

**Fairbanks North Star Borough, Alaska**  
**\$35,250,000**  
**General Obligation School and Library Bonds**  
**1997 Series A**

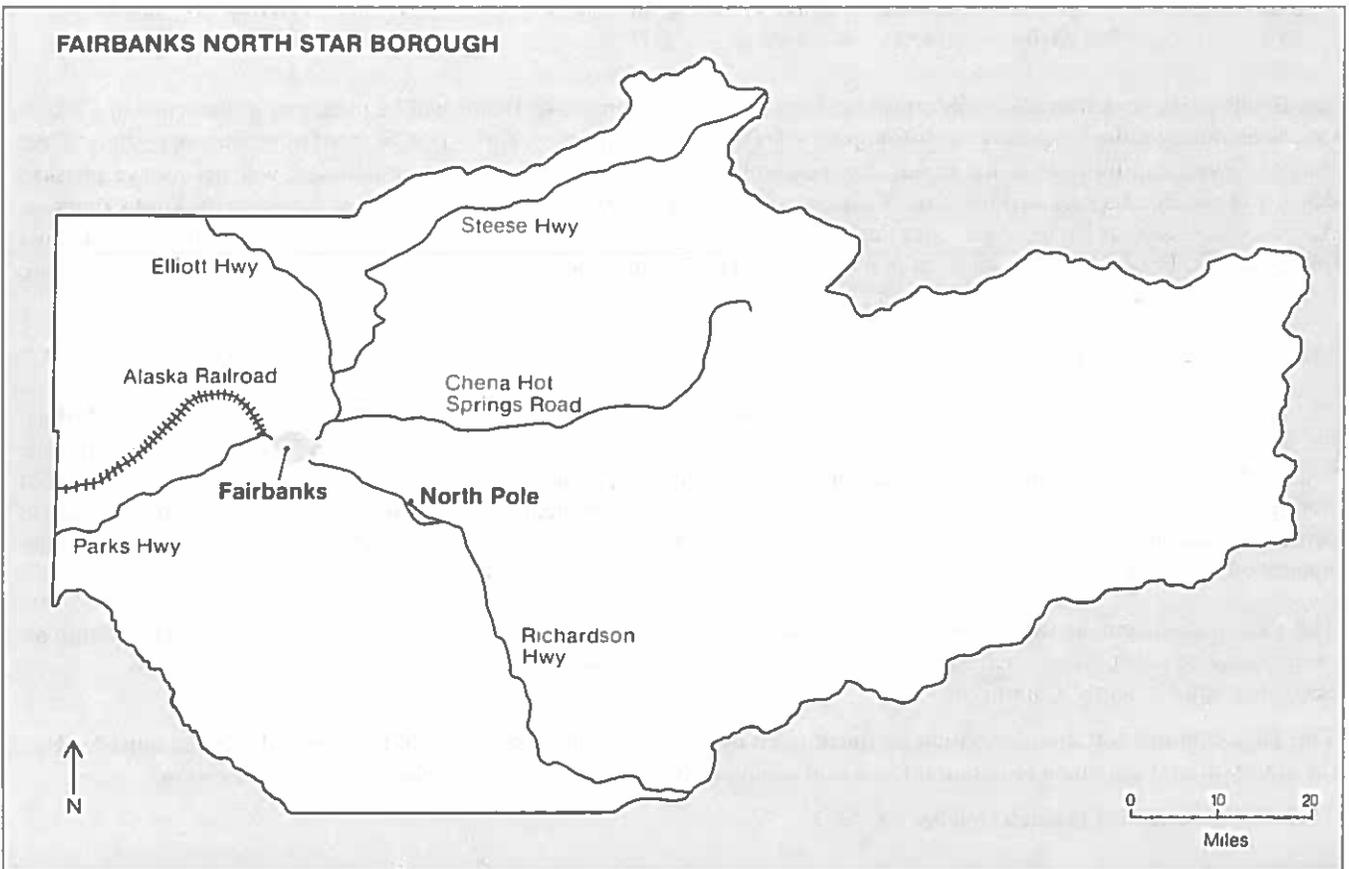
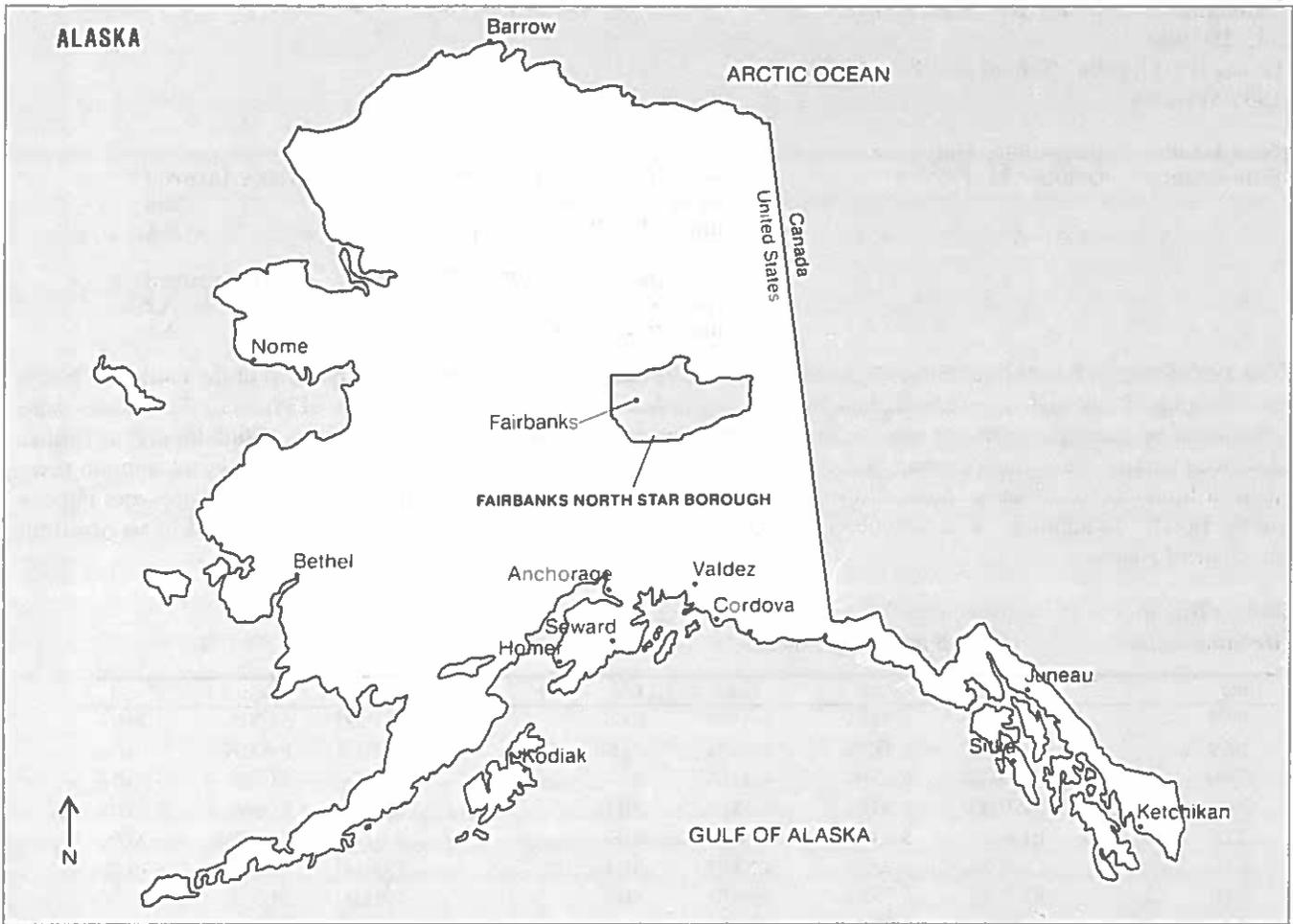


**Sale Date: October 21, 1997**  
**Bartle Wells Associates**

**Official Statement**

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

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## INTRODUCTION

**Issuer:** The Fairbanks North Star Borough (the "Borough") is a unit of local government, similar to a county and a school district. The Borough covers 7,361 square miles in central Alaska and includes within its boundaries the cities of Fairbanks and North Pole. Incorporated in January 1964 as a second-class borough, the Borough performs three mandatory functions throughout its boundaries (areawide powers), as prescribed by Alaska statutes: (1) property assessment and tax collection; (2) planning, zoning, and platting; and (3) primary and secondary education. Additional powers may be conferred by the electorate or by legislation. In addition to its three mandated powers, the Borough has assumed areawide responsibility for animal control, flood control, libraries, air quality control, disaster and civil defense, solid waste disposal, parks and recreation, public transportation, child care assistance, limited health and social services, and housing financing. The Borough may also provide any municipal services in specific areas with voter approval.

The Borough is governed by an 11-member assembly elected at large for overlapping three-year terms. The Borough's chief executive officer is an elected mayor. Assembly members and the mayor are limited to two consecutive three-year terms. The mayor has no vote in assembly meetings but may introduce legislation and veto assembly actions.

**Purpose:** The Bonds currently being offered will be used for school and library construction. \$34 million of the Bonds will continue a \$100 million school construction and rehabilitation program, funded from \$76 million of Borough Bonds in conjunction with state grants. The school construction program includes construction and rehabilitation of elementary, junior high and high schools. The remaining \$1.25 million of the Bonds will be used, in conjunction with other funds, for the renovation and enlarging of the Borough's main library.

**Security:** The Bonds are general obligations of the Borough. To secure payment of the Bonds the Borough has the power and is obligated to levy a direct annual ad valorem tax on all taxable property within the Borough sufficient, with all other taxes or revenues made available for debt service, to pay principal and interest on the Bonds promptly when and as they come due.

The State of Alaska reimburses municipalities for debt service for construction of state-approved school projects. The level of state reimbursement varies, depending upon the dates that bonds were authorized and issued. \$34 million of the Bonds will be eligible for 70 percent debt service reimbursement. The Borough's outstanding school bonds are eligible for reimbursement at rates from 70 to 90 percent of debt service.

**Economic Factors:** The Borough has an estimated population as of July 1, 1996, of 82,435, a 6 percent increase from the 1990 population of 77,720. Fairbanks is the second-largest city in Alaska (population 31,633), and the seat of Borough government. Fairbanks is the transportation, trade, government, education, finance, and services center for the interior and northern portions of the state. North Pole has a population of 1,523. About 40 percent of the Borough's population lives in the two cities.

The Borough's 1997 assessed valuation is \$3.5 billion, an increase of 7.8 percent over the preceding year. The increase in assessed valuation is due mainly to the start up of the Fort Knox Mine, a gold mine that was developed in the Borough at an estimated cost of \$370 million. Real

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## THE BONDS

**Description:** Fairbanks North Star Borough  
\$35,250,000 General Obligation School and Library Bonds  
1997 Series A

**Date:** November 1, 1997

**Denomination:** \$5,000 or multiple thereof

**Maturities:** November 1, 1998 through November 1, 2017 in the amounts shown on the cover of the official statement.

**Interest:** Interest is payable on May 1 and November 1 of each year to the respective dates of maturity, beginning May 1, 1998.

**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 will in turn distribute such payments to the beneficial owners of the Bonds. See "Book-Entry System" following.

**Optional Redemption:** The Bonds maturing on or before November 1, 2007 are not subject to optional redemption prior to maturity. The Bonds maturing on or after November 1, 2008 are subject to redemption at the option of the Borough on any date on or after November 1, 2007, as a whole or in part, from any source of available funds, at a redemption price equal to 100 percent of the principal amount of the Bonds to be prepaid together with a premium (expressed as a percentage of the principal amount of the Bonds to be prepaid), as set forth in the following table, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Premium</u>
November 1, 2007 through October 31, 2009	0.25% per year or portion of a year from date of redemption to date of maturity, but not to exceed 2%
November 1, 2009 and thereafter	None

**Authority for Issuance:** The Bonds comprise \$34,000,000 of \$64,210,129 school bonds authorized by Ordinance 96-009 and approved by Borough voters May 7, 1996 and \$1,250,000 of \$2,000,000 library bonds authorized by Ordinance 95-034 and approved by Borough voters October 3, 1995.

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by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Paying Agent and Registrar or the Borough, subject to any statutory and regulatory requirements as may be in effect from time to time.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the Paying Agent and Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

#### **Approval of Legal Proceedings**

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

#### **Tax Exemption**

General: In the opinion of Preston Gates & Ellis LLP, Anchorage, Alaska, Bond Counsel, interest on the Bonds is excluded from gross income subject to federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), provided there is compliance with the arbitrage requirements of Section 148 of the Code described in this section under the heading "Continuing Requirements."

The Bonds are not private activity bonds and interest on the Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the Bonds is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code as more fully described in this section under the heading "Certain Federal Income Tax Consequences."

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**Social Security and Railroad Retirement Benefits:** The Code also requires recipients of certain Social Security or Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that are exempt from federal income tax.

**Branch Profits Tax:** Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Bonds.

**S Corporations:** Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25 percent of which are passive investment income, which includes interest on tax-exempt obligations, such as the Bonds, may be subject to a tax on excess net passive income.

**Tax Treatment of Original Issue Discount:** The initial offering prices of the 1997 Series A Bonds maturing on November 1, 2009 through 2017 (the "Discount Bonds") are less than the respective amounts payable at maturity. Under existing statutes, regulations, rulings and judicial decisions, the difference between the amount payable at maturity of each Discount Bond and the respective initial offering price at which a substantial amount of such Discount Bonds of the same maturity is sold to the public (the "Offering Price"), to the extent properly allocable to each registered owner of a Discount Bond, constitutes interest on such Discount Bond and is exempt from federal income taxes with respect to such registered owner assuming continuing compliance with the Code as described above. Any excess over such amount is treated as taxable gain upon the sale or exchange of such Discount Bond.

