deficiency) of revenues over expenditures	20,274,720	1,588,679	(14,156,182)
Other financing sources (uses)			
Transfers in	711,861	28,542	14,167,840
Transfers out	(23,259,404)	(1,349,112)	
Other financing sources (uses) total	(22,547,543)	(1,320,570)	14,167,840
Net change in fund balances	(2,272,823)	268,108	11,658
Fund balances (deficit), beginning as restated for 2008	25,019,157	11,846,816	416,380
Fund balances (deficit), ending	$22,746,334	$12,114,925	$428,038

See accompanying notes to financial statements.

State Grants Capital Projects	Bond Projects	Other Governmental Funds	Total Governmental Funds
$	$	$7,121,802	$98,097,157
12,198,188		10,893,614	33,740,365
		1,664,202	3,097,501
500	226,828	1,191,778	4,074,401
12,198,688	226,828	20,871,396	139,009,423
62,255		6,227,083	18,701,474
		193,774	1,873,065
227,874		5,555,770	10,682,814
161,664		1,029,844	7,589,790
		239,493	4,944,300
1,479,747		689,665	4,393,833
997,613	5,610,603	162,329	50,993,244
		3,301,530	5,185,352
180,045		62,754	5,286,090
10,880,193	4,755,463	5,448,644	21,455,853
			7,903,000
			6,262,825
13,989,392	10,366,066	22,910,888	145,271,640
(1,790,704)	(10,139,239)	(2,039,491)	(6,262,217)
16		10,625,837	25,534,095
(353)		(5,653,189)	(30,262,058)
(337)		4,972,648	(4,727,963)
(1,791,041)	(10,139,239)	2,933,157	(10,990,180)
9,169,077	24,227,011	30,940,257	101,618,698
$7,378,036	$14,087,772	$33,873,413	$90,628,518

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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, 2009

Net change in fund balances - total governmental funds		($10,990,180)
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 capital outlay exceeded depreciation expense in the current period.		
Capital outlay	$21,455,853	
Depreciation expense	(14,258,937)	
		7,196,917
The net effect of other transactions involving capital assets (i.e., dispositions, trade-ins, and donations) is to increase (decrease) net assets.		1,734,045
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,287,400
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.		(2,431,385)
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.		
Deferred bond issuance costs	414	
Debt principal payments	7,903,000	
Accrued interest and amortization	120,805	
		8,024,218
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.		(72,526)
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.		46,758
The internal service fund lookback adjustment results in a balance between governmental and business-type activities.		(12,330)
Change in net assets of governmental activities		$5,782,917

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, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property tax	$76,730,970	$76,730,970	$77,420,565	$689,595
Hotel-motel and sales taxes	1,690,000	1,690,000	1,658,828	(31,172)
Alcoholic beverage tax	1,380,000	1,380,000	1,381,213	1,213
Tobacco excise tax	1,000,000	1,000,000	1,076,650	76,650
Interest and penalties on taxes	558,800	558,800	731,549	172,749
Taxes total	81,359,770	81,359,770	82,268,806	909,036
Intergovernmental revenues				
State of Alaska				
Aid for school construction	9,433,120	9,433,120	9,440,605	7,485
Other shared revenue and assistance	362,020	362,020	468,605	106,585
Grants	125,000	125,000	159,074	34,074
Federal government				
Payment in lieu of taxes	606,000	606,000	579,574	(26,426)
Intergovernmental revenues total	10,526,140	10,526,140	10,647,858	121,718
Charges for services	1,474,260	1,474,260	1,433,299	(40,961)
Charges to School District	1,595,220	1,595,220	1,451,604	(143,616)
Other revenues				
Charges to other funds	3,437,000	3,437,000	3,221,056	(215,944)
Investment income, including net unrealized investment gains/losses	2,330,900	2,330,900	1,673,483	(657,417)
Indirect charges to grants	220,000	220,000	525,128	305,128
Various	55,000	58,605	297,904	239,299
Other revenues total	6,042,900	6,046,505	5,717,571	(328,934)
Revenues total	100,998,290	101,001,895	101,519,138	517,243

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, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Expenditures				
Current				
General government				
Non-departmental	$557,900	$385,153	$81,277	$303,876
Mayor	1,097,690	1,094,103	936,583	157,520
Assembly	1,522,110	1,514,921	1,420,221	94,701
Legal	952,660	953,754	910,005	43,749
Computer services	3,304,880	3,292,067	3,053,312	238,756
Financial services	3,013,000	2,971,999	2,879,775	92,224
Assessing	2,456,070	2,456,070	2,270,439	185,631
General services	1,399,190	1,399,190	1,239,722	159,468
Human resources	2,745,480	2,742,980	2,563,338	179,642
General government total	17,048,980	16,810,237	15,354,670	1,455,567
Community planning	1,934,450	1,934,152	1,682,840	251,312
Public works	7,148,140	7,140,163	6,583,246	556,917
Parks and recreation	6,597,200	6,597,570	6,417,711	179,859
Library	4,524,690	4,522,103	4,511,618	10,485
Education	44,222,700	44,222,700	44,222,700	
Emergency operations	2,129,950	2,117,012	1,888,984	228,028
Capital outlay	552,520	668,579	658,707	9,871
Expenditures total	84,158,630	84,012,516	81,320,477	2,692,039

