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

Fairbanks North Star Borough, Alaska

$5,565,000

General Obligation Refunding Bonds, 2011 Series P

Dated: Date of delivery **Due:** December 1, as shown below

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."

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 School Bonds, 2000 Series C.

Interest Payments: June 1 and December 1, beginning December 1, 2011 as shown on the schedule below.

Sale:	August 16, 2011	**Bond Counsel:**	K&L Gates LLP, Seattle, WA
Closing:	September 2, 2011	**Borough Attorney:**	René Broker, Fairbanks, AK
Denominations:	$5,000 or multiples thereof	**Financial Advisor:**	Bartle Wells Associates, Berkeley, CA
Paying Agent:	The Bank of New York Mellon Trust Company, N.A.		

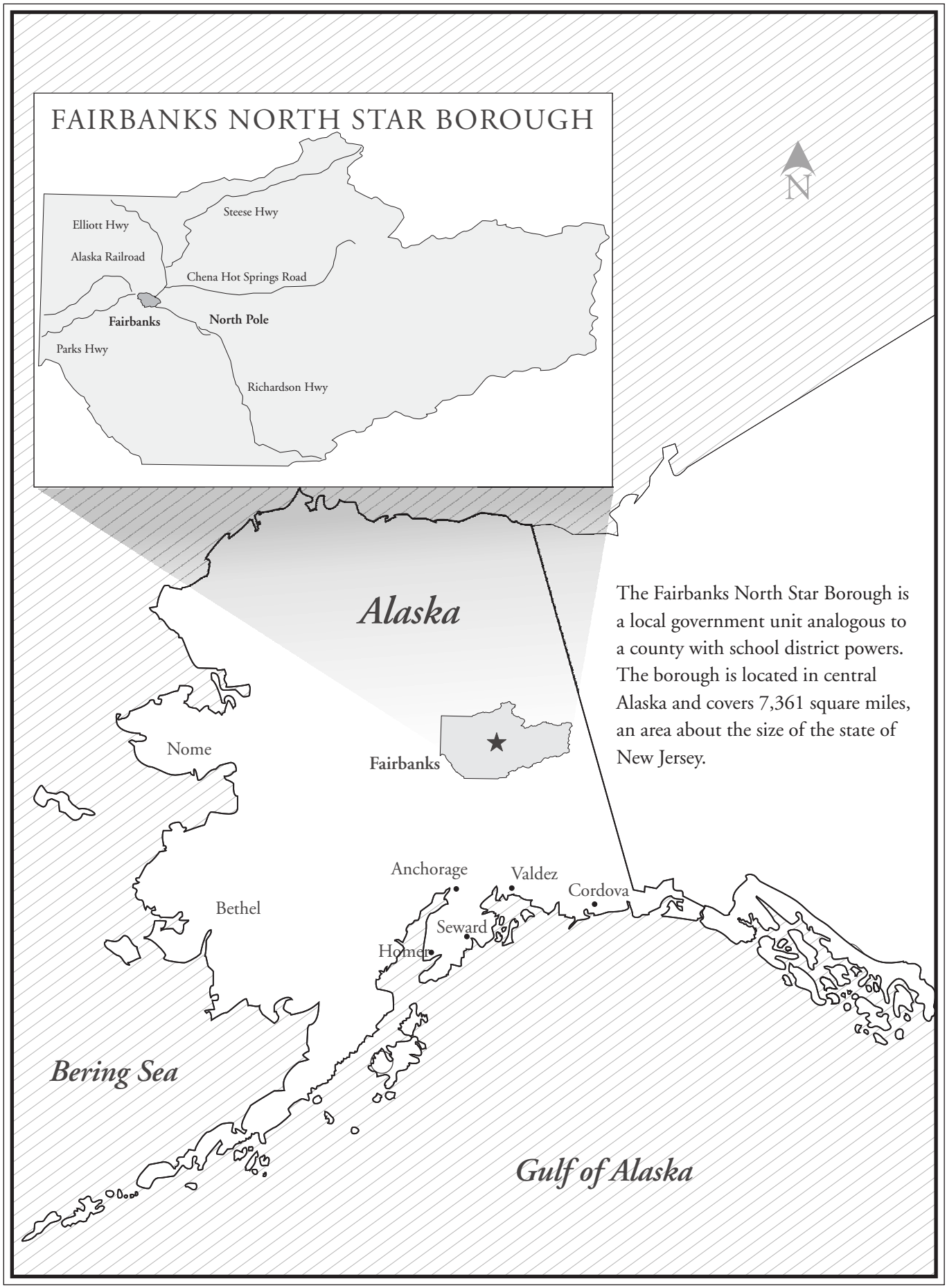
Maturity Schedule

Year December 1	Principal Amount	Interest Rate	Yield	Price	CUSIP* 303531
2011	$470,000	2.00%	0.280%	100.424	ZZ3
2012	$505,000	2.00%	0.380%	102.013	A23
2013	$510,000	2.00%	0.440%	103.484	A31
2014	$530,000	2.00%	0.560%	104.626	A49
2015	$540,000	2.00%	0.730%	105.301	A56
2016	$560,000	3.00%	1.080%	109.767	A64
2017	$580,000	3.00%	1.430%	109.349	A72
2018	$600,000	3.00%	1.770%	108.329	A80
2019	$625,000	3.00%	2.080%	106.937	A98
2020	$645,000	3.00%	2.310%	105.713	B22

* The CUSIP numbers herein are provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for the convenience of reference only. CUSIP numbers are subject to change. The Borough takes no responsibility for the accuracy of such CUSIP numbers. *Note: CUSIP numbers printed on this official statement were corrected on September 2, 2011.*

This official statement is dated August 16, 2011.

BMO Capital Markets



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.

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
Brooke Wilson, *Student Representative*
Lt. Colonel David K. Sieve, *Base Representative*
Colonel Ron Johnson, *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., *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 B – DTC and Book-Entry-Only System

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THE BONDS

Description: Fairbanks North Star Borough
General Obligation Refunding Bonds, 2011 Series P
$5,565,000

Date: Date of delivery

Denomination: $5,000 or multiples thereof.

Maturities: The Bonds are payable **December 1, 2011** through **December 1, 2020** in the amounts shown on the inside cover of this official statement.

Interest: Interest on the Bonds is payable on **June 1** and **December 1** of each year to the respective dates of maturity, beginning **December 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 - "DTC and Book-Entry-Only System."

Record Date: The record date is the period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

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

Authority for Issuance

The Bonds will refund $5,710,000 principal amount of outstanding General Obligation School Bonds, 2000 Series C (the "Refunded Bonds"), dated December 19, 2000, as authorized by Resolution 2011-22 (the "Bond Resolution") passed by the Assembly on June 9, 2011.

Additional Bonds

Following issuance of the Bonds, the Borough will have no authorized but unissued bonds. The Borough could issue additional general obligation bonds within the next twelve months if approved by the Borough Assembly and by a majority of voters at a bond election.

Purpose

Proceeds of the Bonds will be used to refund the 2000 Series C Bonds listed below and pay costs incurred in connection with the issuance and refunding.

2000 Series C Bonds

Maturity December 1	Principal Amount	Interest Rate
2011	$450,000	4.50%
2012	475,000	4.50%
2013	495,000	4.50%
2014	525,000	4.50%
2015	550,000	4.50%
2016	580,000	4.50%
2017	610,000	4.50%
2018	640,000	4.50%
2019	675,000	4.50%
2020	710,000	4.50%

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 2000 Series C Bonds on
October 4, 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. 100 percent of the principal and interest on the 2000 Series C 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 percent 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 Resolution, 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 Resolution 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 Resolution.

Anticipated Sources and Uses of Funds

The following table lists the anticipated sources and uses of funds for the Bonds.

Fairbanks North Star Borough
Sources and Uses

Sources	
Par amount of bonds	$5,565,000.00
Original Issue Premium	322,168.55
Cash contribution from Borough	87,791.25
Total sources	5,974,959.80
Uses	
Deposit to Escrow to defease 2000 Series C Bonds	5,826,341.25
Underwriters discount	27,268.50
Issuance costs/contingency/rounding	121,350.05
Total uses	5,974,959.80

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, 2011 Series P

Year	December 1		June 1	Interest Rate	Total Debt Service	DEED Eligible	DEED 70% Payment	Net Borough Payment
FY	Interest	Principal	Interest	Coupon		100.0%	70.0%	
2011/12	$34,957.22	$470,000.00	$66,000.00	2.00%	$570,957.22	$570,957.22	$399,670.05	$171,287.17
2012/13	66,000.00	505,000.00	60,950.00	2.00%	631,950.00	631,950.00	442,365.00	189,585.00
2013/14	60,950.00	510,000.00	55,850.00	2.00%	626,800.00	626,800.00	438,760.00	188,040.00
2014/15	55,850.00	530,000.00	50,550.00	2.00%	636,400.00	636,400.00	445,480.00	190,920.00
2015/16	50,550.00	540,000.00	45,150.00	2.00%	635,700.00	635,700.00	444,990.00	190,710.00
2016/17	45,150.00	560,000.00	36,750.00	3.00%	641,900.00	641,900.00	449,330.00	192,570.00
2017/18	36,750.00	580,000.00	28,050.00	3.00%	644,800.00	644,800.00	451,360.00	193,440.00
2018/19	28,050.00	600,000.00	19,050.00	3.00%	647,100.00	647,100.00	452,970.00	194,130.00
2019/20	19,050.00	625,000.00	9,675.00	3.00%	653,725.00	653,725.00	457,607.50	196,117.50
2020/21	9,675.00	645,000.00	0.00	3.00%	654,675.00	654,675.00	458,272.50	196,402.50

Continuing Disclosure

In the Bond Resolution, 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.

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.

Bond Counsel is also of the opinion that 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.

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 know-ledge 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 Resolution.

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.

Underwriting

The Bonds are being purchased by BMO Capital Markets GKST Inc. (the "Underwriter"). The Underwriter has agreed to purchase all of the Bonds, subject to certain conditions, at a purchase price of $5,859,900.05 which reflects the $5,565,000.00 par amount of the Bonds, plus an original issue premium of $322,168.55 less an underwriter's discount of $27,268.50.

Miscellaneous

The summaries or descriptions of provisions of the Bond Resolution, 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 21 years' experience as a chief financial officer for municipalities and has served as the Borough's CFO for the last 13 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, and is currently a national Government Finance Officers Association popular reports reviewer.

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
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, disaster and civil defense, 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 supervision and instruction, secondary supervision and instruction, 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 and a projection for the 2011/12 school year as provided by the School District. Enrollment includes students at both in-town schools and on-base schools. After dipping in 2007/08, student enrollment increased in 2008/09 and 2009/10. Enrollment dipped once again in 2010/11, partly due to deployment of Fort Wainwright's 1st Stryker Brigade Team, 25th Infantry Division.

School District Enrollment		
Fiscal Year	Actual	Projected
2003/04	14,593	15,080
2004/05	14,576	14,316
2005/06	14,516	14,588
2006/07	14,466	14,598
2007/08	14,103	14,443
2008/09	14,132	14,227
2009/10	14,402	14,348
2010/11	14,226	14,653
2011/12	n/a	14,297

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 benefit-eligible 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 and the State then 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. For the 2010 Series M

Bonds, the DEED reimbursement is payable after application of a Federal Recovery Zone Economic Development Bonds 45 percent interest subsidy.

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 percent.

Borough Reimbursement Eligibility

Table 1 summarizes the outstanding Borough bonds and their reimbursement eligibility.