Under Section 1288 of the Code, for purposes of determining the adjusted basis of an owner in a Discount Bond, interest on the Discount Bond is treated as compounding semiannually, on each May 1 and November 1, at a rate sufficient to produce the yield to maturity of the Discount Bond based on the Offering Price thereof, and on a daily, ratable basis for any day between such dates. The adjusted basis is used to determine taxable gain or loss upon disposition (including acceleration, redemption or payment at maturity).

#### **Absence of Litigation**

There is no action, suit, or proceeding of any nature now pending or, to the knowledge of the Borough, threatened to restrain or enjoin the sale, issuance, execution or delivery of the Bonds, or in any way contesting the validity of the Bonds or any proceedings of the Borough taken with respect to the sale or issuance thereof, or the pledge or application of any moneys 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 reservation on fund balance, claim 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.

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## THE CONSTRUCTION PROGRAM

The construction program consists of two parts. \$34 million of the bond proceeds will be used to finance the school project. \$1.25 million of the bond proceeds will be used to finance an addition to and renovation of the Noel Wien Library. Following is a description of each of these projects.

### School Construction Projects

Proceeds of the Bonds, along with existing grant funds, have and will be used to finance various school construction and renovation projects. Table 1 summarizes the status of the school construction and program. The school construction projects consist of the following projects that are funded with proceeds from this bond issue as well as the 1996 Series U Bonds:

New Anne Hopkins Wien Elementary School Construction and Lathrop High School Renovations: Proceeds of the 1993 bond authorization were used to match a \$20 million state grant (70% State/30% Borough), as well as provide the balance of the funding needed to construct a new elementary school and renovate Lathrop High School. The new 600 student, 60,000 square foot elementary school (kindergarten - grade 6) was constructed and opened in the fall of 1995. Renovations of Lathrop High School are currently in progress and are scheduled to be completed in 1997. Reconstruction of the existing spaces and an additional 23,500 square feet of space is being added to Lathrop High School for a total of 224,000 square feet to serve 1,440 students. Upgrade, replacement, reconstruction, or addition of major heating/ventilation/air conditioning, electrical, architectural, communications, physical education and teaching facilities will be made to extend the school's life and provide educational facilities suitable for well into the 21st century.

A portion of the Lathrop High School renovation project is not required as matching grant funds. This non-grant portion of the project financing, \$3,748,571, is eligible for 70 percent state school debt reimbursement.

1996 School Facilities Construction Projects: \$4 million of bonds that were issued in 1996 were used to finance the initial design and construction of the 1996 School Facilities Projects, which were approved by the voters in 1996. \$34 million of these Bonds will be used to continue these various construction projects. This project financing is for an estimated 13 to 15 month period. Designs for the new junior high school and addition and renovations to West Valley High School began in the summer of 1997, with construction scheduled to begin in April, 1998. Design of the addition and renovation of North Pole Elementary School began in the summer of 1996, with project construction expected to begin in the spring of 1999. Design of the remainder of the 1996 School Facilities Projects have started or will begin by late fall of 1997. Construction of these projects have begun or will begin in the spring of 1998 and continue through the summer of 2000. Descriptions of the 1996 School Facilities Construction Projects follow:

### *Elementary Schools*

- **North Pole Elementary School Renovations and Addition:** consists of planning, design, and renovations to the existing facility, removal of the existing annex and replacement of 6,360 square feet of space to remedy existing Uniform Building Code violations.

**TABLE 1 ■ Fairbanks North Star Borough  
Library and School Construction Program  
Cash Flow from Bond Proceeds and Other Project Funds (\$000)**

Project	Expenditures			
	Project Budgets	Actuals Through 6/97	Estimated Through 12/31/98	1999 Through Completion
Noel Wien Library Expansion	\$ 4,250.0	\$ 0	\$4,250.0	\$ 0
<b>Elementary Schools</b>				
North Pole Elementary School Renovations and Addition	8,081.2	348.5	3,635.2	4,097.5
Badger Elementary School Heating and Ventilation Systems Renovations	1,000.0	70.5	893.9	35.6
Hunter Elementary School Renovations and Addition	4,695.2	0	572.8	4,122.4
Salcha Elementary and Two Rivers Elementary Renovations	395.3	122.5	218.4	54.4
Denali Elementary School Renovations	750.0	359.0	391.0	0
Nordale Elementary School Renovations	750.0	206.2	543.8	0
Anne Hopkins Wien Elementary School Construction	12,083.0	12,083.0	0	0
<b>Junior High Schools</b>				
Ryan Junior High School Renovations	1,505.0	484.4	903.9	116.7
New Junior High School	16,506.3	820.4	8,986.6	6,699.3
<b>High Schools</b>				
Lathrop High School Renovations	22,350.3	15,441.4	6,565.9	343.0
West Valley High School Renovations and Addition	32,870.2	1,135.8	16,935.8	14,798.6
<b>Districtwide Schools</b>				
Technology and Electrical Upgrades	2,250.0	30.6	1,296.6	922.8
Sub Total: School Expenditures	<u>103,236.5</u>	<u>31,102.3</u>	<u>40,943.9</u>	<u>31,190.3</u>
Total Library & School Construction Expenditures	<u>107,486.5</u>	<u>31,102.3</u>	<u>45,193.9</u>	<u>31,190.3</u>
<b>Project Financing</b>				
Grant and Interest Funds Anticipated	26,606.1	22,113.3	822.8	3,669.9
Local Funding	3,100.3	0	2,929.2	171.1
Bonds Issued	<u>77,780.1</u>	<u>16,320.0</u>	<u>35,250.0</u>	<u>26,210.1</u>
Financing Totals	<u>\$107,486.5</u>	<u>\$38,433.3</u>	<u>\$ 39,002.0</u>	<u>\$30,051.2</u>

Source: Fairbanks North Star Borough

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To qualify for state reimbursement of debt service, school construction projects must be approved by the state Department of Education prior to bond authorization or construction. The local agency must submit the school design, schematics, and contract documents to the state for approval. The state and local school officials must agree on design, enrollment, and distribution of space in the school to the various required uses. The state uses overall space guidelines of 100 square feet per secondary student.

For the Borough to obtain reimbursement, the school district must file an annual claim with the state Commissioner of Education. Claims must be supported by a certified audit report of the school district, including applicable Borough school construction accounts, prepared in accordance with state regulations, or by a statement from the paying agent of amounts paid by the Borough in the current fiscal year.

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 and are expected to be 100 percent of entitlement in 1997/98.

Table 2 shows total statewide entitlements and actual state aid payments reported by the Alaska Department of Education since 1983/84. The allocations received by the Borough pursuant to these programs and available for debt service on school bonds since 1983/84 are shown in Table 3.

#### **Borough Reimbursement Entitlement**

On June 30, 1997 the Borough had four issues of outstanding school bonds eligible for state reimbursement, excluding the Bonds currently being offered. Table 4 shows the outstanding principal balance as of November 1, 1997, the final payment date, and the reimbursement eligibility for each series. Series 1976K was paid in full on August 1, 1996 and is, therefore, not shown as outstanding. The State reimbursement program at the time of issuance of Series 1976K provided for reimbursement on a two-year lag basis. Therefore, state reimbursement on the debt service for Series 1976K will be received through 1998/99.

Table 5 summarizes the total annual debt service on outstanding bonds, the reimbursement entitlement, and the net local expense through final maturity of all the bonds. Table 5 is presented on a cash flow basis, to project the net local cost to the Borough's taxpayers each year.

**TABLE 4 ■ Fairbanks North Star Borough  
Outstanding Bonds as of November 1, 1997**

Series	Outstanding Balance	Final Payment	Reimbursements Eligibility Percentage
1988R	\$1,350,000	3/1/98	80%
1988 Refunding	7,380,000	6/1/00	90
1993S Refunding	38,255,000	3/1/08	80 to 90
1996U <sup>(1)</sup>	15,875,000	11/1/16	70
1997A <sup>(2)</sup>	34,000,000	11/1/17	70

<sup>(1)</sup> Portions of Series 1996U Bonds are being used for local match requirements to state grants and are ineligible for reimbursement under the state's school construction reimbursement program. Eligible portions are reimbursed at 70%.

<sup>(2)</sup> The total 1997 bond issue of \$35.25 million includes \$1.25 million of Library Expansion Bonds that are ineligible for reimbursement under the state's school construction reimbursement program. The school portion is eligible for reimbursement at 70%.

Source: Fairbanks North Star Borough

**TABLE 5 ■ Fairbanks North Star Borough  
Reimbursement for Entitlement  
November 1, 1997**

Fiscal Year	Debt Service			Reimbursement Entitlement	Borough Expense	
	Actual	1997 Series A	Total		Net Expense	Percentage of Total Current Debt Service
1997/98	\$9,547,073	\$930,844	\$10,477,917	\$8,572,971	\$1,904,946	18.18%
1998/99	9,518,330	2,692,563	12,210,893	9,677,238	2,533,654	20.75%
1999/00	9,559,618	2,750,281	12,309,899	8,988,227	3,321,672	26.98%
2000/01	6,716,923	2,749,625	9,466,548	6,442,717	3,023,831	31.94%
2001/02	6,742,963	2,791,875	9,534,838	6,503,571	3,031,267	31.79%
2002/03	6,746,588	2,780,000	9,526,588	6,511,216	3,015,372	31.65%
2003/04	6,807,598	2,814,000	9,621,598	6,593,017	3,028,580	31.48%
2004/05	6,600,563	2,840,813	9,441,375	6,653,305	2,788,070	29.53%
2005/06	6,624,723	2,903,250	9,527,973	6,729,363	2,798,609	29.37%
2006/07	4,441,950	2,902,500	7,344,450	4,910,290	2,434,160	33.14%
2007/08	4,476,300	2,895,250	7,371,550	4,939,889	2,431,661	32.99%
2008/09	1,284,375	2,895,000	4,179,375	2,381,504	1,797,871	43.02%
2009/10	1,291,875	2,902,500	4,194,375	2,389,061	1,805,314	43.04%
2010/11	1,296,875	2,905,000	4,201,875	2,392,410	1,809,465	43.06%
2011/12	1,323,750	2,902,500	4,226,250	2,399,654	1,826,596	43.22%
2012/13	1,322,500	2,895,000	4,217,500	2,394,175	1,823,325	43.23%
2013/14	1,343,125	2,931,250	4,274,375	2,425,505	1,848,870	43.25%
2014/15	1,335,625	2,911,250	4,246,875	2,409,509	1,837,366	43.26%
2015/16	1,374,375	2,837,500	4,211,875	2,372,593	1,839,282	43.67%
2016/17	1,383,750	2,907,500	4,291,250	2,422,971	1,868,279	43.54%
2017/18	-	2,870,000	2,870,000	1,937,759	932,241	32.48%
	\$89,738,876	\$58,008,500	\$147,747,376	\$100,046,945	\$47,700,430	

Source: Fairbanks North Star Borough

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## THE SCHOOL DISTRICT

### **Organization**

The Fairbanks North Star Borough School District operates a public school system under a seven-member elected school board pursuant to Alaska Statutes, Title 29.35.160. The board also includes, as appointed non-voting members, a base representative from Eielson Air Force Base, a post representative from Fort Wainwright Army Base, 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 curriculum and instruction, secondary curriculum and instruction, business and finance, and twelve departmental directors.

### **Responsibilities**

The school board oversees the curricular and administrative functions of twenty-eight schools currently operating within the district. Four schools are located on Fort Wainwright and Eielson Air Force Base, and are funded and operated through a contract with the federal government. The other twenty-four schools are located throughout the Fairbanks North Star Borough and are operated with a combination of local, state, and federal funds.

### **Relation to the Borough**

State statute requires that the school district present its budget request to the Borough assembly by April 1st. Within 30 days, the assembly must specify the level of local funding it will grant to the school district. The Borough must appropriate local school funds by May 31st of each year. State statute also requires that the school district submit its budget to the Commissioner of the State Department of Education by July 15th.

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. 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.

### **Enrollment and Facilities**

Table 6 shows public school enrollments for the last five years. Enrollments include students at both in-town schools and on-base schools. Enrollments have increased at an average annual rate of 0.8 percent since 1992/93, adding a total of 693 new students. Total enrollment has grown about 4.4 percent since 1992/93.

The school district operates sixteen elementary and eight secondary in-town schools, three elementary and one secondary on-base schools, plus correspondence study at both the elementary and secondary levels. Since September 1991, the Borough has opened four new schools and closed five. The school district employs about 1,551 people, including 1,009 teachers and principals, 44 building administrators, and 498 support staff.

**TABLE 7 ■ Fairbanks North Star Borough School District  
Operating Fund Revenues and Expenditures**

	1992/93	1993/94	1994/95	1995/96	1996/97
<b>Revenues</b>					
Borough appropriation	\$ 24,000,000	\$25,000,000	\$25,380,000	\$26,280,000	\$26,830,000
Local sources	267,771	263,490	241,059	282,367	427,026
State sources	62,235,556	64,506,121	64,143,260	67,211,303	68,226,889
Federal pass-through	18,854,596	9,511,561	7,887,872	6,685,519	5,862,783
Federal sources	<u>194,184</u>	<u>129,456</u>	<u>157,807</u>	<u>262,937</u>	<u>54,830</u>
Total revenues	<u>105,552,107</u>	<u>99,410,628</u>	<u>97,809,998</u>	<u>100,722,126</u>	<u>101,401,528</u>
<b>Expenditures</b>					
Instruction	61,235,026	63,788,926	65,057,198	65,849,692	67,623,843
Supporting services	17,461,889	18,313,455	18,001,956	17,966,783	19,098,797
Operation and maintenance	13,028,431	13,874,298	14,218,917	13,934,113	14,296,735
Pupil activities	1,267,463	1,273,683	1,432,353	1,329,670	1,376,616
Transfers to other funds	566,660	244,254	798,716	929,572	862,524
Debt retirement	<u>168,367</u>	<u>274,571</u>	<u>151,646</u>	<u>151,646</u>	<u>151,646</u>
Total expenditures	<u>\$93,727,836</u>	<u>\$97,769,187</u>	<u>\$99,660,786</u>	<u>\$100,161,476</u>	<u>\$103,410,161</u>

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

**TABLE 8 ■ Fairbanks North Star Borough School District  
1997/98 Operating Fund Budget**

<b>Revenues</b>	
Borough appropriation	\$ 27,680,000
Local sources	350,000
State sources	68,719,481
Federal pass-through	6,710,519
Federal sources	100,000
Fund balance utilization	<u>1,450,000</u>
Total revenues	<u>105,010,000</u>
<b>Expenditures</b>	
Instruction	68,552,385
Supporting services	19,593,544
Operation and maintenance	14,121,045
Pupil activities	1,478,666
Transfers to other funds	<u>1,264,360</u>
Total expenditures	<u>\$105,010,000</u>

Source: Fairbanks North Star Borough School District

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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; parking; roads; and telephone, power, water, and sewer services. In North Pole, they include police and fire protection, roads, and water and sewer services.