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, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenditures	$16,839,660	$16,989,378	$20,198,661	$3,209,283
Other financing sources (uses)				
Transfers in				
Special revenue funds	22,820	22,820	692,656	669,836
Capital projects funds			19,205	19,205
Transfers out				
Special revenue funds	(1,754,650)	(3,328,367)	(3,327,170)	1,197
Debt service fund	(14,167,840)	(14,167,840)	(14,167,840)	
Capital projects funds	(233,000)	(1,244,725)	(1,244,725)	
Enterprise funds	(4,480,020)	(4,519,669)	(4,519,669)	
Other financing sources (uses) total	(20,612,690)	(23,237,781)	(22,547,543)	690,238
Net change in fund balance	($3,773,030)	($6,248,403)	($2,348,882)	$3,899,520

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, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Air Park				
Total revenues and transfers in	$240	$240	$58	($182)
Total expenditures and transfers out	$11,265	$10,766	$1,538	$9,228
Airway				
Total revenues and transfers in	$11,960	$11,960	$11,530	($430)
Total expenditures and transfers out	$35,892	$35,892	$3,403	$32,490
Arctic Fox				
Total revenues and transfers in	$5,100	$5,100	$4,916	($184)
Total expenditures and transfers out	$29,072	$29,072	$1,822	$27,250
Attoc				
Total revenues and transfers in	$19,990	$19,990	$18,350	($1,640)
Total expenditures and transfers out	$56,668	$86,668	$38,250	$48,418
Ballaine Lake Sewer & Water				
Total revenues and transfers in	$22,920	$22,920	$22,367	($553)
Total expenditures and transfers out	$47,194	$47,194	$10,745	$36,450
Bear's Den Road				
Total revenues and transfers in	$50	$50	$16	($34)
Total expenditures and transfers out	$3,332	$3,332	$800	$2,532
Becker Ridge				
Total revenues and transfers in	$99,610	$99,610	$98,242	($1,368)
Total expenditures and transfers out	$219,107	$244,107	$114,389	$129,718
Birch Hill				
Total revenues and transfers in	$101,080	$101,080	$98,915	($2,165)
Total expenditures and transfers out	$157,359	$157,359	$39,446	$117,913
Bluebird Road				
Total revenues and transfers in	$5,800	$5,800	$5,633	($167)
Total expenditures and transfers out	$24,076	$24,076	$2,382	$21,694

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Borda Road				
Total revenues and transfers in	$27,340	$27,340	$26,200	($1,140)
Total expenditures and transfers out	$89,791	$94,791	$27,440	$67,351
Brookside				
Total revenues and transfers in	$8,050	$8,050	$7,807	($243)
Total expenditures and transfers out	$34,692	$34,692	$2,766	$31,926
Chena Goldstream Volunteer Fire				
Total revenues and transfers in	$893,971	$893,971	$889,950	($4,021)
Total expenditures and transfers out	$1,464,227	$1,464,207	$715,515	$748,692
Chena Hills Road				
Total revenues and transfers in	$84,900	$84,900	$89,413	$4,513
Total expenditures and transfers out	$136,787	$132,787	$100,726	$32,061
Chena Hot Springs II				
Total revenues and transfers in	$550	$550	$558	$8
Total expenditures and transfers out	$550	$550	$550	$
Chena Marina				
Total revenues and transfers in	$20,050	$20,050	$20,244	$194
Total expenditures and transfers out	$67,518	$66,228	$25,502	$40,726
Chena Point Road				
Total revenues and transfers in	$90,060	$90,060	$88,418	($1,642)
Total expenditures and transfers out	$90,060	$117,043	$101,347	$15,696
Chena Spur				
Total revenues and transfers in	$37,180	$37,180	$36,844	($336)
Total expenditures and transfers out	$89,232	$129,232	$58,111	$71,121
Cleary Summit				
Total revenues and transfers in	$660	$660	$734	$74
Total expenditures and transfers out	$1,514	$1,514	$660	$854

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
College				
Total revenues and transfers in	$496,370	$496,370	$469,146	($27,224)
Total expenditures and transfers out	$2,093,318	$2,093,318	$198,486	$1,894,833
College Hills				
Total revenues and transfers in	$23,310	$23,310	$23,257	($53)
Total expenditures and transfers out	$44,253	$44,253	$12,929	$31,324
Cooper Estates				
Total revenues and transfers in	$24,110	$24,110	$22,818	($1,292)
Total expenditures and transfers out	$104,294	$104,294	$4,479	$99,815
Cordes Drive				
Total revenues and transfers in	$23,020	$23,020	$22,485	($535)
Total expenditures and transfers out	$40,331	$47,831	$24,752	$23,079
Cripple Creek				
Total revenues and transfers in	$55,930	$55,930	$54,224	($1,706)
Total expenditures and transfers out	$189,076	$189,076	$32,932	$156,143
Deep Forest				
Total revenues and transfers in	$17,720	$17,720	$17,379	($341)
Total expenditures and transfers out	$20,691	$25,847	$17,049	$8,798
Diane Subdivision				
Total revenues and transfers in	$4,330	$4,330	$3,571	($759)
Total expenditures and transfers out	$54,743	$54,743	$1,634	$53,109
Drake Estates				
Total revenues and transfers in	$7,230	$7,230	$7,153	($77)
Total expenditures and transfers out	$18,499	$18,499	$2,521	$15,978
Edanella Heights Road				
Total revenues and transfers in	$29,130	$29,130	$28,222	($908)
Total expenditures and transfers out	$68,495	$76,495	$34,486	$42,009