Table 1 ■ Fairbanks North Star Borough
Outstanding Borough Bonds as of November 2, 2011

Series	Purpose	Outstanding Principal	Final Payment	Reimbursement Eligibility
2001D	Schools	$5,580,000	2/1/2021	70.0%
2002E	Schools	9,320,000	8/1/2022	70.0%
2003F	Schools	9,230,000	10/1/2022	70.0%
2004G	Schools	9,610,000	10/1/2023	70.0%
2005H	Schools	10,040,000	10/1/2024	70.0%
2006 I (1)	Schools	7,715,000	11/1/2025	83.8%
2007J	Schools	9,950,000	11/1/2026	70.0%
2007K Refunding (2)	Schools	5,940,000	11/1/2016	33.2%
2008L	Schools	9,680,000	11/1/2027	70.0%
2010M (3)	Schools	11,115,000	7/1/2029	70.0%
2010N Refunding (4)	Schools & Library	13,550,000	11/1/2017	67.5%
2010O Refunding (5)	Schools	12,205,000	4/1/2019	67.4%
2011P Refunding (6)	Schools	5,565,000	12/1/2020	70.0%
Total		$119,500,000		

Source: Fairbanks North Star Borough 2010/11 Approved Budget, adjusted for payments and refundings through November 2, 2011

1 - The 2006I 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 reimbursable at 70%; the balance is ineligible.

3 - The 2010M Bonds are reimbursable by DEED at 70% payable after application of the federal interest subsidy.

4 - The 2010N Refunding Bonds refunded the 1997A Bonds; 96.454% of the principal and interest paid on these bonds is reimbursable at 70%; the balance is ineligible.

5 - The 2010O 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 reimbursable at 70%; the balance is ineligible.

6 - The 2011P Refunding Bonds refunded the 2000C Bonds and are reimbursable at 70%.

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 as shown in Table 1. Of note:

- The entire Series 2001D, 2002E, 2003F, 2004G, 2005H, 2007J, and 2008L Bonds 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 percent DEED reimbursement. The 70 percent DEED reimbursement is payable **after** application of the 45 percent Federal Recovery Zone Economic Development Bonds interest subsidy.
- Approximately 96.454 percent 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.
- The entire Series 2011P 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 less than one-third of total annual debt service.

Table 2 ■ Fairbanks North Star Borough
Debt Service Reimbursement Eligibility as of November 2, 2011

Fiscal Year	Outstanding Issues	2011 Series P	Total	Reimbursement Entitlement	Net Borough Expense	Reimbursement Percentage
2011/12	$4,186,634	$570,957	$4,757,591	$3,336,575	$1,421,016	70.1%
2012/13	13,926,983	631,950	14,558,933	9,823,278	4,735,655	67.5%
2013/14	13,973,995	626,800	14,600,795	9,843,393	4,757,402	67.4%
2014/15	13,969,945	636,400	14,606,345	9,847,849	4,758,496	67.4%
2015/16	14,000,177	635,700	14,635,877	9,853,883	4,781,994	67.3%
2016/17	13,976,162	641,900	14,618,062	9,835,444	4,782,618	67.3%
2017/18	12,628,802	644,800	13,273,602	9,388,082	3,885,519	70.7%
2018/19	10,130,395	647,100	10,777,495	7,699,751	3,077,744	71.4%
2019/20	8,297,825	653,725	8,951,550	6,418,440	2,533,110	71.7%
2020/21	8,337,346	654,675	8,992,021	6,443,955	2,548,066	71.7%
2021/22	7,629,975	0	7,629,975	5,486,715	2,143,260	71.9%
2022/23	7,646,052	0	7,646,052	5,494,551	2,151,501	71.9%
2023/24	5,455,228	0	5,455,228	3,957,884	1,497,343	72.6%
2024/25	4,427,628	0	4,427,628	3,234,379	1,193,249	73.0%
2025/26	3,407,003	0	3,407,003	2,515,650	891,352	73.8%
2026/27	2,658,085	0	2,658,085	1,881,950	776,135	70.8%
2027/28	1,738,501	0	1,738,501	1,232,437	506,064	70.9%
2028/29	859,862	0	859,862	611,335	248,527	71.1%
2029/30	843,575	0	843,575	593,685	249,890	70.4%
Totals	$148,094,172	$6,344,007	$154,438,179	$107,499,237	$46,938,942	

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 received the GFOA's Certificate of Achievement for Excellence in Financial Reporting every year since 1991. Financial reports of both entities are audited annually by an independent certified public accountant.

Funds and Accounts

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

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

- **General Fund:** Accounts for all financial resources except those required to be accounted for in another fund. Revenue is received from such sources as general property taxes, intergovernmental revenues, and charges for services. Expenditures are authorized in the annual budget and include administration, recreation, public facilities, library, planning and zoning, 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, emergency management, 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, and federal grants, and include 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 and a federal interest subsidy both 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 $85.7 million in 2009/10 and accounting for about 80 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. Tax revenues increased over the past year.

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

	2005/06	2006/07	2007/08	Restated 2008/09	2009/10
Revenues					
Taxes	$73,746,922	$79,119,557	$82,560,500	$82,268,806	$85,721,429
Intergovernmental revenues	13,676,229	14,370,392	12,389,669	10,647,858	16,666,406
Charges for services	1,314,225	1,325,144	1,492,060	1,433,299	1,382,084
Other revenues	3,873,637	5,491,974	5,490,453	2,225,618	2,993,110
Total revenues	92,611,013	100,307,068	101,932,682	96,575,581	106,763,029
Expenditures					
General government	10,822,721	11,598,270	11,936,192	12,412,136	14,711,193
Education	38,022,700	40,022,700	42,222,700	44,222,700	45,522,700
Community planning	1,529,291	1,714,293	1,870,234	1,679,291	1,969,061
Public works	3,686,299	3,962,569	4,522,013	4,899,169	5,118,233
Parks and recreation	5,156,001	5,623,455	6,076,031	6,398,281	6,676,372
Library	3,733,846	4,207,605	4,481,792	4,704,807	4,943,528
Emergency operations	1,524,988	1,706,389	1,863,856	1,883,822	1,885,994
Capital outlay	363,635	350,658	400,891	371,553	332,715
Total expenditures	64,839,481	69,185,939	73,373,709	76,571,759	81,159,796
Transfers in (out) [1]	(27,158,176)	(24,276,963)	(29,121,283)	(22,547,543)	(22,956,683)
Excess (deficiency) of revenues over expenditures and transfers	613,356	6,844,166	(562,310)	(2,543,721)	2,646,551
Fund balance, July 1	18,123,945	18,737,301	25,581,467	25,019,157	22,475,436
Fund balance, June 30	$18,737,301	$25,581,467	$25,019,157	$22,475,436	$25,121,987

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

In 2009/10, intergovernmental revenues also increased to nearly $16.7 million. This included approximately $9.3 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 2009/10 was $45.5 million, and is shown as an operating expenditure. The general fund contribution to debt service was $14.2 million, of which nearly $9.2 million (or about 65 percent) was reimbursed by the State, and is included as a portion of the transfers in and out.

Table 4 summarizes the 2010/11 and 2011/12 general fund budgets. The Borough's current general fund budget totals about $116.6 million. Property tax is the largest revenue source and accounts for over 75 percent of budgeted general fund revenues. Various forms of state aid, of which school construction reimbursement is the largest, make up another 8.7 percent of general fund revenues.

Table 4 ■ Fairbanks North Star Borough General Fund Budget FY 2010/11 and 2011/12

	Revised 2010/11	Approved 2011/12
Revenue Sources		
Property tax	$86,562,796	$87,302,480
State and federal revenues	14,795,995	11,311,570
Hotel-motel, alcohol, and tobacco taxes	3,607,100	4,106,100
Charges for services	1,514,890	1,558,080
Intragovernmental charges	5,741,040	6,195,180
Other local revenue	57,192	55,000
Interest earnings	856,150	344,020
Contribution from fund balance and transfers	5,299,780	5,706,070
Total revenues	$118,434,943	$116,578,500
Expenditures and Other Financing Uses		
Mayor and assembly	$2,775,610	$2,779,730
Law	1,023,490	1,059,820
Assessing	2,699,180	2,783,000
Community planning	2,244,180	2,322,950
Computer services	3,702,930	3,824,020
Education	46,522,700	46,760,700
Emergency operations	2,297,032	1,870,220
Financial services	3,422,770	3,672,800
General services	1,560,910	1,629,670
Human resources	3,102,800	3,205,280
Land management	1,151,080	1,149,480
Library services	5,726,370	5,928,150
Parks and recreation	7,160,660	7,290,650
Public works	7,910,570	8,057,820
Nondepartmental	528,450	305,470
Total operating expenditures	91,828,732	92,639,760
Transfers to Other Funds		
Capital projects	2,197,080	1,827,450
Debt service	13,471,850	14,484,800
Other transfers	7,345,886	7,626,490
Total transfers	23,014,816	23,938,740
Contribution to fund balance	3,591,395	0
Total expenditures	$118,434,943	$116,578,500

Source: Fairbanks North Star Borough 2010/11 Revised Budget and 2011/12 Approved Budget

The Borough has budgeted operating expenditures of $92.6 million. Education expenditures, at $46.8 million, are approximately 50.5 percent of total operating expenditures. The balance of general fund expenditures consists of contributions to other funds. The contribution to debt service is $14.5 million, up about $1,000,000 from the previous year.

Table 5 shows the general fund balance sheet as of June 30, 2006 through 2010. Total assets have increased by more than $7.0 million or by 19.4 percent over 2009. Much of this increase is due to an increase in intergovernmental revenues.

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

	2006	2007	2008	Restated 2009	2010
Assets					
Equity in central treasury cash	$20,209,282	$29,892,638	$29,779,652	$30,524,265	$34,142,149
Net taxes receivable	2,446,764	2,378,449	2,531,187	2,099,818	2,928,175
Net accounts receivable	49,507	65,563	2,541,963	38,946	41,811
Accrued interest receivable	399,510	269,838	252,457	44,728	10,074
Interfund receivables	2,297,550	852,600	732,065	2,838,613	3,303,702
Due from School District	0	0	0	0	2,183,369
Due from governmental agencies	508,274	116,638	566,812	592,191	540,225
Other assets	2,361,817	1,450,975	136,692	101,773	115,323
Total assets	$28,272,704	$35,026,701	$36,540,828	$36,240,334	$43,264,828
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$590,932	$613,005	$784,880	$958,821	$989,293
Wages and payroll taxes	692,207	944,033	876,877	960,017	1,183,136
Accrued self-insurance losses	590,613	749,036	980,138	953,746	1,006,660
Interfund payable	0	0	0	0	2,183,369
Due to School District	0	880	4,208	136	6,335
Deposits from others	159,241	273,119	223,114	192,414	192,895
Deferred revenues	1,804,718	1,695,081	1,755,483	1,443,048	2,184,605
Advance tax payments	5,697,691	5,170,081	6,896,972	9,256,715	10,396,545
Total liabilities	9,535,402	9,445,235	11,521,672	13,764,897	18,142,838
Fund Balance					
Reserved for encumbrances	223,860	401,549	286,354	233,114	224,738
Reserved for deposit	2,221,672	1,345,000	0	0	0
Unreserved, designated for:					
Compensated absences	1,534,592	1,662,378	1,700,187	1,772,713	1,964,222
Self-insurance losses	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Net unrealized gains	0	281,029	93,833	0	0
Subsequent year's expenditures	1,000,000	2,413,373	3,773,030	4,800,000	4,478,100
Tax or retirement system relief	0	523,033	0	0	0
Pipeline assessment	0	392,000	0	0	0
Unreserved, undesignated	12,257,177	17,063,104	17,665,754	14,169,609	16,954,927
Total fund balance	18,737,301	25,581,466	25,019,158	22,475,436	25,121,987
Total liabilities and fund balance	$28,272,704	$35,026,701	$36,540,828	$36,240,334	$43,264,828

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 2011. The Borough's 2011 tax year assessed value, before exemptions, is nearly $8.6 billion, which represents an increase of 3.0 percent over the previous year.