The Borough may also establish service areas outside the first-class cities upon petition by property owners, and with 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 of the service areas is the responsibility of the division of rural services, a division within the direct services department of the Borough. There are currently 111 active and separate road, fire protection, and miscellaneous service areas created within the Borough. Service area budgets and tax levies are approved by the assembly.

#### **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 the local effort for education as well as provides the equipment and facilities, and the school board has the management and operational responsibility for education function within the district. The Borough and school district each have their own administrative and finance departments. The Borough's public works department manages the construction and major maintenance of school district facilities.

By April 1st of each year, the school district adopts its budget and submits it to the assembly. One revenue source in the school district budget is a lump-sum Borough appropriation. The Assembly is required to determine the local effort by May 1st. Then the assembly holds hearings on its budget and determines its appropriation for education, as part of the Borough's 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's 1997/98 local contribution appropriation to the school district is \$27.68 million.

The Borough assembly also approves the borrowing of funds and the issuance of bonds for school projects. Debt incurred for the construction of school district 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 Borough school district through school district, state, and U.S. Department of Education agreements. Ownership of the on-base schools is being individually transferred to the Borough as new on-base schools are constructed or existing schools renovated to Borough standards with State and federal construction funds.

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- **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. The Borough uses enterprise funds to account for its transportation operations, its land management program, and the operation of the John A. Carlson Community Activity Center.

The Borough's fiduciary funds include:

- **Expendable Trust Fund:** Accounts for donations received and revenues earned on those donations, plus the expenditures of both those resources. The Borough has one trust fund to account for its 15 percent beneficiary interest in two trust funds (the "Bentley Trust"). The fund is restricted for use by the Library.
- **Agency Funds:** Account for assets held for other organizations, other governmental units, and the employee deferred compensation plan. These funds are custodial in nature.

The Borough also maintains records for fixed assets and long-term liabilities, which are not funds but account groups, and which are concerned only with the measurement of financial position.

### **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 1st 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 31st. Every year since 1989/90, the Borough has been awarded the Distinguished Budget Award Presentation for its annual budget document from the GFOA. In order to receive this award from GFOA, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

### **Fiscal Policies**

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

#### ***Operating Budget Policies***

- All general government current operating expenditures are to be paid from current and from excess revenues. The Borough will avoid budgetary and accounting procedures which balance the current budget at the expense of meeting future years' obligations. The use of one-time revenues for ongoing operations will not be encouraged.
- All budgetary procedures will conform with existing state law and the Borough Code.

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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.

- When the Borough obtains debt financing on behalf of or benefiting a third party, 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. The Borough may charge a debt issuance fee for administrative time required in preparation of the issuance, in addition to the costs of issuance.

### **General Fund Financial Information**

Table 9 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 property taxes, totaling almost \$42 million in 1996/97 and accounting for 69.9 percent of general fund revenue.

On January 1, 1993, the Borough implemented an eight percent hotel/motel room tax. The Borough collects hotel/motel taxes only outside the city of Fairbanks, which levies its own tax. The principal function of the tax is to offset the general fund subsidy to the John A. Carlson Community Activity Center.

State reimbursement for school construction amounted to \$7.5 million, or 12.6 percent of general fund revenue. The state's reimbursement for school construction is discussed elsewhere in this official statement, under the heading "State Aid to Education." Other state assistance and subventions amounted to \$3.3 million, or 5.5 percent of general fund revenue.

In 1996/97, total expenditures were \$20.0 million, an increase of 7.8 percent from 1995/96. The increase is largely attributable to a rise in the Borough's employee benefits, particularly health care. The Borough reached its excess insurance limits for employee and dependent medical coverage during 1996/97, in both the specific and aggregate stop loss policies. The general fund's contributions to education, debt service, and other funds amounted to \$26.8, \$9.0, and \$3.6 million, respectively. The general fund's 1996/97 contribution to the capital projects fund decreased \$2.8 million from 1995/96. The decrease resulted from the 1995/96 purchase of the Borough's warehouse/facilities maintenance building (which had been previously leased) for \$600,000 and from a 1995/96 contribution of \$1.75 million toward the library construction project, which is more fully described in the section "The Construction Program."

Table 10 summarizes the 1997/98 general fund budget. The Borough's general fund budget totals \$63.12 million. Property taxes, the largest revenue source, account for 69.9 percent of budgeted general fund revenues. Various categories of state aid, of which school construction reimbursement is the largest, make up another 18.0 percent of general fund revenues. The Borough has budgeted operating expenditures of \$20.6 million. The balance of general fund expenditures consist of contributions to other funds. The contribution to education, at \$27.68 million, equals 43.9 percent of the total general fund budget.

**TABLE 10 ■ Fairbanks North Star Borough  
1997/98 Approved General Fund Budget**

<b>Revenue Sources</b>	
Taxes	\$44,422,490
Intergovernmental revenues	11,601,150
Charges for services	1,202,140
Charges to school district	961,980
Other revenues	<u>4,930,860</u>
Total revenue	63,118,620
<b>Expenditures and Other Financing Uses</b>	
General government	9,131,570
Community planning	968,940
Public works	3,466,750
Direct services	1,080,450
Parks and recreation	3,394,480
Library	<u>2,563,780</u>
Total operating expenditures	20,605,970
<b>Contributions to Other Funds</b>	
Operating transfers out	14,832,650
Operating transfer to school district	<u>27,680,000</u>
Total other financing uses	<u>42,512,650</u>
Total expenditures and other financing uses	\$63,118,620

Source: Fairbanks North Star Borough

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### **Bonded Indebtedness**

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 all general obligation debt must be approved by the voters.

Table 12 shows the Borough's outstanding bonded debt as of November 1, 1997, including the Bonds. All Borough outstanding bonds, except Series 1994T, and \$1.25 million of these bonds have been issued for school construction. Series 1994T was issued in the amount of \$2 million for solid waste transfer stations.

As of November 1, 1997, school-related debt, including the Bonds, is \$96,860,000, \$1,250,000 of the new Bonds is for expansion of the borough library, and solid waste-related debt is \$1,485,000. Table 12 also shows direct and total Borough debt in relation to the Borough's assessed valuation and population. Table 5, 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 historically paid all bond interest and principal promptly when due.

Tables 5 and 12 also display the effect of state reimbursement of 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 34 percent of its total annual debt service through 2007/08, and will increase beyond that time to a little over 43 percent in the final years that the 1996 and 1997 Bond issues are outstanding. As Table 12 shows, about \$67.87 million of the Borough's direct debt of \$99.59 million (68.2 percent) is eligible for state reimbursement.

The Borough will have \$26.2 million of authorized, but unissued, bonds after the sale of the Bonds. The Borough expects to issue the balance of the authorized school bonds in late 1998. The remaining balance of \$750,000 of the authorized Library bonds has been canceled.

Table 13 summarizes the debt service fund revenues, expenditures, and changes in fund balance (deficit) for the past five fiscal years. State-funded reimbursements for school construction, received through the general fund, comprise most of the operating transfers in. Operating transfers from both the general fund and the non-areawide fund (for Series 1994T) accounted for 93 percent of the dollars coming into the debt service fund in 1996/97. In the prior years, approximately 96 percent came from operating transfers in. Intergovernmental revenues are a state-shared cigarette tax. Two years after its receipt, the amount of the tax is used to offset the state aid for school construction reimbursement. Interest earnings on most bond proceeds are used to fund debt service and are included in other revenues.

### **Operating Leases**

The Borough has operating lease for the land on which West Valley High School is located. The Borough has paid the one-time lease payment to the University of Alaska for an extension of the West Valley lease to the year 2043.

**TABLE 13 ■ Fairbanks North Star Borough  
Debt Service Fund Revenues, Expenditures, and  
Changes in Fund Balance (Deficit)**

	1992/93	1993/94	1994/95	1995/96	1996/97
<b>Revenues</b>					
Intergovernmental revenues	\$ 376,592	\$ 376,249	\$ 362,401	\$ 356,099	\$ 365,259
Other revenues	<u>1,399</u>	<u>14,929</u>	<u>30,289</u>	<u>53,058</u>	<u>288,366</u>
Total revenues	377,991	391,178	392,690	409,157	653,625
<b>Expenditures</b>					
Principal retirement of bonds	8,015,000	9,630,000	8,135,000	5,760,000	6,025,000
Interest and fiscal agent fees	<u>6,686,124</u>	<u>4,257,667</u>	<u>4,150,332</u>	<u>3,588,417</u>	<u>3,593,127</u>
Total expenditures	14,701,124	13,887,667	12,285,332	9,348,417	9,618,127
Deficiency of revenues over expenditures	(14,323,133)	(13,496,489)	(11,892,642)	(8,939,260)	(8,964,502)
<b>Other financing sources (uses)</b>					
Operating transfers in	14,092,937	13,703,210	11,868,270	8,841,470	9,234,270
Bond proceeds	0	72	0	0	0
Proceeds of refunding bonds	42,064,556	0	0	0	0
Payment to refunded bond escrow agent	<u>(41,732,146)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	14,425,347	13,703,282	11,868,270	8,841,470	9,234,270
Excess (deficiency) of revenues and other sources over expenditures and other uses	102,241	206,793	(24,372)	(97,790)	269,768
Fund balance (deficit), July 1	(42,666)	59,548	266,341	241,969	144,179
Fund balance (deficit), June 30	\$ 59,548	\$ 266,341	\$ 241,969	\$ 144,179	\$ 413,947

Source: General Purpose Financial Statements of the Borough.

### Assessed Valuations and Property Taxes

Under State law, property is required to be assessed at 100 percent of its true market value as of January 1 of each year, with minor exceptions. Taxable real property within the Borough, except oil and gas pipeline-related property, is assessed by the Borough assessor. Oil and gas pipeline-related property is assessed by the State, but is subject to the property tax levied by the Borough. The Borough exempts from its property tax certain optional exempt real properties and all personal property. For 1997, these optional exemptions amounted to \$171.9 million for real property and \$664.7 million for personal property. The assessed value of taxed real property in the Borough for 1997 is \$3,265.3 million. The Borough assessor has determined that the ratio of assessed value to sales for 1997 is 94.6 percent, producing a total actual value of all taxed property, including oil and gas pipeline-related property, in the Borough of \$3,434.6 million. In January, 1999, \$49.6 million of optionally exempt military housing will be added back into the taxed assessed valuation of the Borough as a result of the expiration of a five year tax exemption.

**TABLE 15 ■ Fairbanks North Star Borough  
Largest Commercial/Industrial Taxpayers, 1997**

Taxpayer	Type of Property	Assessed Valuation (000)	Percentage of Total Assessed Valuation
Alyeska Pipeline	oil transportation	\$300,004	8.48%
Fairbanks Gold Mining, Inc.	Mining	263,600	7.45
MAPCO Petroleum, Inc.	oil refining	102,902	2.90
North Star Alaska	military housing	32,541	0.92
Fred Meyers of Alaska	shopping center	17,416	0.49
Polar Star	military housing	16,046	0.45
Alaska Hotel Properties, Inc. (Princess)	hotel	15,494	0.44
Walmart (Sam's Club)	shopping center	13,572	0.38
Dura Corporation	military housing	13,426	0.38
Jillian Square/Mutual Life	apartments	12,259	0.35

Source: Fairbanks North Star Borough

Table 16 shows the tax rates levied by the Borough and its two cities for the last ten years. The Borough's 1997 tax rate per \$1 of assessed valuation is 13.39 mills areawide. Table 16 also shows the total 1997 tax rates in areas outside the cities. An additional 0.552 mills is levied on property outside the cities for ambulance service, economic development, and debt service on solid waste bonds; and 1.159 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 5.966 mills in Fairbanks and 2.300 mills in North Pole. Table 17 shows total tax rates in the cities and outside, exclusive of service area taxes.

**TABLE 16 ■ Fairbanks North Star Borough  
Ad Valorem Tax Rate History (mills per \$1,000 assessed valuation)**

Tax Year	Borough	Non-Areawide <sup>(1)</sup>	Solid Waste Collection <sup>(2)</sup>	City of Fairbanks	City of North Pole
1988	11.178	1.065		2.800	2.000
1989	11.756	0.995		7.000	2.000
1990	12.278	1.126		4.310	2.000
1991	13.112	0.400	0.738	4.967	2.000
1992	14.061	0.424	1.050	5.152	2.000
1993	14.377	0.438	1.088	5.393	2.000
1994	14.340	0.620	1.145	4.803	2.350
1995	13.777	0.594	1.158	5.055	2.350
1996	13.495	0.542	1.136	4.964	2.300
1997	13.390	0.552	1.159	5.966	2.300

<sup>(1)</sup> Non-areawide services are provided outside the cities of Fairbanks and North Pole. Rates do not include levies for service area purposes. Prior to 1991, non-areawide functions included ambulance service, solid waste collection, and economic development. After 1990, it included ambulance service and economic development. Beginning in 1994, it also included debt service on the solid waste transfer station bonds.

<sup>(2)</sup> The Solid Waste Collection District was established in 1991/92 for the area outside the City of Fairbanks.