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Ester Lump Road				
Total revenues and transfers in	$17,890	$17,890	$16,578	($1,312)
Total expenditures and transfers out	$97,349	$102,349	$20,553	$81,797
Ester Volunteer Fire				
Total revenues and transfers in	$326,341	$326,341	$325,262	($1,079)
Total expenditures and transfers out	$368,620	$368,620	$334,641	$33,978
Fairfields				
Total revenues and transfers in	$15,350	$15,350	$14,802	($548)
Total expenditures and transfers out	$59,227	$71,527	$34,247	$37,280
Fairhill				
Total revenues and transfers in	$12,000	$12,000	$11,744	($256)
Total expenditures and transfers out	$33,516	$33,516	$4,796	$28,720
Fairwest				
Total revenues and transfers in	$24,830	$24,830	$22,480	($2,350)
Total expenditures and transfers out	$204,776	$204,776	$5,315	$199,461
Garden				
Total revenues and transfers in	$34,790	$34,790	$34,203	($587)
Total expenditures and transfers out	$112,161	$112,161	$2,300	$109,861
Golden Valley Road				
Total revenues and transfers in	$12,570	$12,570	$12,246	($324)
Total expenditures and transfers out	$26,103	$26,103	$44,226	($18,123)
Goldstream Alaska				
Total revenues and transfers in	$23,320	$23,320	$22,876	($444)
Total expenditures and transfers out	$71,167	$71,167	$15,856	$55,312
Goldstream Moose Creek				
Total revenues and transfers in	$45,260	$45,260	$44,332	($928)
Total expenditures and transfers out	$66,160	$66,160	$34,327	$31,833

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Gordon				
Total revenues and transfers in	$51,160	$51,160	$47,691	($3,469)
Total expenditures and transfers out	$228,377	$278,377	$74,425	$203,952
Granola Estates				
Total revenues and transfers in	$5,080	$5,080	$4,423	($657)
Total expenditures and transfers out	$39,448	$42,448	$4,168	$38,280
Grieme Road				
Total revenues and transfers in	$15,790	$15,790	$15,217	($573)
Total expenditures and transfers out	$66,236	$66,236	$6,290	$59,946
Haystack				
Total revenues and transfers in	$32,670	$32,670	$31,375	($1,295)
Total expenditures and transfers out	$75,741	$76,907	$14,752	$62,155
Heming Hills				
Total revenues and transfers in	$24,180	$24,180	$23,616	($564)
Total expenditures and transfers out	$56,373	$56,159	$25,245	$30,914
Hopeless				
Total revenues and transfers in	$20,890	$20,890	$19,756	($1,134)
Total expenditures and transfers out	$51,123	$63,123	$29,097	$34,025
Horseshoe Downs				
Total revenues and transfers in	$11,060	$11,210	$11,314	$104
Total expenditures and transfers out	$17,162	$16,787	$13,405	$3,382
Jennifer Drive				
Total revenues and transfers in	$5,040	$5,040	$4,937	($103)
Total expenditures and transfers out	$9,912	$9,912	$1,336	$8,576
Jones Road				
Total revenues and transfers in	$56,320	$56,320	$55,407	($913)
Total expenditures and transfers out	$88,239	$94,239	$78,204	$16,035

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Joy Road				
Total revenues and transfers in	$6,840	$6,840	$6,394	($446)
Total expenditures and transfers out	$25,702	$25,702	$1,682	$24,020
Keeney Road				
Total revenues and transfers in	$2,040	$2,040	$1,965	($75)
Total expenditures and transfers out	$8,186	$8,186	$1,791	$6,395
Kendall				
Total revenues and transfers in	$10,730	$10,730	$10,165	($565)
Total expenditures and transfers out	$62,166	$62,166	$7,269	$54,896
Keystone				
Total revenues and transfers in	$12,000	$12,000	$11,719	($281)
Total expenditures and transfers out	$63,028	$63,028	$6,394	$56,634
Kris Kringle				
Total revenues and transfers in	$12,720	$12,720	$12,010	($710)
Total expenditures and transfers out	$69,489	$69,489	$7,093	$62,396
Lakloey Hill				
Total revenues and transfers in	$35,550	$35,550	$33,749	($1,801)
Total expenditures and transfers out	$154,374	$163,374	$37,371	$126,003
Lee Lane				
Total revenues and transfers in	$5,590	$5,590	$5,081	($509)
Total expenditures and transfers out	$25,080	$26,080	$2,262	$23,818
Loose Moose				
Total revenues and transfers in	$5,810	$5,810	$5,671	($139)
Total expenditures and transfers out	$16,449	$17,449	$6,215	$11,235
Martin				
Total revenues and transfers in	$22,180	$22,180	$21,742	($438)
Total expenditures and transfers out	$46,561	$46,561	$19,464	$27,098