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

Tax Year	Within Cities	Outside Cities	Pipeline-Related (2)	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	4,531,220	508,805	7,596,403	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%
2011	2,913,132	4,970,953	705,618	8,589,703	3.0%

Source: Fairbanks North Star Borough Approved Budgets
1 - Full value, before exemptions.
2 - 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 2011, the estimated optional residential and fire exemptions totaled $283 million; mandatory exemptions totaled $538 million.

The Borough's 2011 estimated net taxable assessed value (NTAV) is $7.768 billion, as shown in Table 7. This is an increase of 2.8 percent over 2010.

Table 7 ■ Fairbanks North Star Borough Estimated Assessed Valuation, 2011

Borough assessor's full value	$8,589,702,505
Less:	
Mandatory exemptions	(538,314,499)
Optional residential exemptions	(282,894,273)
Borough net taxable assessed value (NTAV)	$7,768,493,733

Source: Fairbanks North Star Borough 2011/12 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 property taxes are charged a penalty equal to two percent of the principal amount of the tax for each business day or part of a business day that the tax is unpaid, up to a maximum penalty of ten 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 $706 million (tax year 2011), 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 8.2 percent of the Borough's total assessed valuation of $8.59 billion in tax year 2011.

Alyeska Pipeline Service Company has paid fiscal year 2007, 2008, 2009, 2010, and 2011 taxes under protest, due to the assessed valuation of the trans-Alaska pipeline system (TAPS) and related properties. The Alaska Department of Revenue is responsible for the valuation. The Department's valuation was appealed by the pipeline owners as being too high and by certain affected municipalities, including the Borough, as being too

low. The State Assessment Review Board heard the appeals and sided with the municipalities when establishing the valuation. The owners have appealed the Board's decision to the Superior Court, and certain municipalities, including the Borough, have cross-appealed. The trial for the 2007 taxes took place in August and September, 2009. The Court rendered its decision in the Borough's favor; there has been a Supreme Court appeal. The Court has determined that the appeal cases for the fiscal year 2008, 2009 and 2010 taxes should be consolidated and the consolidated case is scheduled for a September 2011 hearing. The Borough is required to use the State set valuations in building its budgets. These valuations affect mill rate calculations and actual taxes collected from TAPS. There exists a possibility that the Borough may have to refund taxes in the future, said amounts (if any) of course are unknown at this time.

Table 8 shows the Borough's ten largest commercial/industrial taxpayers for 2011. Together they account for about 19.5 percent of total assessed valuation, an increase from 19.2 percent in 2010.

Table 8 ■ Fairbanks North Star Borough
Largest Commercial/Industrial Taxpayers, 2011

Taxpayer	Type of Property	Assessed Valuation (000)	Percent of Borough Total
Alyeska [1]	Oil transportation	$705,618	8.21%
Fairbanks Gold Mining (Fort Knox)	Mining	390,933	4.55%
Doyon Utilities	Utilities	220,152	2.56%
Flint Hills Resources	Oil refining	147,119	1.71%
Alaska Communications Systems	Communications	48,783	0.57%
GCI Cable Fairbanks	Utillities	41,887	0.49%
Wal-Mart Stores	Shopping center	33,579	0.39%
Westmark Hotel	Hotel	33,251	0.39%
Alaska Hotel Properties, Inc. (Princess)	Hotel	27,754	0.32%
Fred Meyer Stores (west)	Shopping center	26,648	0.31%
Total		$1,675,724	19.51%

Source: Fairbanks North Star Borough Assessing Department
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 six 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
2011	11.294	0.511	1.194	5.843	3.000

Source: Fairbanks North Star Borough 2011/12 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 2011 areawide tax rate is 11.294 mills. An additional 0.511 mills is levied on property outside the cities for ambulance service, disaster and civil defense, and economic development (non-areawide). A mill rate of 1.194 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 5.843 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 11.294.

Table 10 ■ Fairbanks North Star Borough
Total Tax Rates, 2011
Mills per $1 of Assessed Value

	City of Fairbanks	City of North Pole	Outside Cities[1]
Borough areawide, excluding debt service	10.550	10.550	10.550
Borough debt service			
School bonds	0.732	0.732	0.732
Library bonds	0.012	0.012	0.012
Total debt service	0.744	0.744	0.744
Total Borough areawide	11.294	11.294	11.294
City of Fairbanks	5.843		
City of North Pole		3.000	
Solid waste collection	[2]	1.194	1.194
Non-areawide			0.511
Total[1]	17.137	15.488	12.999

Source: Fairbanks North Star Borough 2011/12 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 2005/06 through 2009/10. 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 2009/10, the Borough's current tax collections were $79.5 million. Current collections totaled 98.5 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

	2005/06	2006/07	2007/08	2008/09	2009/10
Net tax levy(1)	$69,496,812	$74,585,658	$77,656,254	$77,538,492	$80,718,646
Current tax collections	68,689,017	73,722,859	76,752,199	76,584,056	79,548,208
Collections in subsequent years	752,558	722,332	786,366	503,143	0
Total collections(2)	$69,441,575	$74,445,191	$77,538,565	$77,087,199	$79,548,208
Net levy collected	99.92%	99.81%	99.85%	99.42%	98.55%

Source: Fairbanks North Star Borough Comprehensive Annual Financial Report 2009/10
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, 2011. 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, 2011 total gross direct debt, including the Bonds, is $119.5 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, $82.1 million of the Borough's direct debt (68.7 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 about $1.25 million as of June 30, 2010.

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

	Applicable	November 2, 2011
Direct Debt		
Outstanding school and library bonds	100%	$113,935,000
Series P Bonds	100%	5,565,000
Total gross direct debt		119,500,000
Less: School bonds eligible for state reimbursement		81,885,608
Total net direct bonded debt		$37,614,392
Direct and Underlying Debt		
Underlying debt:		
City of Fairbanks	100%	$4,955,000
City of North Pole	100%	1,732,894
Less: City of Fairbanks bonds eligible for state reimbursement	100%	(2,485,000)
Direct debt		119,500,000
Total gross direct and underlying debt		123,702,894
Less: School bonds eligible for state reimbursement		81,885,608
Total net direct and underlying bonded debt		$41,817,286
Taxable assessed value		$7,768,805,846
Ratio of Direct Debt to Assessed Value		
Gross $119,500,000		1.54%
Net 37,614,392		0.48%

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 less than 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 2011/12 budget is $8,894,500 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 Presentation Award 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 project's 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 with at least two rating agencies. 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 guaranteed by 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.

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 $31.9 million has been deposited in the fund since its creation in 1999. The reserve currently has approximately $4.0 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 with minimum downtime. 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 $1.8 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 407 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. The legislation was enacted to correct a current under-funded status. Effective July 1, 2008, the employer contribution rate is statutorily set at 22.0 percent. When the normal cost rate is less than 22.0 percent, the excess is applied to the past service liability of the plan. When the normal cost rate combined with the past service cost rate exceeds 22.0 percent, the state pays the difference between the 22.0 percent employer rate and the actuarially-determined rate.

The Borough is in compliance with all applicable, effective Governmental Accounting Standards Board statements with issuance of the FY 2010 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 Livengood (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. The in-state gasline, "Bullet Line", created by state law in 2009, continues to move forward with the Alaska Department of Natural Resources. The Bullet Line right of way lease application has been approved for the full route for up to a 24-inch diameter natural gas pipeline with a 24-inch branch line to Fairbanks. This project is scheduled to be completed by 2018.

As the nation looks at alternative energy sources, Alaskans have been looking at the State's 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. GVEA, the electrical utility serving the Borough and most of the interior of Alaska, approved on June 27, 2011 a 24 megawatt wind generating project, the Eva Creek Wind Project, which will be the largest wind project in Alaska and the first by any Railbelt utility. As the Eva Creek project comes online, GVEA projects that the project won't require rates increases and estimates user savings of about $13.6 million over the next 20 years.

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 GAAP-based 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.

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

	2005/06	2006/07	2007/08	2008/09	2009/10
Revenues					
Borough appropriation	$38,022,700	$40,022,700	$42,222,700	$44,222,700	$43,339,901
Local sources	827,619	940,657	845,985	669,383	732,818
State sources (1)	81,842,665	91,479,160	122,430,200	121,216,124	129,952,827
Federal pass-through	130,325	371,249	412,090	0	0
Federal sources	12,257,249	11,405,933	11,118,081	9,596,676	12,022,690
Total revenues	$133,080,558	$144,219,699	$177,029,056	$175,704,883	$186,048,236
Expenditures and net transfers					
Instruction	$79,742,527	$88,801,574	$106,336,057	$106,111,390	$111,810,917
Supporting services	31,458,438	36,482,346	42,390,696	45,971,090	47,275,449
Operation and maintenance	18,303,539	20,039,480	21,775,769	22,049,314	22,678,492
Student activities	2,148,068	2,204,195	2,405,649	2,488,308	2,519,510
Net transfers out/(in)	527,073	(471,089)	2,148,898	1,479,641	1,453,030
Total expenditures	$132,179,645	$147,056,506	$175,057,069	$178,099,743	$185,737,398

Source: Fairbanks North Star Borough School District Comprehensive Annual Financial Reports
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.

Of the District's $186 million operating fund revenues in 2009/10, State funding provided about 70 percent and the Borough and other local sources provided almost 24 percent. The balance (about 6 percent) was provided by Federal 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.

School District Budget

Table 14 shows the District's 2010/11 and 2011/12 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.

Table 14 ■ Fairbanks North Star Borough School District Operating Fund Budget

	2010/11	2011/12
Revenues		
Borough appropriation	$46,522,700	$47,359,300
Local sources	1,112,000	1,109,000
State sources		
Foundation funding	112,927,380	112,429,150
TRS and PERS on-behalf payments	22,614,950	25,646,580
Other (1)	1,854,030	4,006,290
Federal sources	10,211,110	13,985,250
Fund balance utilization	7,726,910	2,079,820
Total revenues	$202,969,080	$206,615,390
Expenditures		
Instruction	$120,283,152	$121,305,001
Supporting services	52,513,438	54,970,857
Operation and maintenance	24,692,547	25,927,471
Student activities	2,810,633	2,803,371
Transfers to other funds	2,669,310	1,608,690
Total expenditures	$202,969,080	$206,615,390

Source: Fairbanks North Star Borough School District 2011/12 Approved Budget

1 - Includes $2,137,890 one-time state supplemental aid funding in 2011/12.

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.

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. Since the 2000 census, the Borough's population has increased by nearly 18 percent.

The Alaska Department of Commerce approved population for the Borough in 2010 is 97,581. The City of Fairbanks has 31,535 inhabitants and the City of North Pole has 2,117. Years 1970, 1980, 1990, 2000, and 2010 are actual census counts; figures for intervening years are estimated by the Alaska Department of Commerce.

Table 15 ■ Fairbanks North Star Borough Population

Year	Borough[1]	City of Fairbanks[2]	City of North Pole	State of Alaska[3]
1970	45,864	18,053	265	302,583
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
2010	97,581	31,535	2,117	710,231

Source: Borough, Fairbanks, and North Pole populations from Alaska 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 Alaska Dept. of Labor.

As of the second quarter of 2010, the number of military personnel and family members totaled 17,289, about 17.7 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 2006. Housing sales were relatively constant through 2007, and dipped in

2008 and 2009 to about 870 annually. Sales increased in 2010 and for the first quarter of 2011. The average price per unit has remained fairly constant.

Table 16 ■ Fairbanks North Star Borough Residential Housing Sales

	Units Sold	Average Unit Price
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
3rd Quarter	256	223,500
4th Quarter	269	207,400
	936	
2011		
1st Quarter	165	226,000

Source: FNSB Community Research Quarterly, Spring 2011

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 and the first quarter of 2011. Foreclosure activity peaked from approximately 60-70 per year in 2006 and 2007 to just over 180 in 2009. Foreclosures dropped in 2010. 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

	2006	2007	2008	2009	2010	2011[1]
Notices of default	113	124	196	204	200	74
Foerclosures	59	69	102	181	165	31

Source: FNSB Community Research Quarterly, Spring 2011
1 - Data is current through March, 2011.