Source: Fairbanks North Star Borough

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### **Tax Limitation**

At the October 1987 regular election, Borough voters approved a tax cap proposition. 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 31st of each year. This measure limits the amount of taxes which the Borough can levy to the prior year's tax levy with certain permitted adjustments. The prior year's total taxes levied can be increased to:

- pay debt service on bonds;
- adjust for increases due to inflation;
- 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 tax limit took effect in the 1988 tax year. Every subsequent year, the Borough areawide levy has been substantially below the tax limitation.

### **Investments and Investment Practices**

The Borough invests its ending daily cash balance in accordance with an overnight repurchase agreement with Key Bank Alaska, which normally results in a zero bank balance. Key Bank charges fees to cover the costs of the Borough's banking services. The overnight repurchase agreement is collateralized by securities held in the Borough's name by the Borough's custodial bank, Bank of New York.

Cash in excess of the Borough's daily liquidity requirements is invested either in the money market funds, the Alaska Municipal League Investment Pool, or in direct ownership of United States government securities.

Fairbanks North Star Borough Code 3.04 specifies the following authorized investments and maximum maturity schedule:

1. U.S. Treasuries - 3 years;
2. other obligations of the U.S. Government or its agencies and instrumentalities - 3 years;
3. repurchase agreements of securities specified in 1) and 2) above, subject to qualification of the financial institution and specified margin requirements - 5 years;
4. collateralized certificates of deposits and other deposits - 3 years;
5. bank deposits insured by FDIC or FSLIC - 3 years;
6. bonds or notes of any state or political subdivision thereof, rated A or higher - 3 years;
7. prime commercial paper graded A1/P1 or higher - 270 days;
8. prime bankers acceptances of the fifty largest international banks - 180 days;
9. money market mutual funds consisting entirely of instruments specified in 1), 2), and 3) above - maturity date not applicable; and
10. the Alaska Municipal League Investment Pool, Inc., created in accordance with Alaska Statutes 37.23.020.

The Borough's Code also establishes an Investment Advisory Committee, composed of at least five members. Members are neither elected officials, nor employees of the Borough, and serve three-year terms. Neither Investment Advisory Committee members nor members of their immediate families, may be an officer, director, employee, or have a substantial financial interest in any financial institution listed on the Borough's qualified bidders list.

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### **Municipal Solid Waste Landfill**

The Borough's solid waste disposal activities, including the operation of the landfill, are accounted for in a special revenue fund.

State and federal laws and regulations require that the Borough place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the site for thirty years after closure. The Borough is also required to demonstrate financial responsibility for closure and post-closure care by meeting the requirements of a specially designed local government financial test which includes a financial component, a public notice component, and a record keeping component. The Borough is in compliance with these requirements at June 30, 1997.

At June 30, 1997, the landfill is at 80 percent capacity. Additional cells will be opened, beginning in 1999, to extend the life of the landfill to 2018. The percentage of the total projected costs is reflected as a liability in the Borough's general long-term debt account group. While not required by state or federal regulations, the Borough established a special revenue fund in September 1994 to accumulate funds for closure and postclosure care costs. At June 30, 1997, the Borough had net accumulations of \$1,263,880. In addition, another \$440,000 was contributed on July 1, 1997.

### **Retirement Plans**

Substantially all employees of the Borough and of the school district are either members of the Alaska Public Employees Retirement System (PERS) or the Alaska Teachers' Retirement System (TRS). Both plans are subject to regular actuarial reviews.

PERS is a defined benefit, agent, multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions within the state. Employees contribute 6.75 percent of their eligible compensation and employers are required to contribute remaining amounts necessary to fund the plan using the actuarial basis specified by the State Retirement Board. The Borough currently has a funding surplus and hence, has a required contribution rate of zero percent. However, in order to even out future contributions, the Borough is voluntarily contributing 2.12 percent of eligible compensation. The school district's mandatory employer rate is 6.19 percent of eligible compensation.

The Alaska Teachers' Retirement System is a defined benefit, cost-sharing, multiple-employer retirement system created and administered by the State of Alaska to provide benefits for certified teachers. Covered employees are required to contribute 8.65 percent of their base salary and the school district's mandatory contribution rate is 12 percent.

Post employment health care benefits are provided by both systems. Through PERS and TRS, these benefits are advance funded, on an actuarially determined basis with all other benefits.

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## Cities

**Fairbanks:** The City of Fairbanks, with a 1996 population of 31,633, is the largest in the Borough and the second largest in the state, after Anchorage. The city's population has increased about 44 percent since 1980, and about 6 percent since 1990. Fairbanks is located at the confluence of the Chena and Tanana Rivers and has long served as the trade, transportation, government, education, finance, services, and information center for the Alaskan Interior and the North Slope. Fairbanks was named after Indiana Senator Charles W. Fairbanks.

The city was founded in 1901, when a trader named E. T. Barnette became stranded with his riverboat in the shallow waters of the Chena River where the Cushman Street bridge stands today. The same year, a prospector named Felix Pedro struck gold 26 miles north of Fairbanks and the gold rush of 1903-04 was on.

Barnette's friend, Judge Wickersham, moved the headquarters of the Third Judicial District from Eagle to Fairbanks in 1903, a move that made Fairbanks the governmental and judicial administrative center for the Interior. In 1917, the University of Alaska, a land- and sea-grant college, was established in Fairbanks. It received students in 1922 and grew to be one of the mainstays of the local economy.

Fairbanks serves as a service center for Interior Alaska. It is a transfer point for materials going north by rail to the terminus at Fairbanks and continuing on to the North Slope over the Dalton Highway. The urbanized area of Fairbanks covers about ten and one-half square miles.

The City of Fairbanks, a first-class, home rule city within the Borough, had a change in the form of its government, from the city-manager form to the elected-mayor form with the October 1995 election. Since 1986, the City has been steadily recovering from the impact of post-pipeline declines. The City's charter, through charter amendments, limits all taxes (property, hotel/motel, alcoholic beverage, and tobacco distribution taxes). Although revenue levels are remaining relatively constant from year to year, the City has been able to maintain past service levels to the citizens.

After an in-depth independent study regarding the City's utilities and recognizing the limitations of the council to respond to fast-paced utility market conditions, a decision to accept bids for the sale of the utilities was made. This has resulted in the acceptance of a proposal for the sale of the utilities. Privatization of the City utilities (MUS) was approved by city voters in October, 1996. The effective date of the MUS sale will depend on approval by the Alaska public Utility Commission and on the communications' licensing transfer process.

**North Pole:** North Pole is located 14 miles southeast of Fairbanks, and is the only other incorporated city in the Borough. Its 1996 population of 1,523 has increased about 13 percent since 1990. The city's major industry is the MAPCO Petroleum refinery, which produces heating oil, jet fuel, and gasoline from North Slope crude oil.

Economic Analysis, which includes all possible sources of income of persons. Beginning in 1995, EBI is based on "money income," provided by the Census Bureau. Money income does not include certain sources, such as pay-in-kind income, lump-sum payments such as bonuses, interest and rent from property, and some proprietor's income and transfer payments. Overall, personal income is greater than money income by about 11 percent, and over the past few years the difference has been as high as 14 percent.

**Table 20 ■ Median Household Effective Buying Income**

Year	Fairbanks North Star Borough	State of Alaska	United States
1990	\$35,548	\$34,130	\$27,912
1991	36,329	43,676	32,073
1992	38,993	44,022	33,178
1993	42,108	47,318	35,056
1994	44,207	50,132	37,070
1995*	37,787	41,675	32,238

\* Data for 1995 is not comparable to previous years due to a change in the definition of income.  
Source: *Sales & Marketing Management* magazine, Survey of Buying Power.

### Employment

Table 21 shows a five-year history of civilian employment by industry type. The Alaska Department of Labor estimates average 1996 employment at 31,850, an increase of 450 jobs from the previous year. New jobs of 750 and 875 are projected for 1997 and 1998 respectively. Since 1990, employment growth in Fairbanks has averaged 2.2 percent per year. Over the past five years, the Borough has had a steady increase in civilian employment, adding 3,725 new jobs. During the same period, the unemployment rate has been declining.

According to the Alaska Department of Labor, 33 percent of Fairbanksans are employed in government. When military personnel are included that figure rises to 46 percent. Government employment at the federal, state and local level has added 260 new jobs since 1992. The other major sectors of employment are services, at 24 percent of total employment, and trade, at 22 percent.

Employment in the services sector has increased 25 percent since 1992, and is projected to further increase as people moving to Fairbanks broaden the local customer base. The opening of new retail stores and hotels over the past few years have created new retail and service jobs. Commercial construction activities are expected to pick up during 1997 and 1998. In addition to public school, university and military construction, significant projects include, among others, a six-story expansion of the Westmark Hotel, major expansion of the MAPCO Refinery, a headquarters building for the successor company to Pacific Telecom, Inc. (PTI), and a headquarters building for Alyeska Pipeline Service Company. Transportation employment increases, due to the relocation of the Alyeska Pipeline Service Company, are projected to bring 275 jobs to Fairbanks from Anchorage in the next two years. Additionally, the reported move of

380 people. Alyeska Pipeline Service Company announced their plan in March, 1997, to bring 275 families from Anchorage to the Fairbanks area. Fort Knox Gold Mine employs 250 year round employees. Seekins Ford Lincoln Mercury Inc. employs 180 in automobile sales and service.

### Trade

Employment in trade grew from 6,370 jobs in 1991 to 7,000 jobs in 1996, and accounts for about 22 percent of civilian employment. The Borough has five area shopping centers with gross square footage ranging from 97,000 to 166,500 square feet. The retail sector expanded in the first half of the 90's, with the construction of Fred Meyer (196,500 square feet), Sam's Club (161,430 square feet), Sears (114,000 square feet), and K-Mart (163,556 square feet).

Retail sales totaled \$869 million in 1995, according to *Sales & Marketing Management Magazine*. This is an increase of about 4 percent over 1994. Retail sales increased at an average annual rate of 8.7 percent between 1991 and 1995. Table 22 shows retail sales by category from 1991 through 1995.

**Table 22 ■ Fairbanks North Star Borough  
Retail Sales**

	Retail Sales (\$000)				
	1991	1992	1993	1994	1995
Food	\$178,467	\$172,633	\$179,603	\$147,628	\$147,022
Eating & drinking places	74,019	74,437	78,059	78,435	87,778
General merchandise	37,653	51,543	59,316	123,712	110,509
Furniture & appliances	28,258	32,627	41,889	38,632	35,437
Automotive	103,124	132,547	151,493	205,113	218,670
All Other	200,742	217,294	245,183	242,769	269,863
<b>Total</b>	<b>\$622,263</b>	<b>\$681,081</b>	<b>\$755,543</b>	<b>\$836,289</b>	<b>\$869,279</b>

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

### Consumer Price Index

Table 23 compares the Consumer Price Index (CPI-U) for the City of Anchorage to the U.S. city average. To produce the CPI, the U. S. Department of Labor gathers prices in 85 metropolitan areas throughout the country. Anchorage is the only city in Alaska surveyed. Anchorage price trends reflect changes in the cost of living for most Alaskans. Since 1960, inflation has been significantly lower in Anchorage than it has been for the rest of the nation. This is predominantly due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off substantially and inflation has followed suit.

- Geophysical Institute \$30 million expansion on UAF's campus is underway.
- Aurora Motors building for \$3 million completed this summer.
- A new \$2 million resort development on the Chena River was just completed.
- A \$.5 million senior housing project in North Pole is under construction.
- Sears store expansion and upgrades totaling \$5 million is underway.
- Doyon Ltd., the Interior Alaska Native regional corporation, is building a 43,000 square foot office building at a cost of \$15 million to be leased to the Alyeska Pipeline Service Company for its new Fairbanks headquarters.

Major transportation projects are either recently completed, under construction, or will be under construction in the near future which include:

- Geist/Chena Pump interchange project just completed for \$11 million.
- Chena Hot Spring Road Reconstruction project is under construction for \$10 million.
- Old Steese Reconstruction project for \$6 million is scheduled for 1998.
- North Pole, Santa Claus Lane, reconstruction project for \$1.7 million is scheduled for 1998.
- Trainer Gate Road project for \$1.9 million, University Avenue/College Road Intersection for \$2.5 million, and the Chena River bike trail project for \$1 million are scheduled for late 1998 or 1999.
- The Fairbanks International Airport \$9.6 million runway extension will be completed this fall.
- Other public construction projects include \$111 million in capital improvement/major maintenance projects managed by the Borough which are in process or will be completed this year.

The military construction scheduled for Fort Wainwright and Eielson AFB lists projects exceeding \$50 million for the next two years. New housing units and renovations of family housing are the top projects.

The City of Fairbanks Building Official and Associated General Contractors of Alaska Bulletin lists the following miscellaneous projects not previously mentioned:

\$ 743,000	Alaska Petroleum Store/Gas Station
310,000	Tanana Valley Clinic Orthopedic Department Remodel
300,000	Cookie Jar Garden Café Restaurant
3,500,000	College Road Safeway Addition
1,500,000	Office Max
3,200,000	Armory Addition
350,000	Sourdough Fuel Project
<u>300,000</u>	Fairbanks Resource Agency Home Facility
\$9,460,000	Total

### **Oil and Gas Industry**

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. Five years ago, projections were that by the mid 1990s North Slope production would be in serious decline. Following the Governor's recent trips to the headquarters of some of Alaska's largest investors and employers - ARCO, British Petroleum (BP) and Exxon - they announced plans to take advantage of Alaska's

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A recent study by the University of Alaska's Institute of Social and Economic Research shows the petroleum industry is a significant employer in the Fairbanks area. About 495 Fairbanks residents were employed directly in oil and gas production or refining operations in 1994 (employees of vendors and suppliers not included), creating a local payroll of \$38 million..

### **Mining**

Gold was discovered in Fairbanks in 1901. Through 1991, total production in the Fairbanks Mining District is estimated at 8.2 million ounces. The eastern interior region of Alaska -- centered at Fairbanks -- is not only the state's leading gold-producing region, but also holds enormous potential for the discovery and development of new mines.