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
McCloud				
Total revenues and transfers in	$30,030	$30,030	$28,381	($1,649)
Total expenditures and transfers out	$88,115	$88,115	$11,255	$76,860
McGrath Estates				
Total revenues and transfers in	$64,370	$64,370	$62,742	($1,628)
Total expenditures and transfers out	$188,644	$188,644	$50,186	$138,458
McKinley View				
Total revenues and transfers in	$4,230	$4,230	$3,997	($233)
Total expenditures and transfers out	$24,434	$24,434	$1,056	$23,379
Mellow Woods Road				
Total revenues and transfers in	$15,220	$15,220	$15,038	($182)
Total expenditures and transfers out	$52,935	$52,935	$4,973	$47,962
Miller Hill Extension				
Total revenues and transfers in	$48,800	$48,800	$47,268	($1,532)
Total expenditures and transfers out	$94,748	$94,748	$42,213	$52,535
Moose Creek				
Total revenues and transfers in	$15,130	$15,130	$14,149	($981)
Total expenditures and transfers out	$68,856	$76,856	$9,089	$67,768
Moose Meadows				
Total revenues and transfers in	$65,720	$65,720	$64,846	($874)
Total expenditures and transfers out	$237,395	$237,395	$14,979	$222,417
Mt. View				
Total revenues and transfers in	$25,850	$25,850	$24,788	($1,062)
Total expenditures and transfers out	$108,700	$108,700	$17,842	$90,857
Murphy				
Total revenues and transfers in	$11,860	$11,860	$11,765	($95)
Total expenditures and transfers out	$33,330	$33,330	$6,219	$27,112

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Musk Ox				
Total revenues and transfers in	$22,840	$22,840	$21,655	($1,185)
Total expenditures and transfers out	$105,662	$105,462	$17,583	$87,879
Newby Park				
Total revenues and transfers in	$15,510	$15,510	$16,571	$1,061
Total expenditures and transfers out	$16,654	$16,654	$7,966	$8,688
North Ridge				
Total revenues and transfers in	$8,840	$8,840	$8,758	($82)
Total expenditures and transfers out	$26,162	$26,162	$3,491	$22,671
North Star Volunteer Fire				
Total revenues and transfers in	$1,382,625	$1,382,625	$1,412,509	$29,884
Total expenditures and transfers out	$1,690,051	$1,690,051	$1,607,020	$83,031
O'Connor Creek				
Total revenues and transfers in	$107,190	$107,190	$107,670	$480
Total expenditures and transfers out	$132,159	$132,159	$76,292	$55,867
Old Wood Road				
Total revenues and transfers in	$9,940	$9,940	$9,755	($185)
Total expenditures and transfers out	$28,979	$28,479	$8,495	$19,984
Our				
Total revenues and transfers in	$3,560	$3,560	$3,432	($128)
Total expenditures and transfers out	$11,867	$12,867	$4,516	$8,350
Parksridge				
Total revenues and transfers in	$10,820	$10,820	$10,318	($502)
Total expenditures and transfers out	$51,790	$55,790	$8,691	$47,099
Peede Country Estates				
Total revenues and transfers in	$4,750	$4,750	$4,579	($171)
Total expenditures and transfers out	$18,038	$18,038	$3,202	$14,836

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Pine Stream				
Total revenues and transfers in	$20,660	$20,660	$19,442	($1,218)
Total expenditures and transfers out	$93,530	$93,530	$8,540	$84,989
Pleasureland				
Total revenues and transfers in	$7,960	$7,960	$7,692	($268)
Total expenditures and transfers out	$64,343	$64,343	$1,882	$62,461
Polar Heights				
Total revenues and transfers in	$17,470	$17,470	$16,902	($568)
Total expenditures and transfers out	$35,978	$40,978	$12,810	$28,168
Rogatch				
Total revenues and transfers in	$10,850	$10,850	$10,819	($31)
Total expenditures and transfers out	$28,050	$28,050	$14,573	$13,477
Prospect Park				
Total revenues and transfers in	$7,220	$7,220	$7,284	$64
Total expenditures and transfers out	$25,190	$25,190	$2,449	$22,741
Reed Acres Road				
Total revenues and transfers in	$8,580	$8,580	$7,532	($1,048)
Total expenditures and transfers out	$56,847	$68,847	$21,903	$46,944
Ridgecrest				
Total revenues and transfers in	$1,980	$1,980	$1,947	($33)
Total expenditures and transfers out	$2,123	$5,123	$1,635	$3,488
Salchaket Heights				
Total revenues and transfers in	$2,270	$2,270	$2,156	($114)
Total expenditures and transfers out	$13,273	$13,273	$1,878	$11,395
Scenic Heights				
Total revenues and transfers in	$17,770	$17,770	$16,672	($1,098)
Total expenditures and transfers out	$104,730	$104,730	$12,261	$92,469

See accompanying notes to financial statements.