Cities

Fairbanks: The City of Fairbanks, with a 2010 population of 31,535, 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, medical, government, education, finance, services, and information center for the interior and northern regions of Alaska. 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 37,850, a decrease of about 1.1 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	1,110
Construction	2,910	2,760	2,760	2,770	2,490
Manufacturing	620	630	650	650	640
Trade/Transportation/Utilities	7,810	7,740	7,670	7,700	7,740
Information	580	590	560	590	530
Financial activities	1,400	1,580	1,600	1,530	1,560
Professional and business services	2,120	2,100	2,220	2,340	2,170
Educational and health services	4,190	4,280	4,240	4,380	4,540
Leisure and hospitality	4,140	4,110	4,320	4,160	4,000
Other services	1,360	1,320	1,290	1,250	1,250
Government					
Federal government	3,350	3,380	3,450	3,470	3,470
State government	5,200	5,210	5,230	5,250	5,290
Local government	3,000	3,030	3,050	3,070	3,060
	37,900	38,130	38,230	38,260	37,850

Source: Alaska Department of Labor, Research and Analysis, Current Employment Statistics (CES)
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. (Fort 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, however, are based on actual employment figures.
2 - Excludes military uniformed personnel.
3 - Student employment not included.
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 7,700, 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 March 2011, the Borough's unemployment rate stood at 7.3 percent, while the unemployment rate in the State of Alaska was 8.3 percent and the U.S. rate was 9.2 percent.

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

	2005	2006	2007	2008	2009	2010	2011[1]
Fairbanks North Star Borough MSA	5.8%	5.6%	5.4%	5.9%	7.1%	7.1%	7.3%
Alaska	6.9%	6.5%	6.1%	6.5%	7.8%	8.0%	8.3%
United States	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	9.2%

Source: FNSB Community Research Quarterly, Spring 2011
MSA = Metropolitan Statistical Area
1 - As of March, 2011.

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.

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 now uses SBCTs as a prototype for the future of the entire Army, a transformation that has taken place over the last decade, making SBCT 1 (and by

extension, Fort Wainwright) an important element in the Army's force structure. 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. To that end, recent military construction appropriations have provided a new load-out facility for rapid deployment.

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.

Eielson is the main base for "Red Flag - North" exercises, the Allies' air force training space that provides real fire and aerial combat dog fight simulations over a 1.1 million square miles of designated air space, including low altitude flying for about 3,600 U.S. and international participants, with more than 9,000 troops from all branches of the military participating. This air space surrounding Eielson, known as JPARC (Joint Pacific Alaska Range Complex) includes live fire ocean area in the Gulf of Alaska. The opportunity to host four international events for fighter squadrons of Allied air forces in North America this year is unique to Eielson AFB. The availability of unscheduled and unreserved flying time is the main reason for Eielson to be the home base for these tactical pilot training and qualifying opportunities. Eielson is budgeted to receive a military construction appropriation to make further housing improvements to provide additional dormitory facilities for international pilots, allowing lower cost exercises as military budget reductions are considered.

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				
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, Spring 2011

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 4 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.

The Borough is also home to numerous independent physician practices, an ambulatory service center, and multiple ancillary care facilities including: physical therapy services, medical laboratories, and medical imaging centers. The US Army (DOD and VA) operates a hospital and clinic on Fort Wainwright serving some of the population of active duty military, dependents, and retirees.

In addition, two significant new medical facilities in Fairbanks are as follows:

- A new $23 million outpatient surgery center opened in November 2010. The 14,000 square-foot surgery center contains two operating rooms, six pre-op rooms, and 16 recovery rooms. It is specifically designed for outpatient surgeries that require less than 23.5 hours of on-site recovery time.
- Groundbreaking was held in May 2011 for a new 100,000 square-foot, $72 million Alaska Native health center, to replace and quadruple the space of the existing Alaska Native health facility. The new health center will provide basic medical care, and possibly limited radiology and physical therapy, to Alaska Natives and American Indians, and will employ roughly 100 people. The facility will be located in Fairbanks, just west of Fairbanks Memorial Hospital and Denali Center, and is expected to open in 2013.

These new facilities add to Fairbanks' role as the medical center for the central and northern regions of Alaska.

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. The State of Alaska Administration awaits the “open season” bidding results for the AGIA process that will determine natural gas binding commitments by shippers and buyers.

The other large diameter gas pipeline project, Denali Alaska gas line project, jointly owned by BP and Conoco-Phillips has closed its offices and ended further work on their pipeline project. The proposed pipeline route traverses land within the Borough and would terminate in Alberta, Canada. 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.

The AGIA gas line proposal is an enormous, multi-year undertaking, with international, federal, and State regulatory and environmental hurdles to overcome. A project is expected to take, at the earliest, 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.

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 its 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 Fort Wainwright via a buried pipeline. The refinery produces kerosene, diesel, heating, and jet fuels.

Mining

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

As the second largest taxpayer in the FNSB, Fort Knox open-pit gold mine is a world class operation. Original estimates of mine life have recently been extended to 2020 due to the high value of gold and the ability to process lower grade ore. This extension may go out further in time depending on the economic success of the 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 Elliott 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 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, including a planned mining expansion further south along the Parks Highway, 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 percent) in fiscal year 2010. Current capital construction at UAF includes the $108.6 million Life Sciences research and teaching facility. The university also received over $20 million in deferred maintenance funding from the legislature in 2010 and again in 2011. Critical electrical, utility, wastewater, and other facilities infrastructure work will be accomplished with this funding.

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

	2006	2007	2008	2009	2010
Passengers - incoming	462,703	494,879	492,964	470,702	466,903
Passengers - outgoing	455,309	472,019	480,380	452,434	462,231
Revenue landings	25,792	24,940	25,678	24,083	24,259
Freight - incoming (1)	10,992	11,197	10,845	13,411	9,903
Freight - outgoing (1)	51,684	41,192	34,723	36,872	33,916

Source: FNSB Community Research Quarterly, Spring 2011
1 - 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 occupancy percentage 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.

According to the Visitors Bureau, the outlook for 2012 is better, with visitor numbers expected to increase to near-2008 levels. The bureau cites that a possible boost will be from a Princess ship that had been redeployed from Alaska and is now scheduled to return to a Gulf of Alaska itinerary in summer 2012. This generally increases capacity for land tours along the rail belt.

Cook & Haugeberg LLC
CERTIFIED PUBLIC ACCOUNTANTS

December 13, 2010

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, 2010, 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, 2010, 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, 2009 financial statements which have been restated as described in Note 17 to these financial statements and, in our report dated December 16, 2009, 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, 2010 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 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

119 North Cushman Street, Suite 300 • Fairbanks, Alaska 99701 • 907-456-7762
www.ch-cpa.com e-mail: contact@ch-cpa.com
Senior Consultants: James F. Dieringer, Jr., CPA and Michael T. Cook, CPA FAX 907-452-6184

Borough, as of June 30, 2010, 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. Note 17 to the financial statements includes a discussion of the change in accounting principle relating to the Land enterprise fund.

In accordance with *Government Auditing Standards,* we have also issued our reports dated December 13, 2010, 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, 2010 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, 2010, 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, 2009, which are not presented with the accompanying financial statements. In our report dated December 16, 2009, 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, 2009 additional information schedules 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 which have been restated as described in Note 17 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, 2010

Luke T. Hopkins, 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, 2010

Assets	Primary Government		Primary Government Totals		Component Unit
	Governmental Activities	Business-type Activities	2010	2009 Restated	School District
Equity in central treasury cash	$47,811,177	$16,826,596	$64,637,773	$65,482,827	$22,107,878
Restricted equity in central treasury cash	61,272,795	631,508	61,904,303	62,089,099	11,611
Taxes receivable (net of allowance for uncollectibles 2010 - $726,273; 2009 - $723,399)	2,928,175		2,928,175	2,298,707	
Restricted taxes receivable	355,286		355,286	334,408	
Accounts receivable (net of allowance for uncollectibles 2010 - $13,679; 2009 - $13,043)	69,160	619,071	688,232	785,823	12,416,102
Restricted accounts receivable (net of allowance for uncollectibles 2010 - $315,000; 2009 - $132,529)	468,321	3,985	472,306	772,272	
Accrued interest receivable	10,074		10,074	64,783	
Restricted accrued interest receivable	329		329	4,548	
Internal balances (payable from restricted assets: governmental activites $248,228; business-type activities $2,812,143)	2,524,769	(2,524,769)			
Due from Borough					28,736
Due from School District	2,183,369		2,183,369		
Due from governmental agencies	540,225		540,225	600,722	
Restricted due from governmental agencies	1,175,798	2,935,371	4,111,169	4,613,832	
Inventories		304,551	304,551	13,471,070	1,615,114
Other assets	1,366,368		1,366,368	1,173,084	27,518
Land contracts receivable	803,253		803,253	727,519	
Long-term receivable (net of allowance for uncollectibles 2010 - $207,668; 2009 - $203,290)					
Capital assets (See Note 6)					
Non-depreciable	266,414,886	2,054,012	268,468,898	262,236,831	
Depreciable, net of accumulated depreciation	324,780,743	31,682,528	356,463,270	356,655,093	4,180,344
Assets total	712,704,726	52,532,854	765,237,580	771,310,618	40,387,303

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Net Assets
June 30, 2010

	Primary Government		Primary Government Totals		Component Unit
	Governmental Activities	Business-type Activities	2010	2009 Restated	School District
Liabilities					
Advance tax payments	$10,396,545	$	$10,396,545	$9,256,715	$
Accounts payable	1,458,372	2,033,134	3,491,506	3,038,359	1,927,248
Due to Borough					2,183,369
Due to School District	21,705		21,705	7,367	
Wages and payroll taxes	1,103,758	210,475	1,314,233	1,129,843	944,753
Payable from restricted assets					
Accounts payable	2,781,799	80,656	2,862,456	4,711,031	
Due to School District	7,030		7,030	181,445	
Unearned revenues	2,871,187	120,831	2,992,019	2,820,793	11,611
Due to governmental agencies					551
Accrued interest payable	1,246,331		1,246,331	1,330,109	
Deposits from others	779,861	4,784	784,645	787,459	
Long-term liabilities (See Note 10)					
Due within one year	11,530,299	1,615,812	13,146,111	12,834,934	7,740,403
Due in more than one year	132,283,902	19,076,616	151,360,519	152,790,060	2,444,744
Liabilities total	164,480,790	23,142,310	187,623,100	188,888,116	15,252,679
Net Assets					
Invested in capital assets, net of related debt	493,418,704	31,212,287	524,630,990	519,153,127	4,180,344
Restricted for					
Debt service	383,248		383,248	383,194	
Employee healthcare and labor relations	2,694,107		2,694,107	2,994,318	
Grant-funded special programs	959,042		959,042	1,317,653	
Service areas	15,170,427		15,170,427	14,015,251	
Non-areawide	1,430,995		1,430,995	1,336,493	
Solid waste collection	3,254,683		3,254,683	2,964,621	
Enhanced 911	2,507,152		2,507,152	2,407,900	
Library special revenue (donor-restricted)	8,131,122		8,131,122	8,091,985	
Grant-funded capital projects	6,049,376		6,049,376	8,991,915	
School bond capital projects	5,507,357		5,507,357	5,326,517	
Proprietary fund grants and asset replacement	6,163	557,235	563,398	592,239	
Unrestricted	8,711,560	(2,378,977)	6,332,583	14,847,290	20,954,280
Net assets total	$548,223,936	$29,390,545	$577,614,480	$582,422,502	$25,134,624

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Statement of Activities
For the Year Ended June 30, 2010