The state has encouraged minerals exploration in the form of a new exploration tax credit for minerals passed in 1995. The release of the Alaska Division of Geological and Geophysical Survey's report of airborne magnetic and electromagnetic survey stimulated the filing of several hundred new claims and prospecting sites within the Borough.

Alaska's mineral mining industry is undergoing an employment revival. This will be a key element generating new employment opportunities for Alaskans for the rest of the decade. Increased exploration activity in the area of the Fort Knox mine, and in the Circle, Livengood, and Richardson Mining Districts, which are serviced by Fairbanks, has also resulted from the discovery at Fort Knox.

Fort Knox Mine: The Fort Knox gold deposit occurs in a granitic stock north of Gilmore Dome about 15 miles northeast of Fairbanks. The deposit has known reserves of 4.1 million ounces of gold. Construction activity at the Fort Knox mine has been completed and commercial production started in March, 1997. The mine is expected to employ about 250 during its estimated 15 to 20 years of production, stimulate gold mining development, and accelerate other commercial activities. Capital construction costs for the project were \$370 million.

Fort Knox also boasts one of the nation's largest indoor cyanide-leaching mills for such a large, low grade gold deposit. The mine's annual production of 350,000 ounces of gold per year will place it in the middle of the top 10 gold-producing mines in the U.S. Mine managers estimate Fort Knox's annual economic impact in Alaska to be \$76 million, which includes weekly \$300,000 payrolls, monthly million-dollar electric bills and annual property taxes of more than \$2.3 million paid to the Fairbanks North Star Borough.

Those millions are expected to roll through local and state coffers for at least 12 years, the projected life of the mine. But that time frame could be extended as the known 4.1 million-ounce gold deposit likely holds another 2.7 million ounces, according to S. Scott Shellhaas, president of the Englewood, CO.-based Amax Gold that owns Fort Knox.

*Alaska Business Monthly, April 1997, "Fort Knox Pours into the Fairbanks Economy"*

The anticipated electrical power demand of the Fort Knox mine operation was a significant factor in the financial feasibility of the Healy Clean Coal project, described in following text.

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plant will operate in a demonstration mode for 1998 before beginning commercial operation the following year. Once proven, this new technology can be used to retrofit existing coal-fired plants around the world. The project will create additional energy generation to serve Interior Alaska. It will augment the capabilities of the existing power plant which was constructed in 1967, and increase the current capacity of GVEA, whose service area continues to see increased demand. The Fort Knox gold mine added 30 megawatts to GVEA's energy demand, which is approximately 60 percent of the HCCP's 50-megawatt output.

Also, under development is the \$90 million Northern Intertie from Healy to Fairbanks. This line, expected to be completed in 1997, will increase power import capacity into Fairbanks from 95 megawatts to 140 megawatts and will deliver reliable power from the HCCP.

### **Fairbanks Ground Stations**

The Alaska Aerospace Development Corporation (AADC), a public corporation created by the Alaska Legislature to develop aerospace related economic and technical opportunities, is working with private corporations, government agencies, and universities to develop a comprehensive low earth orbit launch complex and full-service satellite ground station facilities. AADC's greatest success appears to be in luring space data firms to Fairbanks. Fairbanks is geographically advantaged in downloading data from satellites in polar orbits. The high north latitude of Fairbanks makes it an ideal location for Polar orbiting satellite ground station operations. The added resource of the University of Alaska Fairbanks, and its Geophysical Institute, provides a significant technical advantage to remote sensing operations. AADC has plans for a \$4 million "spacepark" facility in Fairbanks. Orbital Sciences and Lockheed-Martin are talking with AADC about the project. In the meantime, many companies are preferring to put in their own facilities.

### **University of Alaska**

The University of Alaska Fairbanks (UAF) was established in 1917 as the Alaska Agricultural College and School of Mines. The 2,250-acre campus is located about four miles from downtown Fairbanks. UAF is the flagship of the state university system which includes three accredited campuses. The other two are located in Anchorage and Juneau. UAF is among few universities nationwide with land-, sea-, and space-grant status. The campus is made up of four colleges and five professional schools. UAF is the largest single, non-military employer in the Borough with 3,500 faculty and staff. UAF and its rural campuses in Nome, Dillingham, Kotzebue and Bethel have an enrollment of about 9,250 full- and part-time students. UAF awarded 1,025 degrees in 1997.

UAF's total FY 1998 operating budget is \$254.8 million of which \$83.5 came from State general funds. UAF research attracts approximately \$50 million in federal grants to Alaska. The National Science Foundation continues to rank UAF among the top 100 research institutions in the U.S., making it highly competitive for external research grants.

In 1999 the \$30 million International Arctic Research Center (IARC), an expansion of the Geophysical Institute on UAF's main campus will open. When completed, the IARC will add 80,000 square feet of research and laboratory space to scientists. Nearly 60 percent of the project funding is an investment from the Japanese government. The Institute is one of the few institutes in the country where scientists study a whole spectrum of geophysical processes ranging from the

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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 passenger service between Fairbanks and Anchorage, with a stop at Denali National Park, on a daily basis. Ridership was over 138,000 in 1996.

The railroad's most important role is cargo transportation, primarily coal, fuel, trailer and container shipments, motor vehicles, and heavy equipment. About one-third of the annual coal production from the Usibelli Coal Mine in Healy is shipped north each year by railroad. Gasoline from the MAPCO Refinery in North Pole is shipped south on the railroad. In 1996, freight revenue for the railroad totaled about \$62 million and passenger revenue was \$10 million. Construction of the Fort Knox mine and the HCCP is expected to increase the railroad's freight business for the next three years.

The Alaska Railroad expanded its real estate program with a contract to lease an 80-acre parcel of land in Fairbanks for the new Comfort Inn, an RV park, and a riverfront restaurant. The site is on the north bank of the Chena River. Both the RV park and the hotel have been built and construction on the restaurant has begun.

### **Military**

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. Since 1961, Fort Wainwright has been part of the Yukon Command and the 172nd Infantry Brigade. In 1986, the 6th Infantry Division (Light) was activated and headquarters moved to Fort Wainwright in 1990. The division was inactivated in 1994 and now falls under U.S. Army, Alaska, headquartered at Fort Richardson in Anchorage.

At the end of 1996, 4,585 military personnel and 5,639 family members were stationed at Fort Wainwright. Civilian employment was 1,197 and combined military and civilian payroll was \$183.1 million in 1996. Military and family personnel stationed at Fort Wainwright have increased 16 percent since 1988 with the transfer of additional military personnel comprising a portion of the 6th Infantry Division (Light).

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 regenerated in 1946 and transformed into a large bomber base because of the onset of the Cold War. Eielson is home to the 354th Fighter Wing, 18th Fighter Squadron, 355th Fighter Squadron, 353rd Combat Training Squadron, and the 168th Air Refueling Wing. Under the command of Pacific Air Forces, Eielson's mission is to provide combat-ready forces any time, any place.

At the end of 1996, 2,725 military personnel and 4,477 family members were stationed at Eielson. Civilian employment was 1,365 and combined military and civilian payroll was \$117.5 million in 1996. Military and family personnel at Eielson have decreased about eleven percent since 1988 with the redeployment of a reconnaissance wing.

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## **Community Facilities**

**John A. Carlson Community Activity Center:** The Carlson Center, managed by Ogden Entertainment for the Borough, is the premier entertainment, sports, meeting, and convention facility in the Interior. The center, opened in 1990, is a multi-purpose facility, and easily configures 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.

**Utilities:** Municipal Utilities Systems (MUS), owned by the City of Fairbanks, provides electric, water, telephone, and steam services within the city and to adjacent areas of the Borough. Privatization of the city utilities (MUS) was approved by city voters in October, 1996. The successor company to Pacific Telecom, Inc. will run the telephone utility, Golden Valley Electric Association (GVEA) will purchase and operate the electric utility, a new holding company (Fairbanks Water and Sewer) will run the city water and sewer utility, and Usibelli Coal Mine will purchase and operate the powerhouse and steam heat system. The effective date of the MUS sale will depend on approval by the Alaska Public Utility Commission and on the communications' licensing transfer process.

GVEA, a consumer-owned cooperative, operates electrical service in much of the area outside the city limits, and beyond the Borough's boundaries. GVEA's preliminary power requirement study shows a steady growth pattern for the next 20 years. As of September, this year a 23 percent increase in new service requests have been received. HCCP power plant will augment GVEA's current capacity when it begins commercial operation in 1999. A privately-owned telephone company provides telephone service in parts of the Borough located outside the city and well beyond the Borough's boundaries. Sewer and water facilities in North Pole consist of the city-owned utilities, and individual wells and septic tanks. Privately-owned College Utilities provides water and sewer services in certain areas outside the City of Fairbanks.

**Education:** In addition to the public school system and the University of Alaska, many 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, two satellite operations in outlying school libraries, 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 the northern and south central regions of Alaska. The Noel Wien Library opened in 1977 and the library system had a service population of 69,000 and a circulation of 255,307 items. In 1996/97, the library system had a service population of 82,435 and a circulation of 593,266 items. This busy library provides such services as meeting rooms, public Internet access, CD-ROM databases, programs for all ages, and access to other library catalogs throughout the State.

**Medical Facilities:** Fairbanks Memorial Hospital and Denali Center, with 256 beds, provides sophisticated diagnostic and treatment services, and special and long-term care. Total operating revenue was \$81.7 million in 1996. The hospital employs 1,000, with approximately 800 in full-time employment.



*Above:* A groundbreaking ceremony was held in June, 1997, for the \$4.25 million Noel Wien Library Addition/Renovation project. *Below:* The \$20 million addition and renovation project is scheduled for completion in 1997. Reconstruction of existing space and an additional 23,500 square feet will be added for a total of 224,000 square feet and a student capacity of 1,440.





*Left:* Many of the celebrations throughout the year culminate at the "The First Family" park, downtown Fairbanks, on the Chena River. *Middle:* Located in the Fine Arts Complex, on the University of Alaska Fairbanks Campus, the Charles Davis Concert Hall hosts guests from all over the world and is home to the Fairbanks Symphony Orchestra. The complex also houses the Lee Salisbury Theatre and the Elmer Rasmuson Library. *Bottom:* Phase II of the \$9 million Fairbanks International Airport Runway Expansion will be completed in the Fall of 1997. The project will allow fully loaded, maximum gross takeoff for 747 aircrafts without payload penalties.



*Photo courtesy of the Fairbanks Industrial Development Corporation Airport Marketing*

**APPENDIX A  
CONTINUING DISCLOSURE UNDERTAKING**

In accordance with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 (the "Rule") under the Securities and Exchange Act of 1934, as the same may be amended from time to time (the "Rule"), the Fairbanks North Star Borough (the "Borough") has agreed in Ordinance No. 97-\_\_\_ (the "Bond Ordinance") to provide or cause to be provided each year to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State of Alaska (if one is created) ("SID"), in each case as designated by the Securities and Exchange Commission (the "Commission") in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 1998 for the fiscal year ended June 30, 1997). The Borough agrees as follows:

Undertaking to Provide Ongoing Disclosure.

A. Contract/Undertaking. This agreement constitutes the Borough's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

B. Financial Statements/Operating Data. The Borough agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data (the "Annual Information") for the prior fiscal year (commencing in 1998 for the fiscal year ended June 30, 1997):

1. Annual financial statements showing ending fund balances prepared in accordance with generally accepted accounting principles applicable to governmental entities and generally of the type included in Appendix C of the official statement for the Bonds and titled "General Purpose Financial Statements of the Fairbanks North Star Borough for the Fiscal Year Ended June 30, 1996":

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. Outstanding general obligation debt of the Borough.

Such Annual Information shall be so provided on or before the expiration of seven months after the end of the Borough's fiscal year (which now ends June 30). The Borough may adjust this date if the Borough changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to each then existing NRMSIR and the SID, if any. In lieu of providing the Annual Information, the Borough may cross-reference to other documents provided to the NRMSIRs, the SID, if any, or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

If not provided as part of the Annual Information discussed above, the Borough shall provide the Borough's audited annual financial statement prepared in accordance with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (or its successor) from time to time when and if available, to each then existing NRMSIR and the SID, if any.

financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

F. Bond Owner's Remedies Under This Agreement. The right of any bond owner or beneficial owner of Bonds to enforce the provisions of this agreement shall be limited to a right to obtain specific enforcement of the Borough's obligations hereunder, and any failure by the Borough to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds under the Bond Ordinance. For purposes of this agreement, "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.

DATED: November \_\_, 1997.

Fairbanks North Star Borough

By: \_\_\_\_\_  
William J. Thomas, Chief Financial Officer

**APPENDIX B  
FORM OF BOND OPINION**

November \_\_\_\_, 1997

Fairbanks North Star Borough  
Fairbanks, Alaska

Re: Fairbanks North Star Borough, Alaska  
General Obligation School and Library Bonds, 1997 Series A - \$35,250,000

Ladies and Gentlemen:

We have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the Fairbanks North Star Borough, Alaska (the "Borough"), of its General Obligation School and Library Bonds, 1997 Series A in the aggregate principal amount of \$35,250,000 (the "Bonds"), issued pursuant to Ordinance No. 97-\_\_\_\_\_ of the Assembly of the Borough, passed on September 25, 1997 (the "Bond Ordinance"), for the purpose of providing funds to pay for certain school and library capital projects.

We have also examined all of the executed Bonds and a certified copy of one of the authenticated Bonds of this issue and have found the same to have been executed in the manner required by law.

The Bonds are dated November 1, 1997, are fully registered, are in the denomination of \$5,000 each or any integral multiple of \$5,000, provided no Bond shall represent more than one maturity, bear interest at the rates per annum set forth in the following schedule, payable on May 1, 1998, and semi-annually thereafter on the first days of each succeeding November and May, and mature on November 1 in years and amounts as follows:

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
Nov 1 1998	\$ 850,000	____%	Nov 1 2008	\$1,800,000	____%
1999	950,000	____%	2009	1,900,000	____%
2000	1,000,000	____%	2010	2,000,000	____%
2001	1,100,000	____%	2011	2,100,000	____%
2002	1,150,000	____%	2012	2,200,000	____%
2003	1,250,000	____%	2013	2,350,000	____%
2004	1,350,000	____%	2014	2,450,000	____%
2005	1,500,000	____%	2015	2,500,000	____%
2006	1,600,000	____%	2016	2,700,000	____%
2007	1,700,000	____%	2017	2,800,000	____%

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Bonds.