(Continued)

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FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Seavy				
Total revenues and transfers in	$9,790	$9,790	$9,282	($508)
Total expenditures and transfers out	$51,671	$51,671	$4,390	$47,281
Secluded Acres				
Total revenues and transfers in	$7,740	$7,740	$7,386	($354)
Total expenditures and transfers out	$38,823	$38,823	$2,990	$35,833
Serendipity Hill				
Total revenues and transfers in	$6,430	$6,430	$6,020	($410)
Total expenditures and transfers out	$41,360	$41,360	$3,310	$38,050
Six Mile Village Road				
Total revenues and transfers in	$8,160	$8,160	$7,914	($246)
Total expenditures and transfers out	$35,029	$35,029	$3,089	$31,940
Smallwood Trail Road				
Total revenues and transfers in	$5,470	$5,470	$5,123	($347)
Total expenditures and transfers out	$31,761	$31,761	$1,237	$30,524
Smith Ranch				
Total revenues and transfers in	$33,930	$33,930	$33,149	($781)
Total expenditures and transfers out	$64,984	$64,984	$3,083	$61,900
Spring Glade				
Total revenues and transfers in	$27,750	$27,750	$26,515	($1,235)
Total expenditures and transfers out	$113,030	$113,030	$12,370	$100,661
Spruce Acres				
Total revenues and transfers in	$6,150	$6,150	$5,682	($468)
Total expenditures and transfers out	$35,828	$36,328	$5,494	$30,834
Steamboat Landing				
Total revenues and transfers in	$15,280	$15,280	$14,734	($546)
Total expenditures and transfers out	$52,376	$52,376	$7,118	$45,258

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Steese Volunteer Fire				
Total revenues and transfers in	$1,097,000	$1,097,000	$1,097,008	$8
Total expenditures and transfers out	$1,292,946	$1,292,166	$1,083,345	$208,822
Straight Creek				
Total revenues and transfers in	$17,050	$17,050	$14,645	($2,405)
Total expenditures and transfers out	$26,432	$26,432	$14,657	$11,775
Summerwood				
Total revenues and transfers in	$34,580	$34,580	$33,854	($726)
Total expenditures and transfers out	$124,672	$124,672	$18,560	$106,112
Summit Drive				
Total revenues and transfers in	$104,950	$104,950	$100,491	($4,459)
Total expenditures and transfers out	$224,583	$224,583	$51,408	$173,175
Sunny Hills Terrace				
Total revenues and transfers in	$28,230	$28,230	$26,924	($1,306)
Total expenditures and transfers out	$142,721	$142,721	$10,255	$132,466
Sunrise				
Total revenues and transfers in	$11,470	$11,470	$10,638	($832)
Total expenditures and transfers out	$77,044	$77,044	$5,332	$71,712
Tan Terra				
Total revenues and transfers in	$17,590	$17,590	$17,037	($553)
Total expenditures and transfers out	$24,796	$33,109	$22,155	$10,953
Thomas				
Total revenues and transfers in	$10,230	$10,230	$9,614	($616)
Total expenditures and transfers out	$16,817	$16,684	$10,896	$5,788
Timberlane Road				
Total revenues and transfers in	$8,380	$8,380	$7,354	($1,026)
Total expenditures and transfers out	$70,523	$72,523	$2,918	$69,605

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Tungsten				
Total revenues and transfers in	$30,990	$30,990	$31,079	$89
Total expenditures and transfers out	$30,990	$52,825	$48,461	$4,364
Twenty Three Mile Slough				
Total revenues and transfers in	$28,750	$28,750	$27,790	($960)
Total expenditures and transfers out	$143,850	$167,250	$50,161	$117,089
Ullhaven				
Total revenues and transfers in	$4,030	$4,030	$3,638	($392)
Total expenditures and transfers out	$18,576	$18,576	$3,146	$15,430
University Fire				
Total revenues and transfers in	$2,017,605	$2,017,605	$2,028,096	$10,491
Total expenditures and transfers out	$2,830,953	$3,580,953	$2,380,890	$1,200,063
University Heights				
Total revenues and transfers in	$52,280	$52,280	$50,850	($1,430)
Total expenditures and transfers out	$176,212	$176,212	$30,025	$146,187
University West Street Light				
Total revenues and transfers in	$61,700	$61,700	$58,344	($3,356)
Total expenditures and transfers out	$166,045	$221,045	$69,236	$151,809
Vienna Wood				
Total revenues and transfers in	$21,640	$21,640	$21,004	($636)
Total expenditures and transfers out	$65,846	$65,846	$20,938	$44,908
Viewpointe				
Total revenues and transfers in	$17,840	$17,840	$16,329	($1,511)
Total expenditures and transfers out	$119,558	$119,558	$7,746	$111,812
Violet Drive				
Total revenues and transfers in	$55,030	$55,030	$54,377	($653)
Total expenditures and transfers out	$94,534	$94,534	$45,668	$48,867

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Special Revenue Fund - All Service Areas

Statement of Revenues and Expenditures
Budget and Actual
Year Ended June 30, 2009

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Vista Gold Road				
Total revenues and transfers in	$35,260	$35,260	$34,132	($1,128)
Total expenditures and transfers out	$58,748	$66,248	$31,669	$34,579
Vue Crest				
Total revenues and transfers in	$30,470	$30,470	$28,864	($1,606)
Total expenditures and transfers out	$145,983	$145,983	$30,148	$115,835
Whitman				
Total revenues and transfers in	$3,790	$3,790	$3,550	($240)
Total expenditures and transfers out	$23,044	$23,044	$2,726	$20,318
Willview				
Total revenues and transfers in	$172,870	$172,870	$165,600	($7,270)
Total expenditures and transfers out	$483,128	$523,128	$172,150	$350,978
Woodland				
Total revenues and transfers in	$2,290	$2,290	$2,250	($40)
Total expenditures and transfers out	$5,605	$5,605	$1,824	$3,780
Yak Road				
Total revenues and transfers in	$74,480	$74,480	$71,789	($2,691)
Total expenditures and transfers out	$254,556	$256,556	$105,545	$151,011
Total All Service Areas				
Total revenues and transfers in	$8,959,912	$8,960,062	$8,884,932	($75,130)
Total expenditures and transfers out	$17,820,370	$19,004,011	$8,643,325	$10,360,687