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: 2010	Primary Government: Totals: 2009 Restated	Component Unit: School District
Primary government										
Governmental activities										
General government	$23,610,759	($2,850,492)	$910,610	$1,145,684	$15,271	($18,688,701)	$	($18,688,701)	($16,975,356)	$
Community planning	2,263,322	407		141,042	2,109	(2,120,578)		(2,120,578)	(1,725,088)	
Public works	12,232,358	(1,450,415)	52,318		10,000	(10,719,625)		(10,719,625)	(10,460,574)	
Parks and recreation	9,717,840	15,675	1,120,921	26,381	998,050	(7,588,163)		(7,588,163)	(7,990,469)	
Library	5,979,255	632	77,233	263,525		(5,639,129)		(5,639,129)	(4,397,811)	
Road and other service areas	5,323,457	388,450		22,793	1,941,355	(3,747,759)		(3,747,759)	(336,056)	
Education	62,819,397				1,470,414	(61,348,983)		(61,348,983)	(48,494,045)	
Emergency operations	5,678,236	184,467	1,129,474	730,284	8,999	(3,993,946)		(3,993,946)	(3,473,742)	
Fire service areas	6,101,934	13,561		7,828	155,672	(5,951,996)		(5,951,996)	(3,352,770)	
Interest on long-term debt	5,484,528					(5,484,528)		(5,484,528)	(6,052,131)	
Total governmental activities	139,211,087	(3,697,716)	3,290,556	2,337,538	4,601,870	(125,283,407)		(125,283,407)	(103,258,041)	
Business-type activities										
Transit	6,935,570	909,049	1,167,823	1,620,636	219,987		(4,836,172)	(4,836,172)	(3,931,122)	
Land									(501,106)	
Carlson Center	1,158,171	399,701		104,064	82,358		(1,371,449)	(1,371,449)	(1,482,757)	
Solid waste disposal	5,193,242	781,403	6,854,740		2,500,000		3,380,096	3,380,096	(5,315,250)	
Total business-type activities	13,286,983	2,090,152	8,022,564	1,724,701	2,802,345		(2,827,526)	(2,827,526)	(11,230,235)	
Total primary government	$152,498,069	($1,607,564)	$11,313,119	$4,062,238	$7,404,215	(125,283,407)	(2,827,526)	(128,110,932)	(114,488,276)	
Component unit										
School District	$221,551,241	$1,607,564	$2,216,143	$52,835,590	$369,871					(167,737,201)
General revenues										
Property taxes						98,489,612		98,489,612	93,707,963	
Hotel-motel taxes						1,698,466		1,698,466	1,660,803	
Alcoholic beverage taxes						1,358,690		1,358,690	1,384,156	
Tobacco excise taxes						1,684,657		1,684,657	1,077,166	
Grants and contributions not restricted to specific programs						16,604,140		16,604,140	14,165,875	
Foundation program										109,730,232
Other federal and state aid										13,862,337
Unrestricted investment earnings						165,512	25,152	190,665	1,867,774	
Borough direct appropriation										45,522,700
Other						2,990,559	8,493	2,999,052	361,063	755,216
Transfers						12,266,595	(12,266,595)			
Total general revenues and transfers						135,258,232	(12,232,950)	123,025,282	114,224,800	169,870,485
Change in net assets						9,974,825	(15,060,475)	(5,085,650)	(263,475)	2,133,284
Net assets, beginning as restated (see note 17)						538,249,111	44,451,020	582,700,131	582,685,977	23,001,340
Net assets, ending						$548,223,936	$29,390,545	$577,614,480	$582,422,502	$25,134,624

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Balance Sheet
June 30, 2010

	General	Service Areas	Debt Service	State Grants Capital Projects	Bond Projects	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in central treasury cash	$34,142,149	$13,538,788	$517,531	$8,482,620	$17,309,545	$34,360,550	$108,351,184
Taxes receivable (net of allowance for uncollectibles - $726,273)	2,928,175	188,860				166,426	3,283,461
Accounts receivable (net of allowance for uncollectibles - $324,894)	41,811	15,407				480,264	537,481
Accrued interest receivable	10,074				329		10,403
Interfund receivable	3,303,702			54,306		2,183,369	5,541,377
Due from School District	2,183,369						2,183,369
Due from governmental agencies	540,225			722,742		453,056	1,716,022
Other assets	115,323						115,323
Land sales receivable						803,253	803,253
Assets total	$43,264,826	$13,743,056	$517,531	$9,259,669	$17,309,874	$38,446,917	$122,541,873
Liabilities and Fund Balances (Deficit)							
Liabilities							
Accounts payable	$989,293	$316,751	$	$904,772	$995,389	$1,033,967	$4,240,171
Wages and payroll taxes	1,183,136						1,183,136
Accrued self-insurance losses	1,006,660						1,006,660
Interfund payable	2,183,369	144,359		156,506		537,044	3,021,278
Due to School District	6,335					22,401	28,736
Deposits from others	192,895					586,967	779,861
Deferred revenues	2,184,605	180,540				1,185,794	3,550,939
Unearned revenues				2,498,420		354,568	2,852,987
Advance tax payments	10,396,545						10,396,545
Liabilities total	18,142,839	641,649		3,559,697	995,389	3,720,740	27,060,314
Fund balances (deficit)							
Reserved							
Reserved for encumbrances	224,738	35,814		1,427,127	2,036,567	5,264,935	8,989,181
Unreserved, designated for							
Compensated absences	1,964,222						1,964,222
Subsequent year's expenditures	4,478,100	209,714	383,190				5,071,004
Self-insurance losses	1,500,000						1,500,000
Reported in nonmajor special revenue funds						11,544,911	11,544,911
Undesignated, reported in							
General fund	16,954,927						16,954,927
Special revenue funds		12,855,879				10,477,075	23,332,954
Debt service fund			134,341				134,341
Capital projects funds				4,272,845	14,277,919	7,439,256	25,990,019
Fund balances (deficit) total	25,121,987	13,101,406	517,531	5,699,972	16,314,486	34,726,177	95,481,559
Liabilities and fund balances (deficit) total	$43,264,826	$13,743,056	$517,531	$9,259,669	$17,309,874	$38,446,917	$122,541,873

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Reconciliation of Balance Sheet to the Statement of Net Assets June 30, 2010

Total fund balances of governmental funds		$ 95,481,559
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.		
Capital assets cost	$ 798,041,884	
Less accumulated depreciation	(210,031,125)	
		588,010,759
Deferred bond issuance costs are not available to pay for current-period expenditures and, therefore are not reported in the funds.		1,251,044
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.		2,654,897
Earned revenues that are not available to pay current period expenditures are reported as deferred revenues in the funds.		3,550,939
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	(137,210,000)	
Deferred premiums on bonds	(2,372,830)	
Deferred refunding bonds difference	68,990	
Accrued interest payable on bonds	(1,246,331)	
Accrued compensated absences	(1,965,091)	
		(142,725,262)
Net assets of governmental activities		$548,223,936

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, 2010

	General	Service Areas	Debt Service	State Grants Capital Projects	Bond Projects	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$85,721,429	$9,407,378	$	$	$	$7,524,580	$102,653,387
Intergovernmental revenues	16,666,406	2,400		2,566,409		3,249,113	22,484,328
Charges for services	1,382,084					2,048,401	3,430,485
Other revenues	2,993,110	196,151	54	3,599	14,139	601,087	3,808,139
Revenues total	106,763,029	9,605,929	54	2,570,008	14,139	13,423,182	132,376,340
Expenditures							
Current							
General government	14,711,193			27,403		5,248,351	19,986,947
Community planning	1,969,061					265,386	2,234,446
Public works	5,118,233					5,703,829	10,822,062
Parks and recreation	6,676,372			135,370		1,232,991	8,044,732
Library	4,943,528					332,333	5,275,861
Road and other service areas		1,850,748		2,675,754		1,191,240	5,717,742
Education	45,522,700			1,278,672	5,011,581	25,520	51,838,473
Emergency operations	1,885,994					3,757,303	5,643,297
Fire service areas		5,331,677		121,920		134,104	5,587,701
Capital outlay	332,715			865,369	4,825,849	2,480,119	8,504,052
Debt service							
Principal retirement			8,380,000				8,380,000
Interest and fiscal agent fees			5,834,083				5,834,083
Expenditures total	81,159,795	7,182,425	14,214,083	5,104,488	9,837,430	20,371,176	137,869,397
Excess (deficiency) of revenues over expenditures	25,603,233	2,423,504	(14,214,030)	(2,534,480)	(9,823,291)	(6,947,994)	(5,493,057)
Other financing sources (uses)							
Transfers in	2,776,354	174,667	14,154,520	874,853		13,682,938	31,663,332
Transfers out	(25,733,037)	(1,694,758)		(18,438)		(5,507,183)	(32,953,416)
Bond issuance			17,480,000		11,950,000		29,430,000
Premium on bond debt			1,769,002		100,005		1,869,007
Payment to refunded bond escrow agent			(19,100,000)				(19,100,000)
Other financing sources (uses) total	(22,956,683)	(1,520,091)	14,303,522	856,415	12,050,005	8,175,755	10,908,922
Net change in fund balances	2,646,551	903,412	89,493	(1,678,065)	2,226,714	1,227,761	5,415,865
Fund balances (deficit), beginning as restated	22,475,437	12,197,994	428,038	7,378,037	14,087,772	33,498,416	90,065,694
Fund balances (deficit), ending	$25,121,987	$13,101,406	$517,531	$5,699,972	$16,314,486	$34,726,177	$95,481,559

See accompanying notes to financial statements.

(Continued)

FAIRBANKS NORTH STAR BOROUGH

Governmental Funds

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances To the Statement of Activities For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds		$5,415,865
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital outlay	$8,504,052	
Depreciation expense	(14,602,932)	
		(6,098,879)
The net effect of other transactions involving capital assets (i.e., dispositions, trade-ins, donations and transfers to/from other funds) is to increase (decrease) net assets.		13,657,809
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,938,233
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.		(2,402,213)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt proceeds	(29,430,000)	
Premiums on debt	(1,869,007)	
Debt service refunding	19,100,000	
Deferred bond issuance costs	321,428	
Debt principal payments	8,380,000	
Accrued interest and amortization	111,071	
		(3,386,508)
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.		(192,379)
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.		54,748
The internal service fund lookback adjustment results in a balance between governmental and business-type activities.		(11,851)
Change in net assets of governmental activities		$9,974,825

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property tax	$80,003,092	$80,003,092	$80,534,576	$531,484
Hotel-motel and sales taxes	1,600,000	1,600,000	1,696,697	96,697
Alcoholic beverage tax	1,350,000	1,350,000	1,350,546	546
Tobacco excise tax	1,000,000	1,000,000	1,406,973	406,973
Interest and penalties on taxes	658,800	658,800	732,637	73,837
Taxes total	84,611,892	84,611,892	85,721,429	1,109,537
Intergovernmental revenues				
State of Alaska				
Aid for school contruction	9,419,110	9,419,110	9,176,568	(242,542)
Aid to local government	3,846,836	3,846,836	3,846,836	
Other shared revenue and assistance	451,500	451,500	418,499	(33,001)
Grants	100,000	100,000	2,072,597	1,972,597
Federal government				
Payment in lieu of taxes	1,212,500	1,212,500	1,151,906	(60,594)
Intergovernmental revenues total	15,029,946	15,029,946	16,666,406	1,636,460
Charges for services	1,418,910	1,749,010	1,382,084	(366,926)
Charges to School District	1,708,190	1,708,190	1,607,564	(100,626)
Other revenues				
Charges to other funds	3,658,480	3,272,780	2,944,122	(328,658)
Investment income, including net unrealized investment gains/losses	1,802,510	1,802,510	148,288	(1,654,222)
Indirect charges to grants	301,000	301,000	448,376	147,376
Various	55,000	2,240,924	2,396,446	155,521
Other revenues total	5,816,990	7,617,214	5,937,232	(1,679,983)
Revenues total	108,585,928	110,716,252	111,314,715	598,462