Sincerely,

PRESTON GATES & ELLIS LLP

By:

Gerald Lee Sharp

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**APPENDIX C**

**GENERAL PURPOSE FINANCIAL STATEMENT  
OF THE FAIRBANKS NORTH STAR BOROUGH, ALASKA  
FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		FAIRBANKS NORTH STAR BOROUGH			REPORTING ENTITY
			Totals (Memorandum Only)			
			Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$93,506	\$	\$	\$50,481,461	\$41,490,201	\$14,717,426	\$65,198,887
4,190,594			4,190,594	3,275,783		4,190,594
249,849			841,435	1,083,178		841,435
			568,960	587,698	173,636	742,596
			715,854	603,145		716,854
			1,281	1,281		1,281
			2,854,551	431,507	3,032,616	5,887,167
					299,718	299,718
			41,629			41,629
21,394			2,262,460	1,916,758	3,522,138	5,784,598
			2,891,023	3,242,906	645,432	3,536,455
			77,944	115,343	146,611	224,555
			1,365,225	1,449,711		1,365,225
	354,949,330		373,661,805	360,990,168	35,746,905	409,408,710
		144,179	144,179	241,969		144,179
		61,105,311	61,105,311	67,002,236	223,791	61,329,102
\$4,555,343	\$354,949,330	\$61,249,490	\$501,204,713	\$482,431,984	\$58,508,273	\$559,712,986

FIDUCIARY FUND TYPE		ACCOUNT GROUPS		FAIRBANKS NORTH STAR BOROUGH			REPORTING ENTITY
				Totals (Memorandum Only)		SCHOOL DISTRICT	
Trust and Agency	General Fixed Assets	General Long-Term Debt	1996	1995			
\$3,518	\$	\$	\$4,330,634	\$3,800,508	\$783,314	\$5,113,948	
			561,988	537,597	132,917	694,905	
			973,544	978,843	926,000	1,899,544	
			1,003,644	1,060,965	2,554,800	3,558,444	
12,492			2,854,551	431,507	3,032,616	5,887,167	
					41,629	41,629	
			299,718	12,982		299,718	
262,631			262,631	328,810		262,631	
			61,952	81,495	2,659	64,611	
			14,193,126	5,715,573	1,543,717	15,736,843	
5,384			5,384	5,384		5,384	
11,139			4,861,562	4,903,072		4,861,562	
					260,000	260,000	
		61,249,490	61,249,490	67,244,205	223,791	61,473,281	
					965,477	965,477	
			396,238	497,844		396,238	
4,190,594			4,190,594	3,275,783		4,190,594	
4,485,758		61,249,490	95,245,056	88,874,568	10,466,920	105,711,976	
	354,949,330		354,949,330	341,393,325	35,746,905	390,696,235	
			25,381,362	26,178,669		25,381,362	
			230,917	187,882		230,917	
			2,357,395	2,359,466		2,357,395	
			25,086,244	4,852,058	951,373	26,037,617	
					7,477,562	7,477,562	
			392,090	553,710	1,750,000	2,142,090	
			1,500,000	1,500,000		1,500,000	
2,224			2,224	631,260		2,224	
					1,120,000	1,120,000	
67,361			(3,939,905)	15,900,946	995,513	(2,944,392)	
69,585	354,949,330		405,959,657	393,557,316	48,041,353	454,001,010	
\$4,555,343	\$354,949,330	\$61,249,490	\$501,204,713	\$482,431,984	\$58,508,273	\$559,712,986	

		FAIRBANKS NORTH STAR BOROUGH				
		Totals (Memorandum Only)			REPORTING ENTITY	
Capital Projects	FIDUCIARY FUND TYPE Expendable Trust	1996	1995	SCHOOL DISTRICT	Total (Memorandum Only)	
\$ 7,952,008	\$	\$46,602,324	\$48,131,487	\$	\$46,602,324	
		24,275,356	34,154,886	87,362,244	111,637,600	
		4,981,532	4,982,050		4,981,532	
		880,111	927,259		880,111	
	140,967	5,274,833	5,008,806	2,111,237	7,386,070	
7,952,008	140,967	82,014,156	93,204,488	89,473,481	171,487,537	
		14,951,742	16,695,969		14,951,742	
				880,111	880,111	
				112,377,268	112,377,268	
		922,198	871,666		922,198	
		7,409,149	6,921,050		7,409,149	
		1,835,051	1,734,819		1,835,051	
		3,049,872	2,953,504		3,049,872	
		2,312,924	2,202,728		2,312,924	
13,298,716		14,090,609	21,539,530	1,414,845	15,505,454	
		5,760,000	8,135,000	146,055	5,906,055	
		3,588,417	4,150,332	5,591	3,594,008	
13,298,716		53,919,962	65,204,598	114,823,870	168,743,832	
(5,346,708)	140,967	28,094,194	27,999,890	(25,350,389)	2,743,805	
4,674,420		14,869,368	20,975,461	1,198,249	16,067,617	
	(750,000)	(17,286,791)	(22,629,991)	26,280,000	26,280,000	
		(26,280,000)	(25,380,000)	(1,198,249)	(18,485,040)	
4,674,420	(750,000)	(28,697,423)	(27,034,530)	26,280,000	(2,417,423)	
(672,288)	(609,033)	(603,229)	965,360	929,611	326,382	
3,299,928	678,618	23,437,974	22,472,614	11,364,837	34,802,811	
		205,908			205,908	
\$2,627,640	\$69,585	\$23,040,653	\$23,437,974	\$12,294,448	\$35,335,101	

SPECIAL REVENUE FUNDS WITH ANNUAL BUDGETS					OTHER SPECIAL REVENUE FUNDS	TOTAL SPECIAL REVENUE FUNDS
Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Actual	Actual
\$6,462,860	\$6,451,725	\$	\$6,451,725	(\$11,135)	\$	\$6,451,725
657,250	656,094		656,094	(1,156)	3,392,223	4,048,317
3,471,400	3,473,660		3,473,660	2,260	340,091	3,813,751
196,088	340,896		340,896	144,808	57,213	408,109
10,787,598	10,922,375		10,922,375	134,777	3,799,527	14,721,902
7,001,268	3,360,145	31,915	3,392,060	3,609,208	3,518,746	6,878,891
99,950	77,175		77,175	22,775		77,175
4,888,440	4,069,336	(42,489)	4,026,847	861,593		4,069,336
878,240	884,045	(472)	883,573	(5,333)		884,045
335,150	60,657	161,094	221,751	113,399	731,236	791,893
13,203,048	8,451,358	150,048	8,601,406	4,601,642	4,249,982	12,701,340
(2,415,450)	2,471,017	(150,048)	2,320,969	4,736,419	(450,455)	2,020,562
(1,163,500)	142,791 (1,183,300)	(109,885)	32,906 (1,183,300)	32,906 (19,800)	1,210,687	1,353,478 (1,183,300)
(1,163,500)	(1,040,509)	(109,885)	(1,150,394)	13,106	1,210,687	170,178
(\$3,578,950)	1,430,508	(\$259,933)	\$1,170,575	\$4,749,525	760,232	2,190,740
	5,652,522				1,867,710	7,520,232
	\$7,083,030				\$2,627,942	\$9,710,972

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FAIRBANKS NORTH STAR BOROUGH  
 Combined Statement of Revenues, Expenses  
 and Changes in Retained Earnings  
 Proprietary Fund Type  
 Years Ended June 30, 1996 and 1995

Exhibit IV  
 .....  
 (Continued)

	Enterprise Funds	
	1996	1995
Loss before operating transfers	(\$2,755,572)	(\$2,181,121)
Operating transfers in	2,432,223	1,654,530
Operating transfer out	(14,800)	
	(338,149)	(526,591)
Net loss		
Add depreciation on fixed assets funded by contributed capital	780,631	737,843
Retained earnings, July 1	2,547,348	2,336,096
Residual equity transfers	(401,518)	
	\$2,588,312	\$2,547,348
Retained earnings, June 30		

See accompanying notes to financial statements.

## FAIRBANKS NORTH STAR BOROUGH

Exhibit V

Combined Statement of Cash Flows  
 Increases (Decreases) in Equity in Central Treasury Cash  
 Proprietary Fund Type  
 Years Ended June 30, 1996 and 1995

(Continued)

	Enterprise Funds	
	1996	1995
<u>Reconciliation of operating loss to net cash used for operating activities</u>		
Operating loss	(\$3,239,861)	(\$2,684,556)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	886,770	835,611
Change in assets and liabilities		
Decrease in inventories [net of non-cash inventory increase (decrease) 1996 - (\$55,457); 1995 - \$347,684]	296,426	12,650
Decrease in receivables	114,990	44,719
Increase (decrease) in accounts payable	(15,917)	1,045
Increase (decrease) in wages and payroll taxes	9,147	(2,559)
Increase (decrease) in accrued annual leave	(6,967)	10,827
Increase (decrease) in accrued self-insurance losses	188,615	(190,094)
Decrease in deposits from others	(4,236)	(56)
Decrease in unrealized gain on land contracts	(101,606)	(9,945)
Total adjustments	1,367,222	702,198
Net cash used for operating activities	(\$1,872,639)	(\$1,982,358)
<u>Noncash investing, capital and financing activities</u>		
Fixed assets contributions	\$73,716	\$64,262

See accompanying notes to financial statements.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statements  
June 30, 1996

1. Summary of significant accounting policies

The Fairbanks North Star Borough (the Borough) was incorporated January 1, 1964 as a Second Class Borough under the provisions of the State of Alaska Borough Act (1963), as amended. The Borough operates under a Mayor-Assembly form of government and has the following powers:

Areawide: assessment and collection of taxes, public schools, planning and zoning, animal control, flood control, hospital (not exercised), library, air pollution control, disaster and civil defense, solid waste disposal (landfill), parks and recreation, transportation system, child care assistance, health and social services (limited), and housing financing. These services are provided throughout the entire Borough.

Non-areawide: fireworks control, emergency medical services, economic development, and debt service for solid waste transfer station bonds. These activities service the area of the Borough outside the two cities of Fairbanks and North Pole.

Service Area: road construction and maintenance, fire protection, water supply, sewage disposal, and street lights. These services are provided to 110 neighborhoods and regions.

Solid Waste Collection District: solid waste collection. The District services the area of the Borough outside the City of Fairbanks.

The financial statements of the Fairbanks North Star Borough have been prepared to conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. The Financial Reporting Entity and Its Component Unit

The basis for defining the financial reporting entity is an accountability perspective. These financial statements present the Fairbanks North Star Borough (the primary government) and its component unit. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Fairbanks North Star Borough School District (the School District) is the Borough's only component unit. The School District is reported in a separate column in the combined financial statements to emphasize that the School District is legally separate from the Borough.

Although the School District is governed by an independently elected school board, it is included in these financial statements because it is financially accountable to the Borough in the following ways:

- The Borough Assembly is responsible for approving the School District's total budget and may, during the year, change the appropriation of local support.
- Any year-end fund balance surplus in excess of 7% of the local appropriation to the School District lapses back to the Borough General Fund.
- The Borough Assembly is responsible for the levying and collecting of taxes. The School District has no taxing authority.
- The School District cannot borrow funds, but the Borough may and does issue bonds to finance school construction.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statements (continued)  
June 30, 1996

1. Summary of significant accounting policies (continued)

B. Basis of Presentation - Fund Accounting (continued)

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs for the Borough's general obligation bonds. Debt service requirements are funded by the general and non-areawide funds, a state-shared cigarette tax, and by state-funded reimbursements for school construction received through the general fund.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital items, other than those financed by proprietary funds.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: a) where the intention of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Expendable Trust Fund - The expendable trust fund is used to account for the donations received and revenues earned on those donations, plus the expenditures of both those resources. Disbursements are made in accordance with the Borough Code for purposes designated by the trust agreement of the donor.

Agency Funds - Agency funds are used to account for assets held as an agent for other organizations and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

GENERAL FIXED ASSETS ACCOUNT GROUP

The general fixed assets account group is used to record all fixed assets of the Borough not accounted for in the proprietary funds.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt account group is used to account for all unmatured long-term indebtedness not accounted for in the proprietary funds.

SCHOOL DISTRICT

The School District (SD) component unit is presented in its own column in the combined financial statements. The following School District fund types and account groups are aggregated and presented in total in that column: operating (SD general) fund, special revenue funds, capital projects funds, agency fund, general fixed assets account group, and general long-term debt account group.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

1. Summary of significant accounting policies (continued)

D. Budgets, Budgetary Accounting and Encumbrances

The budgetary data presented in the financial statements is established by the following procedures:

- 1) On or before the first Thursday following April 1, the Mayor submits to the Borough Assembly a proposed operating budget for the following fiscal year. The annual operating budget includes proposed expenditures and the means of financing them. In accordance with Alaska Statutes 14.14.060(c), the School District's Board of Education is required to adopt and submit its annual budget to the Borough Assembly by April 1 for approval of the total amount.
- 2) At least one public hearing is held.
- 3) By May 31, the budget is legally enacted through the passage of an appropriating ordinance, including the local share of School District funding.
- 4) The Mayor is authorized to transfer budgeted amounts within a department or within a service area. Transfers between departments, between service areas, or between funds require Borough Assembly approval.

Formal budgetary integration is employed as a management control device, during the year, for the General Fund; certain Special Revenue funds: Non-Areawide, Solid Waste Collection District, Solid Waste Disposal, and Service Areas; Debt Service Fund; and Enterprise Funds. In addition, formal budgetary integration is employed as a management control device in the remaining Special Revenue Funds and all the Capital Projects Funds for the life of the related grants or projects.