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2009

	Business-type Activities -	
	Transit	Land
Assets		
Current assets		
Equity in central treasury cash	$2,094,292	$4,543,268
Restricted equity in central treasury cash	193,088	
Taxes receivable - foreclosure reimbursement		198,889
Accounts receivable (net of allowance for uncollectibles - $3,785)		16,608
Restricted accounts receivable		
Accrued interest receivable		20,034
Land contracts receivable, current portion		133,331
Interfund receivable		
Due from governmental agencies		2,929
Restricted due from governmental agencies	416,289	
Inventories	192,780	232,026
Current assets total	2,896,449	5,147,086
Noncurrent assets		
Long-term receivable, (net of allowance for uncollectibles - $203,290)		
Land inventory - long-term		12,294,142
Land contracts receivable		594,188
Capital assets - non-depreciable		
Retained land		980,610
Land and land improvements	595,234	
Works of art		
Construction work in progress		
Capital assets - depreciable		
Land		
Buildings	4,032,842	314,927
Improvements other than buildings	268,627	
Equipment	4,223,117	
Intangible assets - software	204,769	18,864
Accumulated depreciation	(2,915,767)	(283,890)
Noncurrent assets (net) total	6,408,823	13,918,841
Assets total	$9,305,272	$19,065,927

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$1,993,881	$11,810,939	$20,442,381	$655,080
362,997		556,085	24,363
		198,889	
56,910	556,145	629,664	
9,099		9,099	
		20,034	
		133,331	
	128,373	128,373	
		2,929	5,602
1,836		418,125	
	752,123	1,176,928	
2,424,724	13,247,579	23,715,839	685,044
		12,294,142	
		594,188	
		980,610	
509,032	746,003	1,850,269	
120,790		120,790	
314,892	23,558	338,450	
	346,044	346,044	
15,073,945	6,581,935	26,003,650	
1,608,028	16,992,749	18,869,405	
1,555,835	3,526,537	9,305,489	6,603,256
		223,633	
(6,280,562)	(13,060,738)	(22,540,956)	(3,660,544)
12,901,960	15,156,089	48,385,713	2,942,711
$15,326,684	$28,403,669	$72,101,552	$3,627,756

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FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2009

	Business-type Activities -	
	Transit	Land
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$58,835	$30,695
Wages and payroll taxes	121,695	22,726
Accrued compensated absences	215,380	44,203
Accrued self-insurance losses	5,204	
Deposits from others	5,467	579,690
Payable from restricted assets		
Accounts payable	22,793	
Interfund payable	337,489	
Unearned revenues	837	
Capital leases payable		
Loans payable		
Unrealized gain on land contracts, current portion		45,489
Current liabilities total	767,701	722,803
Long-term liabilities		
Accrued compensated absences	28,747	1,225
Accrued self-insurance losses	6,113	
Unrealized gain on land contracts		252,174
Capital leases payable		
Loans payable		
Landfill closure and postclosure care		
Long-term liabilities total	34,860	253,399
Liabilities total	802,561	976,201
Net assets		
Invested in capital assets, net of related debt	6,408,823	1,030,511
Restricted for		
Asset replacement		
Grants	248,258	
Unrestricted	1,845,630	17,059,215
Net assets total	8,502,711	18,089,726
Liabilities and net assets total	$9,305,272	$19,065,927

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$172,411	$304,340	$566,281	$7,591
2,488	48,820	195,728	
1,811	58,653	320,046	
	164,349	169,553	
		585,157	
34,279		57,072	
1,836		339,326	
		837	18,200
			420,730
	1,234,218	1,234,218	
		45,489	
212,825	1,810,379	3,513,707	446,521
	18,522	48,494	
	153,468	159,580	
		252,174	
			585,755
	2,524,253	2,524,253	
	21,248,521	21,248,521	
	23,944,763	24,233,022	585,755
212,825	25,755,142	27,746,729	1,032,276
12,901,960	11,397,619	31,738,913	1,936,226
337,817		337,817	
		248,258	6,163
1,874,082	(8,749,092)	12,029,835	653,090
15,113,860	2,648,527	44,354,823	2,595,480
$15,326,684	$28,403,669	$72,101,552	$3,627,756

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Reconciliation of Net Assets Between the Government-wide and Fund Financial Statements
June 30, 2009

Total net assets of enterprise funds	$44,354,823
Adjustment reflects the consolidation of internal service fund activities to enterprise funds.	(16,521)
Net assets of business-type activities	$44,338,302