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Expenditures				
Current				
General government				
Non-departmental	$639,790	$724,846	$137,796	$587,050
Mayor	992,730	974,630	926,536	48,094
Assembly	1,624,680	1,668,180	1,589,550	78,630
Legal	1,008,500	1,007,716	951,037	56,679
Computer services	3,558,590	3,543,996	3,348,175	195,821
Financial services	3,249,750	3,244,078	3,147,243	96,835
Assessing	2,586,390	2,586,390	2,488,228	98,162
General services	1,468,440	1,467,595	1,339,170	128,425
Human resources	2,938,930	2,932,382	2,688,011	244,371
Land management		1,054,304	961,289	93,016
General government total	18,067,800	19,204,118	17,577,035	1,627,083
Community planning	2,047,110	2,209,685	1,986,765	222,919
Public works	7,530,900	7,400,291	6,771,749	628,542
Parks and recreation	6,871,780	6,856,197	6,681,655	174,542
Library	4,830,440	4,816,021	4,791,663	24,358
Education	45,522,700	45,522,700	45,522,700	
Emergency operations	2,258,350	2,250,451	1,939,323	311,128
Capital outlay	580,590	686,780	686,116	664
Expenditures total	87,709,670	88,946,242	85,957,006	2,989,236

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over expenditures	$20,876,258	$21,770,011	$25,357,709	$3,587,698
Other financing sources (uses)				
Transfers in				
Special revenue funds	500,000	1,749,106	1,829,479	80,373
Capital projects funds			819,956	819,956
Enterprise funds			126,919	126,919
Transfers out				
Special revenue funds	(1,907,792)	(3,204,906)	(3,195,058)	9,848
Debt service fund	(14,154,520)	(14,154,520)	(14,154,520)	
Capital projects funds	(350,000)	(2,533,369)	(2,533,369)	
Enterprise funds	(4,785,090)	(5,850,090)	(5,850,090)	
Other financing sources (uses) total	(20,697,402)	(23,993,779)	(22,956,683)	1,037,096
Net change in fund balance	$178,856	($2,223,768)	$2,401,026	$4,624,794

See accompanying notes to financial statements.

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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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Air Park				
Total revenues and transfers in	$120	$120	$12	($108)
Total expenditures and transfers out	$9,740	$9,740	$780	$8,960
Airway				
Total revenues and transfers in	$12,420	$12,420	$12,149	($271)
Total expenditures and transfers out	$44,388	$44,388	$5,861	$38,526
Arctic Fox				
Total revenues and transfers in	$5,190	$5,190	$4,559	($631)
Total expenditures and transfers out	$32,239	$32,239	$1,202	$31,037
Aztec				
Total revenues and transfers in	$19,810	$19,810	$18,745	($1,065)
Total expenditures and transfers out	$72,624	$72,624	$7,345	$65,279
Ballaine Lake Sewer & Water				
Total revenues and transfers in	$25,030	$25,030	$23,446	($1,584)
Total expenditures and transfers out	$60,505	$56,905	$37,790	$19,114
Bear's Den Road				
Total revenues and transfers in	$	$	$3	$3
Total expenditures and transfers out	$2,514	$2,514	$720	$1,794
Becker Ridge				
Total revenues and transfers in	$105,920	$105,920	$106,936	$1,016
Total expenditures and transfers out	$233,008	$233,008	$68,334	$164,674
Birch Hill				
Total revenues and transfers in	$106,400	$106,400	$108,737	$2,337
Total expenditures and transfers out	$221,083	$221,083	$37,776	$183,308
Bluebird Road				
Total revenues and transfers in	$6,050	$6,050	$5,882	($168)
Total expenditures and transfers out	$27,527	$27,527	$1,310	$26,217

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Borda Road				
Total revenues and transfers in	$28,100	$28,100	$27,411	($689)
Total expenditures and transfers out	$95,159	$95,159	$5,830	$89,329
Brookside				
Total revenues and transfers in	$8,340	$8,340	$8,007	($333)
Total expenditures and transfers out	$39,965	$39,965	$4,187	$35,778
Chena Goldstream Volunteer Fire				
Total revenues and transfers in	$954,850	$954,850	$974,578	$19,728
Total expenditures and transfers out	$924,265	$1,699,265	$1,501,333	$197,932
Chena Hills Road				
Total revenues and transfers in	$90,730	$90,730	$98,025	$7,295
Total expenditures and transfers out	$130,137	$130,137	$60,896	$69,242
Chena Hot Springs II				
Total revenues and transfers in	$620	$620	$625	$5
Total expenditures and transfers out	$550	$550	$550	$
Chena Marina				
Total revenues and transfers in	$21,020	$21,020	$22,766	$1,746
Total expenditures and transfers out	$39,641	$63,037	$30,852	$32,184
Chena Point Road				
Total revenues and transfers in	$94,640	$94,640	$104,322	$9,682
Total expenditures and transfers out	$94,640	$82,484	$27,536	$54,948
Chena Spur				
Total revenues and transfers in	$39,560	$39,560	$38,908	($652)
Total expenditures and transfers out	$93,869	$108,869	$24,992	$83,878
Cleary Summit				
Total revenues and transfers in	$680	$680	$695	$15
Total expenditures and transfers out	$1,604	$1,604	$620	$984

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
College				
Total revenues and transfers in	$508,620	$508,620	$488,549	($20,071)
Total expenditures and transfers out	$2,373,779	$2,373,779	$195,136	$2,178,643
College Hills				
Total revenues and transfers in	$24,720	$24,720	$24,257	($463)
Total expenditures and transfers out	$25,094	$56,606	$50,369	$6,237
Cooper Estates				
Total revenues and transfers in	$25,170	$25,170	$23,923	($1,247)
Total expenditures and transfers out	$123,480	$123,480	$3,688	$119,792
Cordes Drive				
Total revenues and transfers in	$24,330	$24,330	$23,770	($560)
Total expenditures and transfers out	$41,874	$48,111	$27,294	$20,817
Cripple Creek				
Total revenues and transfers in	$61,180	$61,180	$59,311	($1,869)
Total expenditures and transfers out	$153,567	$214,567	$97,189	$117,378
Deep Forest				
Total revenues and transfers in	$18,190	$18,190	$26,738	$8,548
Total expenditures and transfers out	$24,953	$26,553	$16,254	$10,299
Diane Subdivision				
Total revenues and transfers in	$4,040	$4,040	$3,631	($409)
Total expenditures and transfers out	$56,448	$56,448	$32,076	$24,372
Drake Estates				
Total revenues and transfers in	$7,750	$7,750	$7,633	($117)
Total expenditures and transfers out	$21,547	$21,547	$3,296	$18,252
Edanella Heights Road				
Total revenues and transfers in	$30,330	$30,330	$29,775	($555)
Total expenditures and transfers out	$62,454	$72,791	$37,905	$34,886

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Ester Lump Road				
Total revenues and transfers in	$18,540	$18,540	$17,672	($868)
Total expenditures and transfers out	$99,894	$99,894	$16,959	$82,936
Ester Volunteer Fire				
Total revenues and transfers in	$358,930	$358,930	$433,127	$74,197
Total expenditures and transfers out	$512,441	$533,950	$367,916	$166,034
Fairfields				
Total revenues and transfers in	$15,780	$15,780	$15,329	($451)
Total expenditures and transfers out	$52,825	$52,825	$5,039	$47,786
Fairhill				
Total revenues and transfers in	$12,510	$12,510	$12,299	($211)
Total expenditures and transfers out	$40,872	$40,872	$9,389	$31,483
Fairwest				
Total revenues and transfers in	$24,580	$24,580	$22,838	($1,742)
Total expenditures and transfers out	$221,741	$221,741	$4,701	$217,041
Garden				
Total revenues and transfers in	$36,980	$36,980	$36,150	($830)
Total expenditures and transfers out	$145,816	$145,816	$20,671	$125,144
Golden Valley Road				
Total revenues and transfers in	$13,490	$13,490	$13,430	($60)
Total expenditures and transfers out	$13,490	$12,059	$6,176	$5,883
Goldstream Alaska				
Total revenues and transfers in	$24,590	$24,590	$24,257	($333)
Total expenditures and transfers out	$79,204	$79,204	$16,812	$62,391
Goldstream Moose Creek				
Total revenues and transfers in	$49,050	$49,050	$48,504	($546)
Total expenditures and transfers out	$79,197	$79,197	$36,861	$42,336

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Gordon				
Total revenues and transfers in	$52,470	$52,470	$49,869	($2,601)
Total expenditures and transfers out	$262,691	$262,691	$4,896	$257,795
Granola Estates				
Total revenues and transfers in	$4,890	$4,890	$4,186	($704)
Total expenditures and transfers out	$43,151	$41,551	$11,974	$29,577
Grieme Road				
Total revenues and transfers in	$17,580	$17,580	$16,901	($679)
Total expenditures and transfers out	$69,394	$75,394	$18,409	$56,985
Haystack				
Total revenues and transfers in	$34,980	$34,980	$34,151	($829)
Total expenditures and transfers out	$47,955	$94,212	$72,979	$21,233
Herning Hills				
Total revenues and transfers in	$25,010	$25,010	$24,447	($563)
Total expenditures and transfers out	$55,407	$55,407	$32,928	$22,479
Hopeless				
Total revenues and transfers in	$22,180	$22,180	$21,748	($432)
Total expenditures and transfers out	$57,214	$57,214	$8,467	$48,747
Horseshoe Downs				
Total revenues and transfers in	$11,890	$11,890	$11,940	$50
Total expenditures and transfers out	$15,335	$15,335	$12,549	$2,786
Jennifer Drive				
Total revenues and transfers in	$5,170	$5,170	$5,125	($45)
Total expenditures and transfers out	$13,618	$13,618	$3,402	$10,215
Jones Road				
Total revenues and transfers in	$58,900	$58,900	$58,147	($753)
Total expenditures and transfers out	$78,306	$78,306	$34,331	$43,975

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Joy Road				
Total revenues and transfers in	$7,500	$7,500	$6,653	($847)
Total expenditures and transfers out	$25,002	$30,942	$8,010	$22,932
Keeney Road				
Total revenues and transfers in	$2,100	$2,100	$2,040	($60)
Total expenditures and transfers out	$8,408	$8,408	$660	$7,748
Kendall				
Total revenues and transfers in	$10,910	$10,910	$10,487	($423)
Total expenditures and transfers out	$65,206	$65,206	$2,751	$62,455
Keystone				
Total revenues and transfers in	$12,320	$12,320	$12,954	$634
Total expenditures and transfers out	$68,609	$68,609	$4,691	$63,918
Kris Kringle				
Total revenues and transfers in	$12,920	$12,920	$12,364	($556)
Total expenditures and transfers out	$62,567	$72,567	$15,167	$57,399
Lakloey Hill				
Total revenues and transfers in	$36,130	$36,130	$34,819	($1,311)
Total expenditures and transfers out	$162,016	$159,016	$49,455	$109,561
Lee Lane				
Total revenues and transfers in	$5,650	$5,650	$5,422	($228)
Total expenditures and transfers out	$27,947	$28,947	$4,420	$24,527
Loose Moose				
Total revenues and transfers in	$6,130	$6,130	$5,829	($301)
Total expenditures and transfers out	$17,361	$17,361	$4,379	$12,982
Martin				
Total revenues and transfers in	$23,060	$23,060	$24,171	$1,111
Total expenditures and transfers out	$49,543	$49,543	$14,529	$35,014