Annual budgets are legally adopted for the general, special revenue (Non-Areawide, Solid Waste Collection District, Solid Waste Disposal, and Service Areas), and debt service funds. Differences in accounting for encumbrances, as described below, exist between the basis of accounting used for budgetary purposes and that used for reporting in accordance with generally accepted accounting principles. The remaining special revenue funds and all the capital projects funds are controlled through project budgets. Adopted project budgets provide authorization to complete projects that extend beyond one fiscal year. Multi-fiscal year projects are controlled by comparing project-to-date expenditures with project budgets.

Annual budgets are also adopted for the enterprise funds. However, generally accepted accounting principles do not require the adoption of budgets for enterprise funds, and budgetary comparisons are not included for these funds since the measurement focus is upon determination of net income and financial position.

Numerous supplemental appropriations to the annual operating budget were necessary during the year. See Note 2A.

Appropriations are authorized by ordinance at the department level for the general, non-areawide special revenue, solid waste collection district special revenue, solid waste disposal special revenue, and enterprise funds; at the service area level in the service areas special revenue fund; and at the project level for the capital projects and the remaining special revenue funds. All other appropriations are at the fund level. Expenditures may not exceed these appropriations which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed, object-level budgets.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

1. Summary of significant accounting policies (continued)

I. Inventories

Inventories of the transit enterprise fund are valued on an average cost basis. Inventories of the School District are valued at cost (first-in, first-out method), except for School District inventories of United States Department of Agriculture food commodities, which are valued at market price at the date of donation. All inventories are recorded as expenditures when used (consumption method).

J. Land

Entitlement land received by the Borough under the State of Alaska Municipal Land Act is recorded as contributed capital in the land enterprise fund. The land donated by the State is valued at \$1 per acre when patented until such time as its estimated fair value is readily determinable. When the fair market value of the land can be determined, that portion exceeding \$1 per acre is added to contributed capital. These lands remain in Inventory - Land Held for Sale until they are sold or leased or until it is determined that they will not be sold and will instead be retained by the Borough.

Lands to be sold are valued at the lower of cost (specific identification method) or market. Cost includes the donated value described above, plus development costs recorded at cost.

Lands being leased are recorded as Fixed Assets - Land Held for Lease in the land enterprise fund. Lands to be retained for public purposes are transferred to the general fixed assets account group.

K. Fixed Assets

General Fixed Assets Account Group - Acquisitions of fixed assets, other than in the proprietary funds, are recorded as expenditures in the appropriate purchasing fund and capitalized in the general fixed assets account group. These assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair value on the date donated. Due to the volume and turnover of library materials, they are valued at estimated replacement cost using industry trade information. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, flood control systems and street lighting systems, have not been capitalized, as these assets are immovable and of value only to the government. No depreciation is provided for assets recorded in the general fixed assets account group.

Proprietary Fund Type - Property, plant, and equipment held by the proprietary funds are recorded at cost, except for assets which have been contributed to the Borough. The contributed assets are stated at estimated fair market value at the date of contribution. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation of fixed assets acquired by grants, entitlements, and shared revenue externally restricted for capital acquisitions is closed to the appropriate contributed capital account. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	25 - 30 years
Improvements	5 - 25 years
Equipment	3 - 15 years

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

1. Summary of significant accounting policies (continued)

R. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or entitlements, or contributions from other funds.

Reserved fund balances indicate that a portion of fund equity is not available for expenditure, as in the case of reserves for encumbrances, or a portion of fund equity is legally segregated for a specific future use. School District reserves are described in Note 16.

Designated fund balances indicate tentative plans for future use. Fund balances designated for subsequent year's expenditures represent commitments for expenditures in excess of anticipated revenues for the following year. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

S. Intergovernmental Grant Revenues

State entitlements and shared revenues are recorded as revenue in the period of allocation. Certain other grant revenues are dependent upon expenditures or other criteria, and revenues from these grants are recognized when the expenditures are made, or the criteria are met. Revenues from all other grants are recognized on the cash basis.

T. Interfund and Intra-Entity Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the appropriate fund or component unit. Transactions that constitute reimbursements to a fund or component unit for expenditures/expenses initially made from it that are properly applicable to another fund or component unit, are recorded as expenditures/expenses in the reimbursing fund or component unit and as reduction of expenditures/expenses in the fund or component unit that is reimbursed.

Nonrecurring or nonroutine transfers of equity between funds or the component unit are accounted for as residual equity transfers. All other interfund and intra-entity transactions are reported as operating transfers.

U. In-Kind Support to the School District

As in previous years, certain services are provided by the Fairbanks North Star Borough to the School District. These include use of various Borough facilities, debt service on school facilities, certain administrative functions, major facility maintenance, and certain equipment purchases. The costs of these services have not been charged to the School District.

The School District operates school facilities at Fort Wainwright Army Base and Eielson Air Force Base. These schools are owned and financed by the U.S. government, through the State of Alaska, in their entirety and no Borough funds or appropriations have been used to fund their operation. This in-kind support is not reflected in the accompanying financial statements.

V. General Purpose Financial Statements

The General Purpose Financial Statements (GPFS) provide a summary overview of the financial position of all funds and account groups and of the operating results and cash flows of certain named funds. In addition, the School District component unit is discretely presented in a separate column in the GPFS.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

2. Stewardship, compliance, and accountability (continued)

C. Excess of Expenditures Over Appropriations

The following had an excess of actual expenditures over appropriations for the year ended June 30, 1996:

Non-areawide fund:	
Emergency medical services	\$5,333

D. Taxes Levied In Excess of the Maximum Tax Computation

Twenty-nine service areas levied a total of \$3,355 of taxes in excess of the maximum tax computation. (See Note 4.) Excesses result from using estimates of state-mandated property tax exemptions (for senior citizens, widows/widowers, and disabled veterans) in calculating the property tax cap. In accordance with Fairbanks North Star Borough (FNSB) Code 3.08.147, all of these were considered immaterial and the fiscal year 1996-97 computation was adjusted for the excess.

3. Deposits and investments

Equity in central treasury cash and investments includes all Borough funds and all funds of the School District.

Deposits - The Borough contracts its banking services with Key Bank of Alaska (KBA). These contracts require that KBA sweep the Borough's central treasury accounts daily and invest all available funds in an overnight repurchase agreement. As a result, at June 30, 1996, the carrying amount of the Borough's deposits was (\$1,874,816) and the corresponding bank balance was \$283,193. The daily bank balance is fully insured by a combination of federal depository insurance (FDIC) and securities held in the Borough's name by a subsidiary of Bank of New York, BNY Western Trust (BNY), the Borough's custodial bank. The balance swept in accordance with the overnight repurchase agreement is insured by the collateral held in the Borough's name at BNY.

Investments - FNSB Code 3.04 describes the objectives, policies, and procedures for the investment of Borough funds and applies to the investment of all Borough monies, unless otherwise provided expressly by ordinance. The Code also specifies the following authorized investments and maximum maturity schedule: 1) U.S. Treasuries - 3 years; 2) other obligations of the U.S. Government or its agencies and instrumentalities - 3 years; 3) repurchase agreements of securities specified in 1) and 2) above, subject to qualification of the financial institution and specified margin requirements - 5 years; 4) collateralized certificates of deposits and other deposits - 3 years; 5) bank deposits insured by FDIC or FSLIC - 3 years; 6) bonds or notes of any state or political subdivision thereof, rated A or higher - 3 years; 7) prime commercial paper graded A1/P1 or higher - 270 days; 8) prime bankers acceptances of the fifty largest international banks - 180 days; 9) money market mutual funds consisting entirely of instruments specified in 1), 2), and 3) above - maturity date not applicable; and 10) the Alaska Municipal League Investment Pool, Inc., created in accordance with Alaska Statutes 37.23.020. All Borough investments must be collateralized in accordance with the Code. In addition, the Borough has developed contracts for the investment and collateralization of funds in these various authorized instruments. During the fiscal year ended June 30, 1996, the Borough continued to invest in U.S. government securities and agencies, the Pacific Horizon Treasury money market fund, the Alaska Municipal League Investment Pool and the overnight repurchase agreement with KBA.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

5. Deeds of trust and contracts receivable

Deeds of trust and contracts receivable have been recorded for installment sales of Borough land.

Deeds of Trust Receivable - Beginning September 1, 1986, all real estate sales of the Borough using secured indebtedness are sold as deeds of trust. In addition, the Borough gave prior contract buyers an option to convert to deeds of trust. Annual installments are due over a period of ten years from the time of conversion or sale with a stated interest rate of 9.5% to 10.0% and weighted average interest rate of 9.97%. The annual installments of principal due for the next five years on contracts converted to deeds of trust and parcels originally sold as deeds of trust are:

<u>Year Ending June 30</u>	<u>Annual Installments</u>
1997	\$256,426
1998	\$205,168
1999	\$142,712
2000	\$124,544
2001	\$ 95,258

Contracts Receivable - Proceeds from certain land sales made prior to September 1, 1986 are receivable in annual installments over periods of up to ten years plus interest at 10 - 12% per annum, with a weighted average interest rate of 10.94%. The annual installments of principal due for the next five years are:

<u>Year Ending June 30</u>	<u>Annual Installments</u>
1997	\$ 2,152
1998	\$ 1,495
1999	\$ 1,495
2000	\$ 1,151
2001	\$ 720

No allowances for uncollectible receivables are recorded as the Borough does not transfer title of the land to contract buyers until the contract is paid in full and the revenue related to all land sale receivables is only recognized on the installment method. As of June 30, 1996, the total receivable for delinquent accounts amounted to \$307,330.

6. Inventory - land held for sale

Under provisions of the State of Alaska Municipal Land Act, the Fairbanks North Star Borough was granted an entitlement of 112,000 acres. The Borough has received patent to about 85% of those acres. Of those patented acres, approximately 85% remain undeveloped. Almost five percent have been dedicated for recreation, public use or other activities. A small portion is being leased. The remainder have been developed for sale. Both the undeveloped and developed land are recorded as land held for sale in the land enterprise fund.

The Borough has temporarily withdrawn from sale \$1,857,102 of land inventory due to a lawsuit against the State of Alaska regarding former Mental Health Trust lands statewide. Another \$5,000 of land inventory was withdrawn from sale due to potential flooding of the parcel and \$39,500 was withdrawn due to wetlands regulations.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

9. Retirement plans

As of June 30, 1996, substantially all 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). Separate, publicly available financial statements for these systems, containing pension disclosures, are available from the State of Alaska. Effective July 1, 1993, the Borough and the School District participate in the PERS under separate agreements. Prior to that date, they participated under a joint agreement. Employer contributions are actuarially determined and have been paid or accrued by both the Borough and the School District. Complete pension information and disclosures for the School District are included in the School District's separate component unit financial report. See Note 1A. Condensed data for the School District follows in the appropriate sections, below.

A. Alaska Public Employees' Retirement System (PERS)

Plan Description and Provisions

The Alaska Public Employees' Retirement System is a defined benefit, agent, multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions within the State of Alaska. The PERS was created by State statutes and political subdivision participation is optional.

Employee participation in the plan is mandatory for permanent employees scheduled to work at least 15 hours a week. There is no optional participation for other employees. Firemen are required to contribute 7.5 percent of their eligible compensation (usually equal to gross wages) and all other employees contribute 6.75 percent. The Borough is required to contribute remaining amounts necessary to fund the plan using the actuarial basis specified by the State Retirement Board. Employer rates are adjusted annually on July 1, and are based on actuarial valuations made two years prior to that date. The employer rate for amortizing all future service liabilities is uniform for all participating employers and a separate rate is determined for amortizing each employer's unfunded past service liability or funding surplus. Prior to July 1, 1993, the Borough's experience was combined with that of the School District's noncertificated employees to calculate the separate portion of the reporting entity's combined rate. The new, separate participation agreement of the Borough resulted in a past service funding surplus larger than the Borough's portion of the system's future service liabilities -- a funding excess. Hence, the Borough's mandatory, combined rate for 1996 was zero percent. However, the Borough exercised its option to submit contributions directly to its equity account with the PERS. In 1996, the Borough made these direct contributions at a rate of 2.54 percent. The direct contribution rate in 1995 was 2.54 percent.

Benefits vest after five years of credited service. Employees hired prior to July 1, 1986, with five or more years of credited service, are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit. PERS employees may select early retirement; however, the monthly benefit is actuarially reduced based on age. The normal monthly pension benefit is equal to 2 percent of the member's highest three-year average monthly compensation times the number of years of service for the first ten years of service, 2 1/4 percent for the second ten years of service, and 2 1/2 percent for the remaining years of service. All service earned prior to July 1, 1986 is calculated using the 2 percent multiplier. Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service. When pension benefits begin, major medical benefits are provided without cost to all members first hired before July 1, 1986. Members first hired after June 30, 1986 may elect major medical benefits by paying premiums. The plan also provides for both occupational and non-occupational disability and death benefits.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

9. Retirement plans (continued)

A. Alaska Public Employees' Retirement System (PERS) (continued)

	<u>Amounts</u>	
	<u>Borough</u>	<u>School District</u>
Pension benefit obligation (continued):		
Current employees:		
Accumulated contributions including		
allocated investment income	\$ 6,216	\$ 10,039
Employer financed, vested	15,799	23,882
Employer financed, non-vested	<u>845</u>	<u>2,250</u>
Total pension benefit obligation as of June 30, 1995	<u>38,222</u>	<u>64,394</u>
Net assets available for benefits		
as of June 30, 1995, at market (actuarial		
values were \$44,192 and \$65,989 for the		
Borough and School District, respectively)	<u>44,948</u>	<u>67,118</u>
Assets in excess of pension benefit obligation	<u>\$ 6,726</u>	<u>\$ 2,724</u>
Assets as a percent of pension benefit obligation	<u>117.6%</u>	<u>104.2%</u>

Of the total plan's pension benefit obligation of \$4,971,172,000 (all employers), \$1,357,901,000 is attributable to postemployment health care benefits.