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, 2009

	Business-type Activities -	
	Transit	Land
Operating revenues		
Fares	$359,148	$
Land sales, net of cost		233,422
Land leases		34,429
Interest on land contracts receivable		87,031
Advertising	19,988	
Charges for services	1,050,100	262,486
Other revenues		41,495
Operating revenues total	1,429,236	658,862
Operating expenses		
Wages and benefits	4,366,400	787,446
Fuels, lubricants, and parts	670,520	20
Other commodities	25,296	1,520
Contractual services	407,099	92,946
Utilities	130,866	
Professional services	122,718	111,849
Depreciation	517,353	7,242
Training, dues and professional expenses	37,066	7,111
Repairs and maintenance	101,268	1,000
Supplies	69,626	6,907
Management contractor fee		
Landfill closure and postclosure care costs		
Interest expense - capital leases		
Intragovernmental charges	836,023	198,195
Operating expenses total	7,284,236	1,214,236
Operating income (loss)	(5,855,000)	(555,374)

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$	$	$359,148	$
		233,422	
		34,429	
		87,031	
		19,988	
105,393	5,920,210	7,338,189	561,660
		41,495	
105,393	5,920,210	8,113,701	561,660
38,997	2,023,592	7,216,435	
	213,791	884,331	
18,003	14,071	58,891	
467,280	1,420,865	2,388,190	25
	134,442	265,308	
	611,126	845,693	
436,709	892,267	1,853,572	446,938
	21,607	65,784	
2,470	213,082	317,820	2,395
140	148,244	224,917	
169,890		169,890	
	4,608,585	4,608,585	
			51,415
463,723	867,988	2,365,929	43,418
1,597,213	11,169,660	21,265,345	544,191
(1,491,820)	(5,249,450)	(13,151,644)	17,469

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	Business-type Activities -	
	Transit	Land
Non-operating revenues (expenses)		
Interest expense	$	$
Grants revenue	1,908,418	39,812
Investment income	7,745	26,827
Gain (loss) on sales of capital assets		
Miscellaneous revenue (expense)	94	
Non-operating revenues (expenses) total	1,916,257	66,639
Income (loss) before contributions and transfers	(3,938,744)	(488,735)
Transfers in	3,282,640	39,854
Transfers out		
Capital contributions	13,299	349,677
Change in net assets	(642,805)	(99,203)
Net assets total, beginning as restated for 2008	9,145,516	18,188,929
Net assets total, ending	$8,502,711	$18,089,726

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$	($74,617)	($74,617)	$
		1,948,230	5,602
2,823	78,282	115,677	
61	2,726	2,787	(12,911)
	2,068	2,162	
2,884	8,459	1,994,239	(7,309)
(1,488,935)	(5,240,991)	(11,157,405)	10,160
1,497,380		4,819,874	
	(91,912)	(91,912)	
7,961		370,937	36,598
16,405	(5,332,903)	(6,058,506)	46,758
15,097,454	7,981,430	50,413,328	2,548,722
$15,113,860	$2,648,527	$44,354,823	$2,595,480

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FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Reconciliation of Statement of Revenues, Expenses, and Changes in Net Assets To the Statement of Activities For the Year Ended June 30, 2009

Change in net assets - total enterprise funds	($6,058,506)
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.	12,330
Change in net assets of business-type activities	($6,046,175)

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, 2009

	Business-type Activities -	
	Transit	Land
Cash flows from operating activities		
Cash received from customers	$1,429,236	$647,171
Cash payments to suppliers for goods and services	(2,389,054)	(525,899)
Cash payments to employees for services	(4,376,515)	(789,406)
Net cash provided by (used for) operating activities	(5,336,333)	(668,134)
Cash flows from noncapital financing activities		
Grants received	1,853,929	
Transfers from other funds	3,282,640	39,854
Transfers to other funds		
Proceeds from interfund financing activity	47,397	
Net cash provided by (used for) noncapital financing activities	5,183,966	39,854
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(122,948)	
Capital grants received	16,983	106,919
Capital lease payments		
Interest on capital lease payments		
Proceeds from disposal of capital assets		
Proceeds from surplus sale	94	
Proceeds from (repayment of) interfund financing activity		(14,358)
Payments on loan		
Net cash provided by (used for) capital and related financing activities	(105,871)	92,561
Cash flows from investing activities		
Investment income allocation from central treasury	7,745	26,827
Payments received on loans to other funds		
Net cash provided by investing activities	7,745	26,827
Net increase (decrease) in equity in central treasury cash	(250,493)	(508,892)
Equity in central treasury cash at beginning of year	2,537,873	5,052,160
Equity in central treasury cash at end of year	$2,287,380	$4,543,268

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$57,561	$6,008,465	$8,142,433	$561,660
(1,121,506)	(3,516,188)	(7,552,647)	(39,002)
(37,015)	(1,772,601)	(6,975,537)	
(1,100,960)	719,676	(6,385,751)	522,658
		1,853,929	
1,497,380		4,819,874	
	(91,912)	(91,912)	
		47,397	
1,497,380	(91,912)	6,629,288	
(179,122)	(1,370,855)	(1,672,925)	(14,023)
9,825		133,727	
			(457,284)
			(51,734)
	2,726	2,726	26,320
61	2,068	2,223	
(1,864)		(16,222)	
	(1,290,595)	(1,290,595)	
(171,100)	(2,656,656)	(2,841,066)	(496,721)
2,823	78,282	115,677	
	14,932	14,932	
2,823	93,214	130,609	
228,143	(1,935,678)	(2,466,920)	25,937
2,128,736	13,746,617	23,465,387	653,506
$2,356,878	$11,810,939	$20,998,466	$679,443