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
McCloud				
Total revenues and transfers in	$31,430	$31,430	$31,247	($183)
Total expenditures and transfers out	$106,360	$106,360	$8,480	$97,880
McGrath Estates				
Total revenues and transfers in	$67,320	$67,320	$66,049	($1,271)
Total expenditures and transfers out	$203,559	$203,559	$66,933	$136,626
McKinley View				
Total revenues and transfers in	$4,280	$4,280	$4,088	($192)
Total expenditures and transfers out	$27,416	$27,416	$1,188	$26,228
Mellow Woods Road				
Total revenues and transfers in	$15,750	$15,750	$15,386	($364)
Total expenditures and transfers out	$63,424	$63,424	$7,343	$56,081
Miller Hill Extension				
Total revenues and transfers in	$55,080	$55,080	$55,013	($67)
Total expenditures and transfers out	$108,827	$108,827	$49,893	$58,935
Moose Creek				
Total revenues and transfers in	$15,460	$15,460	$14,808	($652)
Total expenditures and transfers out	$83,781	$83,781	$10,767	$73,013
Moose Meadows				
Total revenues and transfers in	$69,930	$69,930	$68,060	($1,870)
Total expenditures and transfers out	$290,630	$290,630	$191,222	$99,409
Mt. View				
Total revenues and transfers in	$26,550	$26,550	$25,653	($897)
Total expenditures and transfers out	$116,205	$116,205	$8,364	$107,840
Murphy				
Total revenues and transfers in	$12,190	$12,190	$11,695	($495)
Total expenditures and transfers out	$39,140	$39,140	$5,204	$33,937

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Musk Ox				
Total revenues and transfers in	$34,850	$34,850	$33,862	($988)
Total expenditures and transfers out	$119,342	$113,342	$60,952	$52,390
Newby Park				
Total revenues and transfers in	$16,060	$16,060	$15,668	($392)
Total expenditures and transfers out	$22,099	$25,099	$17,244	$7,855
North Ridge				
Total revenues and transfers in	$9,330	$9,330	$9,172	($158)
Total expenditures and transfers out	$31,821	$31,821	$8,040	$23,781
North Star Volunteer Fire				
Total revenues and transfers in	$1,471,710	$1,471,710	$1,517,869	$46,159
Total expenditures and transfers out	$1,524,845	$1,547,493	$1,516,172	$31,321
O'Connor Creek				
Total revenues and transfers in	$111,620	$111,620	$111,210	($410)
Total expenditures and transfers out	$167,081	$167,081	$45,694	$121,387
Old Wood Road				
Total revenues and transfers in	$11,480	$11,480	$11,291	($189)
Total expenditures and transfers out	$31,471	$31,471	$5,786	$25,685
Our				
Total revenues and transfers in	$3,660	$3,660	$3,555	($105)
Total expenditures and transfers out	$9,062	$11,562	$3,758	$7,805
Parksridge				
Total revenues and transfers in	$11,350	$11,350	$10,637	($713)
Total expenditures and transfers out	$56,240	$56,240	$4,209	$52,031
Peede Country Estates				
Total revenues and transfers in	$4,940	$4,940	$4,790	($150)
Total expenditures and transfers out	$19,567	$19,567	$1,887	$17,680

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Pine Stream				
Total revenues and transfers in	$21,130	$21,130	$20,195	($935)
Total expenditures and transfers out	$104,808	$104,808	$16,447	$88,360
Pleasureland				
Total revenues and transfers in	$8,000	$8,000	$7,195	($805)
Total expenditures and transfers out	$70,185	$70,185	$2,858	$67,327
Polar Heights				
Total revenues and transfers in	$17,860	$17,860	$17,363	($497)
Total expenditures and transfers out	$44,382	$44,382	$23,050	$21,332
Potlatch				
Total revenues and transfers in	$11,690	$11,690	$15,662	$3,972
Total expenditures and transfers out	$24,967	$24,167	$23,326	$842
Prospect Park				
Total revenues and transfers in	$7,500	$7,500	$7,333	($167)
Total expenditures and transfers out	$30,249	$30,249	$3,830	$26,419
Reed Acres Road				
Total revenues and transfers in	$8,600	$8,600	$7,903	($697)
Total expenditures and transfers out	$59,292	$59,292	$3,842	$55,450
Ridgecrest				
Total revenues and transfers in	$2,070	$2,070	$2,042	($28)
Total expenditures and transfers out	$2,071	$5,435	$4,482	$952
Salchaket Heights				
Total revenues and transfers in	$2,420	$2,420	$2,220	($200)
Total expenditures and transfers out	$13,672	$13,672	$2,420	$11,252
Scenic Heights				
Total revenues and transfers in	$17,920	$17,920	$17,039	($881)
Total expenditures and transfers out	$109,261	$109,261	$13,392	$95,869

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Seavy				
Total revenues and transfers in	$9,960	$9,960	$9,663	($297)
Total expenditures and transfers out	$56,699	$56,699	$5,984	$50,714
Secluded Acres				
Total revenues and transfers in	$7,860	$7,860	$7,572	($288)
Total expenditures and transfers out	$43,314	$43,314	$3,228	$40,086
Serendipity Hill				
Total revenues and transfers in	$6,660	$6,660	$6,325	($335)
Total expenditures and transfers out	$42,255	$42,255	$2,096	$40,159
Six Mile Village Road				
Total revenues and transfers in	$8,460	$8,460	$7,682	($778)
Total expenditures and transfers out	$40,094	$40,094	$2,599	$37,495
Smallwood Trail Road				
Total revenues and transfers in	$6,240	$6,240	$5,989	($251)
Total expenditures and transfers out	$36,264	$33,264	$15,924	$17,340
Smith Ranch				
Total revenues and transfers in	$36,790	$36,790	$36,535	($255)
Total expenditures and transfers out	$97,338	$97,338	$15,544	$81,793
Spring Glade				
Total revenues and transfers in	$28,530	$28,530	$27,388	($1,142)
Total expenditures and transfers out	$127,800	$127,800	$17,542	$110,258
Spruce Acres				
Total revenues and transfers in	$6,290	$6,290	$5,792	($498)
Total expenditures and transfers out	$36,727	$36,727	$2,583	$34,144
Steamboat Landing				
Total revenues and transfers in	$16,130	$16,130	$15,308	($822)
Total expenditures and transfers out	$60,672	$60,672	$10,080	$50,592

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Steese Volunteer Fire				
Total revenues and transfers in	$1,189,680	$1,189,680	$1,209,285	$19,605
Total expenditures and transfers out	$1,375,007	$1,392,407	$1,092,751	$299,656
Straight Creek				
Total revenues and transfers in	$18,240	$18,240	$16,300	($1,940)
Total expenditures and transfers out	$27,372	$27,372	$15,661	$11,711
Summerwood				
Total revenues and transfers in	$37,030	$37,030	$35,861	($1,169)
Total expenditures and transfers out	$141,926	$141,926	$11,773	$130,153
Summit Drive				
Total revenues and transfers in	$107,680	$107,680	$204,720	$97,040
Total expenditures and transfers out	$275,849	$275,849	$51,615	$224,234
Sunny Hills Terrace				
Total revenues and transfers in	$30,150	$30,150	$29,026	($1,124)
Total expenditures and transfers out	$160,926	$160,926	$118,528	$42,398
Sunrise				
Total revenues and transfers in	$11,820	$11,820	$10,886	($934)
Total expenditures and transfers out	$82,630	$82,630	$29,140	$53,490
Tan Terra				
Total revenues and transfers in	$25,660	$25,660	$33,142	$7,482
Total expenditures and transfers out	$34,446	$34,446	$7,264	$27,182
Thomas				
Total revenues and transfers in	$10,720	$10,720	$10,125	($595)
Total expenditures and transfers out	$15,927	$15,927	$9,283	$6,644
Timberlane Road				
Total revenues and transfers in	$8,090	$8,090	$7,417	($673)
Total expenditures and transfers out	$77,127	$77,127	$3,434	$73,693

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Tungsten				
Total revenues and transfers in	$41,110	$41,110	$40,436	($674)
Total expenditures and transfers out	$41,110	$39,405	$17,031	$22,374
Twenty Three Mile Slough				
Total revenues and transfers in	$39,780	$39,780	$35,205	($4,575)
Total expenditures and transfers out	$156,436	$156,436	$55,642	$100,794
Ullrhaven				
Total revenues and transfers in	$4,060	$4,060	$3,886	($174)
Total expenditures and transfers out	$19,092	$19,092	$2,684	$16,408
University Fire				
Total revenues and transfers in	$2,188,040	$2,188,040	$2,174,613	($13,427)
Total expenditures and transfers out	$3,386,421	$3,386,421	$1,717,186	$1,669,235
University Heights				
Total revenues and transfers in	$54,180	$54,180	$52,839	($1,341)
Total expenditures and transfers out	$198,558	$198,558	$22,882	$175,675
University West Street Light				
Total revenues and transfers in	$62,640	$62,640	$60,507	($2,133)
Total expenditures and transfers out	$207,506	$219,506	$44,804	$174,702
Vienna Wood				
Total revenues and transfers in	$23,250	$23,250	$22,706	($544)
Total expenditures and transfers out	$67,200	$67,200	$21,471	$45,729
Viewpointe				
Total revenues and transfers in	$17,660	$17,660	$16,647	($1,013)
Total expenditures and transfers out	$127,997	$127,997	$6,882	$121,114
Violet Drive				
Total revenues and transfers in	$57,790	$57,790	$56,663	($1,127)
Total expenditures and transfers out	$105,452	$105,452	$32,453	$72,998

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, 2010

	Budgeted Amounts		Actual on Budgetary Basis	Variance from Final Budget-Positive (Negative)
	Original	Final		
Vista Gold Road				
Total revenues and transfers in	$37,680	$37,680	$38,097	$417
Total expenditures and transfers out	$70,647	$70,647	$33,649	$36,998
Vue Crest				
Total revenues and transfers in	$30,960	$30,960	$29,593	($1,367)
Total expenditures and transfers out	$145,091	$145,091	$29,717	$115,374
Whitman				
Total revenues and transfers in	$3,910	$3,910	$3,722	($188)
Total expenditures and transfers out	$23,964	$23,964	$2,947	$21,017
Wildview				
Total revenues and transfers in	$178,070	$178,070	$174,115	($3,955)
Total expenditures and transfers out	$520,738	$520,738	$256,464	$264,274
Woodland				
Total revenues and transfers in	$2,400	$2,400	$2,383	($17)
Total expenditures and transfers out	$6,118	$6,118	$1,317	$4,801
Yak Road				
Total revenues and transfers in	$77,070	$77,070	$74,910	($2,160)
Total expenditures and transfers out	$232,872	$232,872	$49,907	$182,965
Total All Service Areas				
Total revenues and transfers in	$9,582,820	$9,582,820	$9,780,596	$197,776
Total expenditures and transfers out	$18,903,196	$19,945,605	$8,886,497	$11,059,109

See accompanying notes to financial statements.