Actuarially Determined Contribution Requirements and Contributions Made

The PERS funding policy provides for actuarially determined periodic contributions at rates that, for individual employers, change over time so that sufficient assets will be available to pay benefits when due. The rate for the Borough employee group as a whole is equal to a consolidated rate and a past service rate. The consolidated rate is a uniform rate for all participating employers sufficient to amortize all future service liabilities (less value of employee contributions) over future working lifetimes of the covered group. It is determined using the projected unit credit actuarial funding method. The past service rate is determined separately for each employer sufficient to amortize each employer's unfunded past service liability with level percentage of payroll payments over a rolling 25 years. Any funding surplus is amortized over five years.

The payroll for Borough employees covered by the PERS for the year ended June 30, 1996, was \$12,132,554 out of a total payroll of \$13,243,700. The School District's payroll for employees covered by PERS for the year ended June 30, 1996 was \$16,169,811 out of a total payroll of \$71,236,827.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligations as described above.

The total contribution to PERS from the Borough and its employees for 1996 was \$1,140,803. Employees contributed \$833,035 (6.86 percent of covered payroll) in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 1993. Due to an excess of assets over the actuarial accrued liability, the actuarially determined contribution for the Borough was zero. However, the Borough voluntarily contributed \$307,768 (2.54 percent of covered payroll) to the PERS. The total contributions from the Borough consisted of (a) \$2,202,059 normal costs (18.15 percent of covered payroll) less (b) \$1,061,256 amortization of the funding excess ((8.75) percent of covered payroll).

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

9. Retirement plans (continued)

B. Alaska Teachers' Retirement System (TRS) (continued)

The payroll for employees covered by TRS for the year ended June 30, 1996, was \$52,002,863 which compares to the School District's total payroll of \$71,236,827.

Membership in TRS is compulsory for each certificated elementary or secondary teacher or other certificated personnel who are employed on a full-time basis or part-time basis in positions that require teaching certificates as a condition of employment.

Generally, employees with eight years or more of credited service are entitled to annual pension benefits beginning at normal retirement age 60 equal to 2 percent of their highest three-year average monthly compensation for the first 20 years of service and 2 1/2 percent for all remaining service. All service earned prior to July 1, 1990 is calculated using the 2 percent multiplier. The plan permits early retirement at age 55. Members participating before July 1, 1990, are eligible for normal retirement at age 55 or early retirement at age 50. Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service. In addition, major medical, death and disability benefits are available.

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in benefits is 75 percent of the CPI increase up to a 9 percent maximum for recipients who are at least age 65 or on disability, or 50 percent of the increase up to a 6 percent maximum for recipients who are at least age 60 but under 65 or who have been receiving benefits for at least eight years. Starting at age 65, or at any age for those employed before July 1, 1990, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10 percent of the base benefit.

Funding Status and Progress

Significant actuarial assumptions for the pension benefit obligation and the asset valuation of the TRS are the same as those used for the PERS. At June 30, 1995 (the latest valuation date), the total plan pension benefit obligation was \$2,913,467,000 and net assets available for benefits were \$2,647,392,000 (at market value) giving the plan an unfunded pension benefit obligation of \$266,075,000. This means that the plan is 90.9 percent funded. Of the total pension benefit obligation, \$516,556,000 is attributable to postemployment health care benefits.

Actuarially Determined Contribution Requirements and Contributions Made

Covered employees were required to contribute 8.65 percent of their base salary earned from July 1 to the following June 30. The School District contributions vary and are determined annually on an actuarial basis. The contribution requirement for the year ended June 30, 1996 was \$10,960,521 which consisted of \$6,240,343 from the School District and \$4,720,178 from employees. These contributions represented 12.00 percent and 9.10 percent of covered payroll, respectively. The School District's employer contribution to TRS of \$6,240,343 amounted to 10.2 percent of the total TRS employer contributions statewide of \$61,161,550.

Trend Information (TRS)

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

11. Long-term debt and subsequent event (continued)

General obligation bonds (continued):

\$42,615,000 1993 Refunding Series S bonds due in annual installments of \$1,465,000 to \$4,755,000 through March 1, 2008 at 4.25 - 5.5% interest. \$39,720,000

\$2,000,000 1994 Series T solid waste transfer station bonds due in annual installments of \$180,000 to \$245,000 through April 1, 2004 at 5.0 - 6.5% interest. 1,665,000  
54,495,000

Sewer assessments payable:

\$48,546 of sewer assessments due in annual installments through January 15, 2021 at 5.0% interest. 29,181

Long-term contracts payable:

\$861,919 of eight (8) office and computer equipment contracts due in monthly and annual installments through January 2001 at 4.44 - 13.58% interest. 265,775

Landfill closure and postclosure care liability (see Note 12) 6,459,534  
\$61,249,490

The following is a summary of changes in long-term debt for the year ended June 30, 1996:

	<u>General Obligation Bonds</u>	<u>Sewer Assessments Payable</u>	<u>Long-Term Contracts Payable</u>	<u>Landfill Closure and Postclosure Care Liability</u>	<u>Total</u>
Payable at July 1, 1995	\$60,255,000	\$ 30,394	\$ 468,029	\$ 6,490,782	\$ 67,244,205
Change in estimate				(31,248)	(31,248)
Debt retired	(5,760,000)				(5,760,000)
Sewer assessments paid		(1,213)			(1,213)
Contracts payable paid			(202,254)		(202,254)
Payable at June 30, 1996	<u>\$54,495,000</u>	<u>\$ 29,181</u>	<u>\$ 265,775</u>	<u>\$ 6,459,534</u>	<u>\$ 61,249,490</u>

The annual requirements to amortize debt outstanding as of June 30, 1996 (excluding the Landfill Closure and Postclosure Care Liability -- see Note 12), including interest payments of \$17,721,807 are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	<u>Sewer Assessments Payable</u>	<u>Contracts Payable</u>	<u>Total</u>
1997	\$ 9,194,635	\$ 2,673	\$ 116,818	\$ 9,314,126
1998	8,144,273	2,612	61,634	8,208,519
1999	8,098,330	2,551	49,591	8,150,472
2000	8,155,618	2,491	45,675	8,203,784
2001	5,330,922	2,430	25,882	5,359,234
2002-2006	26,886,433	11,240		26,897,673
2007-2011	6,354,500	9,723		6,364,223
2012-2021		<u>13,732</u>		<u>13,732</u>
	<u>\$72,164,711</u>	<u>\$ 47,452</u>	<u>\$ 299,600</u>	<u>\$72,511,763</u>

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

12. Municipal solid waste landfill closure and postclosure care costs (continued)

The Fairbanks North Star Borough is required by state and federal laws and regulations to demonstrate financial responsibility for closure and postclosure care by meeting the requirements of a specially designed local government financial test, which includes a financial component, a public notice component, and a record keeping component. The Fairbanks North Star Borough is in compliance with these requirements at June 30, 1996. There were no assets restricted for the payment of closure and postclosure costs at June 30, 1996. While not required by state or federal regulations, the Fairbanks North Star Borough Assembly established a special revenue fund entitled Landfill Closure Reserve Fund, effective September 22, 1994 and contributed \$440,000 from the general fund in fiscal year 1994-95 and \$440,000 from the solid waste disposal special revenue fund in fiscal year 1995-96. Additional yearly contributions are anticipated. It is also anticipated that future inflation costs will be financed in part from earnings on these contributions. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

13. Commitments in the capital projects funds

The Fairbanks North Star Borough's capital improvement programs in effect at June 30, 1996 contain authorizations of \$212,536,073 for hundreds of projects, which are accounted for in five different capital projects funds. Unexpended authorizations total \$103,470,235.

The projects undertaken include Borough facilities, fire and emergency medical services, public athletic/recreational sites, roads, School District projects, sewer and utilities, and solid waste systems.

The Borough has hundreds of commitments for architectural, engineering, and construction services under various continuing contracts which are recorded as encumbrances. Funding sources for the capital improvement programs include general obligation bonds, state revenues, federal revenues, and contributions from the general and special revenue operating funds.

14. Conduit debt

From time to time, the Borough has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Borough, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 1996, a nonrecourse revenue bond (Greater Fairbanks Community Hospital Foundation, Inc.) was authorized with aggregate principal of \$7,990,000. The outstanding balance as of June 30, 1996 was \$7,677,840.

## APPENDIX D

### THE MBIA INSURANCE CORPORATION INSURANCE POLICY

The following information has been provided by the MBIA Insurance Corporation, the Insurer, for use in this Official Statement. Reference is made to page 2 of this Appendix D for a Specimen of the Insurer's policy. As used in this Appendix D, the term "the Bonds" or "a Bond" refers only to the bonds or a bond of the subject issue maturing on or after November 1, 1998 through November 1, 2007. The payments of principal and interest on bonds of the issue maturing after November 1, 2007 are not insured.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1996 the Insurer had admitted assets of \$4.4 billion (audited), total liabilities of \$3.0 billion (audited), and total capital and surplus of \$1.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 1997, the Insurer had admitted assets of \$4.8 billion (unaudited), total liabilities of \$3.2 billion (unaudited), and total capital and surplus of \$1.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P. rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

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FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

19. Enterprise funds - segment information

The Fairbanks North Star Borough maintains three enterprise funds which provide public transportation services, manage Borough-owned lands, and oversee the operation of the John A. Carlson Community Activity Center.

Segment information for the year ended June 30, 1996 is as follows:

	<u>Transit</u>	<u>Land</u>	<u>Carlson Center</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 970,842	\$ 619,231	\$ 43,035	\$ 1,633,108
Operating expenses:				
Depreciation	305,646	4,640	576,484	886,770
Other	2,781,168	689,115	515,916	3,986,199
Operating loss	(2,115,972)	(74,524)	(1,049,365)	(3,239,861)
Non-operating revenues (expenses):				
Operating grants	237,396			237,396
Other	48,526	216,954	(18,587)	246,893
Operating transfers in	1,561,620	160,383	710,220	2,432,223
Operating transfers out		(14,800)		(14,800)
Net income (loss)	(268,430)	288,013	(357,732)	(338,149)
Current capital contributions		5,996	57,935	63,931
Property, plant and equipment:				
Additions/transfers in	7,101	2,553	68,800	78,454
Deletions/transfers out	(201,109)	(11,896)	(49,930)	(262,935)
Net working capital	516,652	7,347,141	610,066	8,473,859
Long-term receivables		1,106,648		1,106,648
Total assets	4,764,100	10,077,175	14,051,222	28,892,497
Long-term unrealized gain		323,308		323,308
Bonds and other long-term liabilities	none	none	none	none
payable from operating revenues				
Total equity	4,313,123	9,616,903	14,039,648	27,969,674

20. Library expendable trust fund

The Fairbanks North Star Borough Public Library is a 15 percent beneficiary of two trusts. These trusts provide that, for a period of 15 years beginning September 10, 1987, income after administrative expenses would be distributed. From the 15th year after September 10, 1987, income and principal may be distributed to the beneficiaries. The trust mandates that distribution in full be completed no later than September 10, 2005 (18 years later). Income received from these trusts is recorded as donations in the Library Expendable Trust Fund. \$677,442 had been received in donations as of June 30, 1996. The Library's shares of the carrying value and market value of the trusts' net assets were \$2,189,000 and \$4,529,000, respectively, at June 30, 1996, as reported by the trusts' trustee.

FNSB Code 3.01.045 provides that all monies received from the two trusts shall be deposited into the Library Expendable Trust Fund and shall be deemed trust principal. The Code further states that the Trust Fund may not spend trust principal and may spend no more than 50 percent of all income from trust principal earned beginning April 30, 1990. The spendable income earned during the fiscal year ending June 30, 1996 was \$20,002 increasing the Trust Fund's undesignated fund balance at June 30, 1996 to \$67,361. On February 8, 1996, the Borough adopted Ordinance 95-20-1Q which, notwithstanding of FNSB Code 3.01.045, appropriated \$750,000 from trust principal to partially fund the upcoming expansion the provisions of the Noel Wien Library.

FAIRBANKS NORTH STAR BOROUGH

Notes to Financial Statement (continued)  
June 30, 1996

22. Risk management (continued)

The joint Borough/School District risk management program is accounted for within the Borough's general fund with chargebacks to the School District and other funds. Self-insurance losses are accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Accrued self-insurance losses include estimates for expected future development on claims already reported, as well as considering known and unknown events that might create claims, but for which none have been reported. Based on the type of claim, estimates of the ultimate cost of settling these claims are made by using a case-by-case review of claims or by extrapolating historical experience. Both methods adjust for current trends and other information and the estimates include the effects of inflation and other economic and social factors.

Changes in the self-insured claims liabilities for fiscal years 1996 and 1995 follow:

	<u>1995-96</u>		<u>1994-95</u>	
	Accrued Self- Insurance Losses	Environmental Claim Payable	Accrued Self- Insurance Losses	Environmental Claim Payable
<u>Borough</u>				
July 1	\$ 1,060,965	\$	\$ 1,033,867	\$ 402,000
Current year claims and changes in estimates	2,676,339		2,723,529	
Claims payments	<u>(2,733,660)</u>		<u>(2,696,431)</u>	<u>(402,000)</u>
June 30	<u>\$ 1,003,644</u>	<u>\$</u>	<u>\$ 1,060,965</u>	<u>\$</u>
<u>School District</u>				
July 1	\$ 2,345,216		\$ 1,958,631	
Current year claims and changes in estimates	9,598,923		8,612,476	
Claims payments	<u>(9,389,339)</u>		<u>(8,225,891)</u>	
June 30	<u>\$ 2,554,800</u>		<u>\$ 2,345,216</u>	

Prior to July 1, 1994, the Borough and School District did not record estimates for incurred but not reported (IBNR) workers' compensation, general liability, and auto liability claims and the Borough did not record an estimate for IBNR medical claims. In fiscal year 1995, the Borough and School District made accounting changes which resulted in reporting \$409,164 and \$31,250, respectively, of estimated IBNR claims payable at June 30, 1995. These amounts are included in each entity's respective 1994-95 current year claims and changes in estimates. Of the \$409,164 for the Borough, \$300,000 of estimated IBNR claims were payable at June 30, 1994.

Required Supplementary Information

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