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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, 2009

	Business-type Activities -	
	Transit	Land
Reconciliation of equity in central treasury cash to Statement of Net Assets accounts		
Equity in central treasury cash	$2,094,292	$4,543,268
Restricted equity in central treasury cash	193,088	
Equity in central treasury cash at end of year	$2,287,380	$4,543,268
Reconciliation of operating income (loss) to net cash provided by (used for) operating activites		
Operating income (loss)	($5,855,000)	($555,374)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation	517,353	7,242
Interest expense for capital leases		
Change in assets and liabilities		
(Increase) decrease in receivables		285,144
(Increase) decrease in inventories	20,886	(29,163)
Increase (decrease) in accounts payable	(7,670)	(13,792)
Increase (decrease) in deposits from others	842	(230,560)
Increase (decrease) in wages and payroll taxes	12,316	4,629
Increase (decrease) in accrued compensated absences	10,431	(6,588)
Increase (decrease) in retainages payable	(2,629)	
Increase (decrease) in accrued self-insurance losses	(32,862)	
(Decrease) in unrealized gain on land contracts		(129,671)
Increase in landfill closure and postclosure care liability		
Adjustments total	518,667	(112,760)
Net cash provided by (used for) operating activities	($5,336,333)	($668,134)
Noncash investing, capital and financing activities		
Capital leases		
Capital asset transfers (to) from other funds		$294,072

See accompanying notes to financial statements.

Enterprise Funds			Governmental Activities - Internal Service Fund
Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
$1,993,881	$11,810,939	$20,442,381	$655,080
362,997		556,085	24,363
$2,356,878	$11,810,939	$20,998,466	$679,443
($1,491,820)	($5,249,450)	($13,151,644)	$17,469
436,709	892,267	1,853,571	446,938
			51,415
(47,832)	(153,969)	83,343	16,614
	245,301	237,024	
	128,803	107,341	(9,778)
		(229,718)	
1,603	248	18,796	
378	28,027	32,248	
		(2,629)	
	219,853	187,001	
		(129,671)	
	4,608,585	4,608,585	
390,858	5,969,126	6,765,891	505,189
($1,100,960)	$719,676	($6,385,751)	$522,658
			$488,136
		$294,072	$36,598

FAIRBANKS NORTH STAR BOROUGH

Fiduciary Fund

Statement of Net Assets
June 30, 2009

	Taxes Agency Fund
Assets	
Equity in central treasury cash	$206,062
Property tax liens receivable	338,909
Sales tax receivable	44,445
Assets total	$589,416
Liabilities	
Due to other governmental agencies for collected taxes	$10,702
Due to other governmental agencies for uncollected taxes	383,354
Advance tax payments	195,361
Liabilities total	$589,416

See accompanying notes to financial statements.

APPENDIX B
BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained by sources that the Borough believes to be reliable, however the Borough makes no representation as to the accuracy of completeness thereof.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series M and Series N Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 the Borough or the Paying 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,

the Paying Agent, or the Borough, 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 the Borough or Paying 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.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

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APPENDIX C
CONTINUING DISCLOSURE UNDERTAKING

The Borough has undertaken for the benefit of the owners and beneficial owners of the Bonds, as follows:

Undertaking to Provide Ongoing Disclosure

A. Contract/Undertaking. The Borough has entered into an Undertaking for Ongoing Disclosure that 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 the MSRB, in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2011 for the fiscal year ended June 30, 2010):

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 this official statement and titled "Basic 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 through 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 the MSRB. In lieu of providing such annual financial information and operating data, the Borough may cross-refer to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the Borough shall provide to the MSRB 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.

C. Material Events. The Borough agrees to provide or cause to be provided to the MSRB in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to the rights of Bond owners, if material;

8. Bond calls, if material, and tender offers for the Bonds;

9. Defeasances;

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

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of any "obligated person" (as such term is defined in the Rule);

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of disclosure and not intending to modify the undertaking, the Borough advises that no debt service reserves or property secures the repayment of the Bonds and the Borough is currently the only "obligated person" with respect to 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 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. EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

F. 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 the 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 the MSRB of such opinion and the cancellation of such provision.

Notwithstanding any other provision of the undertaking or the Bond Ordinance, the Borough may amend the undertaking with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of the 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 the 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.

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 the undertaking shall not be an event of default with respect to the Bonds under the Bond Ordinance. 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.

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December 10, 2010

Fairbanks North Star Borough
Fairbanks, Alaska

Hutchinson, Shockey, Erley & Co.
Chicago, Illinois

Re: Fairbanks North Star Borough, Alaska
General Obligation Refunding Bonds, 2010 Series O - $13,680,000

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 Refunding Bonds, 2010 Series O, in the aggregate principal amount of $13,680,000 (the "Bonds"). The Bonds are issued pursuant to Ordinance No. 2009-56 of the Borough, passed by the Borough Assembly on January 14, 2010 (the "Bond Ordinance"), to refund certain outstanding general obligation bonds of the Borough.

The Bonds are not subject to redemption prior to their stated maturities.

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 and binding 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 by 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 (the "Code"), 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.

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.

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

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.

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 GATES LLP