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FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Assets						
Current assets						
Equity in central treasury cash	$2,523,843	$	$716,870	$13,585,882	$16,826,596	$708,425
Restricted equity in central treasury cash	86,231		545,277		631,508	24,363
Accounts receivable (net of allowance for uncollectibles - $3,785)	25,109		174,281	419,682	619,071	
Restricted accounts receivable			3,985		3,985	
Interfund receivable				292,043	292,043	
Restricted due from governmental agencies	435,295		77	2,500,000	2,935,371	
Inventories	188,359			116,193	304,551	
Current assets total	3,258,837		1,440,491	16,913,799	21,613,127	732,789
Noncurrent assets						
Long-term receivable (net of allowance for uncollectibles - $207,668)						
Capital assets - non-depreciable						
Land and land improvements	595,234		509,032	746,003	1,850,269	
Works of art			120,790		120,790	
Construction work in progress	59,395			23,558	82,953	
Capital assets - depreciable						
Land				346,044	346,044	
Buildings	4,032,842		16,646,964	6,616,901	27,296,708	
Improvements other than buildings	268,627		1,608,028	16,992,749	18,869,405	
Equipment	4,173,123		1,567,305	3,668,796	9,409,224	6,863,368
Intangible assets - software	204,769				204,769	
Accumulated depreciation	(3,345,384)		(6,750,264)	(14,347,974)	(24,443,622)	(3,678,499)
Noncurrent assets (net) total	5,988,606		13,701,856	14,046,078	33,736,540	3,184,870
Assets total	$9,247,442	$	$15,142,346	$30,959,878	$55,349,666	$3,917,658

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Net Assets
June 30, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Liabilities and Net Assets						
Current liabilities						
Accounts payable	$65,379	$	$7,220	$1,960,535	$2,033,134	$
Wages and payroll taxes	145,206		2,561	62,708	210,475	
Accrued compensated absences	218,204		2,182	55,722	276,108	
Accrued self-insurance losses	72,589			14,385	86,974	
Deposits from others	4,784				4,784	
Payable from restricted assets						
Accounts payable	23,638		57,018		80,656	
Interfund payable	312,066		77	2,500,000	2,812,143	
Unearned revenues			120,831		120,831	18,200
Capital leases payable						396,068
Loans payable				1,252,731	1,252,731	
Current liabilities total	841,867		189,889	5,846,080	6,877,836	414,268
Long-term liabilities						
Accrued compensated absences	46,465		1,785	11,413	59,663	
Accrued self-insurance losses	93,254			26,237	119,490	
Capital leases payable						853,163
Loans payable				1,271,522	1,271,522	
Landfill closure and postclosure care				17,625,941	17,625,941	
Long-term liabilities total	139,719		1,785	18,935,113	19,076,616	853,163
Liabilities total	981,585		191,674	24,781,193	25,954,452	1,267,431
Net assets						
Invested in capital assets, net of related debt	5,988,606		13,701,856	11,521,825	31,212,287	1,935,639
Restricted for						
Asset replacement			371,414		371,414	
Grants	185,821				185,821	6,163
Unrestricted	2,091,430		877,403	(5,343,141)	(2,374,307)	708,425
Net assets total	8,265,857		14,950,672	6,178,685	29,395,214	2,650,228
Liabilities and net assets total	$9,247,442	$	$15,142,346	$30,959,878	$55,349,666	$3,917,658

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Reconciliation of Net Assets Between the Government-wide and Fund Financial Statements
June 30, 2010

Total net assets of enterprise funds	$29,395,214
Amounts reported for business-type activities in the statement of net assets are different because:	
An adjustment is made to reflect the consolidation of the internal service fund activtities to the enterprise funds.	(4,669)
Net assets of business-type activities	$29,390,545

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, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Operating revenues						
Fares	$421,676	$	$	$	$421,676	$
Advertising	12,722				12,722	
Charges for services	738,907		104,064	6,854,740	7,697,712	566,500
Operating revenues total	1,173,305		104,064	6,854,740	8,132,110	566,500
Operating expenses						
Wages and benefits	4,838,921		56,484	1,719,372	6,614,777	
Fuels, lubricants, and parts	622,759			225,363	848,122	
Other commodities	49,756		16,359	3,589	69,705	
Contractual services	355,237		376,395	4,397,773	5,129,405	40
Utilities	150,044			97,882	247,926	
Professional services	213,832		28,620	431,572	674,024	
Depreciation	462,947		474,877	1,397,824	2,335,648	451,360
Training, dues and professional expenses	96,768			25,037	121,805	
Repairs and maintenance	90,939		1,850	308,238	401,027	1,799
Supplies	43,529		29,421	117,057	190,007	
Management contractor fee			176,044		176,044	
Landfill closure and postclosure care costs				(3,622,580)	(3,622,580)	
Interest expense - capital leases						52,663
Intragovernmental charges	907,603		398,978	776,163	2,082,744	45,172
Operating expenses total	7,832,335		1,559,028	5,877,290	15,268,653	551,034
Operating income (loss)	(6,659,030)		(1,454,963)	977,450	(7,136,543)	15,466

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended June 30, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Non-operating revenues (expenses)						
Interest expense	$	$	$	($56,377)	($56,377)	$
Grants revenue	1,620,637				1,620,637	
Investment income	2,407		941	21,804	25,152	
Gain (loss) on sales of capital assets	(14,597)		352	(49,360)	(63,604)	35,146
Miscellaneous revenue (expense)	965		1,318	376	2,659	4,136
Contribution to governmental activities capital assets		(13,556,679)			(13,556,679)	
Non-operating revenues (expenses) total	1,609,412	(13,556,679)	2,611	(83,557)	(12,028,213)	39,282
Income (loss) before contributions and transfers	(5,049,617)	(13,556,679)	(1,452,352)	893,893	(19,164,756)	54,748
Transfers in	4,581,120		1,203,970	65,000	5,850,090	
Transfers out		(4,560,005)			(4,560,005)	
Capital contributions	219,987		82,358	2,500,000	2,802,345	
Change in net assets	(248,511)	(18,116,685)	(166,024)	3,458,893	(15,072,327)	54,748
Net assets total, beginning as restated for 2009	8,514,368	18,116,685	15,116,697	2,719,792	44,467,541	2,595,480
Net assets total, ending	$8,265,857	$	$14,950,672	$6,178,685	$29,395,214	$2,650,228

See accompanying notes to financial statements.

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, 2010

Change in net assets - total enterprise funds	($15,072,327)
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.	11,851
Change in net assets of business-type activities	($15,060,475)

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
For the Year Ended June 30, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Cash flows from operating activities						
Cash received from customers	$1,148,196	$	$621	$7,467,583	$8,616,400	$566,500
Cash payments to suppliers for goods and services	(2,520,185)		(1,027,667)	(4,746,656)	(8,294,508)	(54,602)
Cash payments to employees for services	(4,640,343)		(54,254)	(1,992,719)	(6,687,316)	
Net cash provided by (used for) operating activities	(6,012,332)		(1,081,300)	728,208	(6,365,424)	511,898
Cash flows from noncapital financing activities						
Grants received	1,757,985				1,757,985	5,602
Transfers from other funds	4,581,120		1,203,970	65,000	5,850,090	
Transfers to other funds		(4,570,227)			(4,570,227)	
Proceeds from interfund financing activity	(135,215)				(135,215)	
Net cash provided by (used for) noncapital financing activities	6,203,890	(4,570,227)	1,203,970	65,000	2,902,633	5,602
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(59,395)		(1,426,038)	(453,695)	(1,939,128)	(999)
Capital grants received	63,642		204,949	2,500,000	2,768,591	
Capital lease payments						(487,055)
Interest on capital lease payments						(52,663)
Proceeds from disposal of capital assets	2,068			116,522	118,590	72,427
Proceeds from surplus sale	965		1,670	376	3,011	4,136
Proceeds from (repayment of) interfund financing activity	109,792		(1,760)		108,032	
Payments on loan				(1,290,595)	(1,290,595)	
Net cash provided by (used for) capital and related financing activities	117,072		(1,221,179)	872,608	(231,499)	(464,154)
Cash flows from investing activities						
Investment income allocation from central treasury	2,407		941	21,805	25,153	
Payments received on loans to other funds				16,057	16,057	
Net cash provided by investing activities	2,407		941	37,862	41,210	
Net increase (decrease) in equity in central treasury cash	311,037	(4,570,227)	(1,097,568)	1,703,678	(3,653,080)	53,346
Equity in central treasury cash at beginning of year, as restated for 2009	2,299,037	4,570,227	2,359,715	11,882,204	21,111,184	679,443
Equity in central treasury cash at end of year	$2,610,074	$	1,262,147	$13,585,882	$17,458,103	$732,789

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Proprietary Funds

Statement of Cash Flows
Increases (Decreases) in Equity in Central Treasury Cash
For the Year Ended June 30, 2010

	Business-type Activities -		Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit	Land	Carlson Center	Solid Waste Disposal	Total	Vehicle and Equipment Fleet
Reconciliation of equity in central treasury cash to Statement of Net Assets accounts						
Equity in central treasury cash	$2,523,843	$	$716,870	$13,585,882	$16,826,596	$708,425
Restricted equity in central treasury cash	86,231		545,277		631,508	24,363
Equity in central treasury cash at end of year	$2,610,074	$	$1,262,147	$13,585,882	$17,458,104	$732,789
Reconciliation of operating income (loss) to net cash provided by (used for) operating activites						
Operating income (loss)	($6,659,030)	$	($1,454,963)	$977,450	($7,136,543)	$15,466
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	462,947		474,877	1,397,824	2,335,647	451,360
Interest expense for capital leases						52,663
Change in assets and liabilities						
(Increase) decrease in receivables	(25,109)		(112,257)	136,463	(903)	
(Increase) decrease in inventories	4,421			456,203	460,624	
Increase (decrease) in accounts payable	6,544		8,813	1,656,195	1,671,552	(7,591)
Increase (decrease) in deposits from others	(683)				(683)	
Increase (decrease) in wages and payroll taxes	23,512		74	13,888	37,473	
Increase (decrease) in accrued compensated absences	20,541		2,156	(10,039)	12,658	
Increase (decrease) in accrued self-insurance losses	154,526			(277,195)	(122,670)	
Increase (decrease) in landfill closure and postclosure care liability				(3,622,580)	(3,622,580)	
Adjustments total	646,698		373,663	(249,242)	771,118	496,431
Net cash provided by (used for) operating activities	($6,012,332)	$	($1,081,300)	$728,208	($6,365,424)	$511,898
Noncash investing, capital and financing activities						
Capital leases						$729,801
Transfers (to) from other funds		($13,546,458)		$179,727	($13,366,731)	

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Fiduciary Fund

Statement of Net Assets
June 30, 2010

	Taxes Agency Fund
Assets	
Equity in central treasury cash	$194,733
Property tax liens receivable	399,750
Sales tax receivable	44,445
Assets total	$638,928
Liabilities	
Due to other governmental agencies for collected taxes	$9,653
Due to other governmental agencies for uncollected taxes	444,195
Advance tax payments	185,080
Liabilities total	$638,928

See accompanying notes to financial statements.

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APPENDIX B

DTC AND BOOK-ENTRY ONLY ISSUANCE

The information in this Appendix F concerning the Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the District takes no responsibility for the completeness or accuracy thereof.

The DTC, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities Bonds. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited which may or may

not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC s records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

APPENDIX C

CONTINUING DISCLOSURE UNDERTAKING

By the Bond Resolution, 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. Section 18 of the Bond Resolution constitutes the Borough's written undertaking for the benefit of owners and beneficial 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 2012 for the fiscal year ended June 30, 2011):

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 are required only to the extent that such information is not included in the annual financial statements.

The Borough may modify the information and data described above as necessary to comply with statutory and regulatory requirements. The information and data described above will 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 its fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing 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 will 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. Specified 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 this 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 Section B above on or prior to the date set forth in Section 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 this 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 this 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 specified events terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this undertaking will 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 this undertaking or the Bond Resolution, the Borough may amend this undertaking with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this undertaking, the Borough will describe the amendment in the next annual report, and 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 will be given in the same manner as for a specified event under Section C of this undertaking, and (ii) the annual report for the year in which the change is made will 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. The right of any Bond owner or beneficial owner of Bonds to enforce the provisions of the undertaking is limited to a right to obtain

specific enforcement of the Borough's obligations hereunder, and any failure by the Borough to comply with the provisions of this undertaking is not an event of default with respect to the Bonds under the Bond Resolution. For purposes of this undertaking, "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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APPENDIX D

FORM OF BOND COUNSEL OPINION

[LETTERHEAD OF K&L GATES LLP]

September 2, 2011

Fairbanks North Star Borough
Fairbanks, Alaska

BMO Capital Markets
Chicago, Illinois

Re: Fairbanks North Star Borough, Alaska
General Obligation Refunding Bonds, 2011 Series P - $5,565,000

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, 2011 Series P, in the aggregate principal amount of $5,565,000 (the "Bonds"). The Bonds are issued pursuant to Resolution No. 2011-22 of the Borough, passed by the Borough Assembly on June 9, 2011 (the "Bond Resolution"), 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 Resolution 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 Resolution, 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 or 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