



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

NORTH SLOPE BOROUGH, ALASKA

JULY 1, 2004 - JUNE 30, 2005

NORTH SLOPE BOROUGH, ALASKA

Comprehensive Annual Financial Report

July 1, 2004 - June 30, 2005

EDWARD S. ITTA

Mayor

A. JOHN AMES

Director of Administration and Finance

BEVERLY PATKOTAK

GRINAGE

President, Ilisagvik College

TRENT BLANKENSHIP

Superintendent of Schools

PREPARED BY:

Department of Administration and Finance

NORTH SLOPE BOROUGH

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NORTH SLOPE BOROUGH

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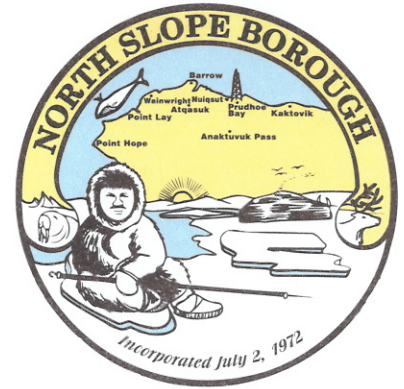
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INTRODUCTORY SECTION

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
BARROW, ALASKA 99723
☎ 907 852-2611 ext. 200
Fax: 907 852-0337



Edward S. Itta, Mayor

November 10, 2005

Members of the Assembly
North Slope Borough, Alaska:

State of Alaska statutes and local charter provisions require that all general-purpose local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the North Slope Borough (Borough) for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the Borough. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Borough has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Borough's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Borough's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Borough's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Borough for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Borough's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Borough was part of broader state and federally mandated "Single Audits" designed to meet the special needs of state and federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of state and federal awards. These reports are available in the Borough's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Borough's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Borough encompasses an area of approximately 94,000 square miles in northern Alaska, north of the Arctic Circle. It extends 650 miles east from Point Hope on the Chukchi Sea to the Canadian Border and 225 miles south from Point Barrow, the most northern point in the State. Prudhoe Bay, the largest oil field in the United States, is located in the northeastern portion of the Borough. It is also the origination point of the 800-mile Trans-Alaskan pipeline, which terminates at the City of Valdez on Prince William Sound.

Most of the Borough's 7,200 permanent residents live in eight communities, the largest of which is Barrow, which also serves as the Borough seat of government. Another 6,100 people are counted as residents because they work at least half of the calendar year in the North Slope oil fields.

The Borough was incorporated on July 1, 1972, and on April 30, 1974, it adopted its Home Rule Charter, which allows it to exercise any legal governmental power in addition to its mandatory powers of taxation, property assessment, education, and planning and zoning services. The legislative power of the Borough is vested in a seven-member assembly body, elected to staggered three-year terms. The Borough's executive and administrative powers are vested in a mayor, limited to two consecutive three-year terms.

The Borough provides a full range of services including police and fire protection, search and rescue services, the construction and maintenance of roads and other infrastructure, sewers and sewage treatment, light, power and heat, health services and clinic facilities, fuel storage, water and garbage and solid waste collection and disposal. The Borough also is financially accountable for a legally separate school district and a legally separate college, both of which are reported separately within the Borough's financial statements. Additional information on these legally separate entities can be found in the basic financial statements.

The annual budget serves as the foundation for the Borough's financial planning and control. All departments of the Borough are required to submit requests for appropriation to the Borough Mayor. The Mayor uses these requests as the starting point for developing a proposed budget. The Mayor then presents this proposed budget to the Assembly for review prior to March 1. The Assembly is required to hold public hearings on the proposed budget and to adopt a final budget by no later than May 1. The appropriated budget is prepared by fund and department. The Mayor may make transfers of appropriations within a department and transfers of appropriations between departments; however, transfers to the education function and debt service or for cash deficits require the special approval of the Assembly. Budget-to-actual comparisons are provided in this report for the general fund. This comparison is presented on page 53 as part of the required supplementary information.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Borough operates.

Local economy – Since 1968, oil and gas exploration and development on Alaska’s North Slope has become the principal industry in the Borough and the employer of the bulk of the Borough’s workforce. The other service providers, including the government sector, exist primarily due to the presence of the oil and gas industry.

The Borough has an employed labor force of approximately 9,000 which has been declining for the past several years.

Long-term financial planning – The Borough has assumed that assessed property values of approximately \$10.3 billion for fiscal year 2005-2006 will decline to \$9.6 billion by fiscal year 2007-2008. The Borough has been reducing its operating budget by \$6 million a year in anticipation of this reduced funding.

Cash management policies and practices – Operating funds of the Borough, which includes proceeds from the sale of general obligation bonds, are invested in interest producing instruments in accordance with the Borough’s investment code. Cash forecasts are prepared to enhance investment income and reduce market risk by matching investment maturities to anticipated cash flows. Investment income includes appreciation or depreciation in the fair value of investments.

Risk management – The Borough continues to administer a risk management program with protection of people and property as its cornerstone. Safety is actively promoted with employees. A risk review of property including an evaluation of relevant policies and procedures is conducted on an annual basis. Several years ago, the Borough established a self-insurance account within the General Fund in response to conditions in the insurance industry which adversely affected coverage and rates. The balance in this account at June 30, 2005, is \$3.5 million.

Pension and other postemployment benefits – The Borough participates in the Alaska Public Employees Retirement System (PERS), a defined benefit agent, multiple employer public employee retirement system. PERS was established and is administered by the State of Alaska to provide pension, postemployment healthcare, death, and disability benefits to eligible participants. At June 30, 2003 (date of most recent actuarial analysis), the actuarial value of liabilities exceeded the actuarial value of assets by \$13.2 million. The Borough also administers a defined contribution employee thrift plan and a Section 457 deferred compensation arrangement for eligible Borough employees.

Additional information on the Borough’s pension arrangements and postemployment benefits can be found in notes 8 and 9 in the notes to the financial statements.

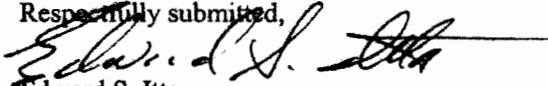
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Borough for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the twenty-second consecutive year that the Borough has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

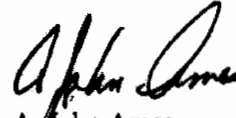
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the administration and finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Assembly for their unfailing support for maintaining the highest standards of professionalism in the management of the Borough's finances.

Respectfully submitted,



Edward S. Itta
Mayor



A. John Ames
Director, Administration and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Slope Borough,
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



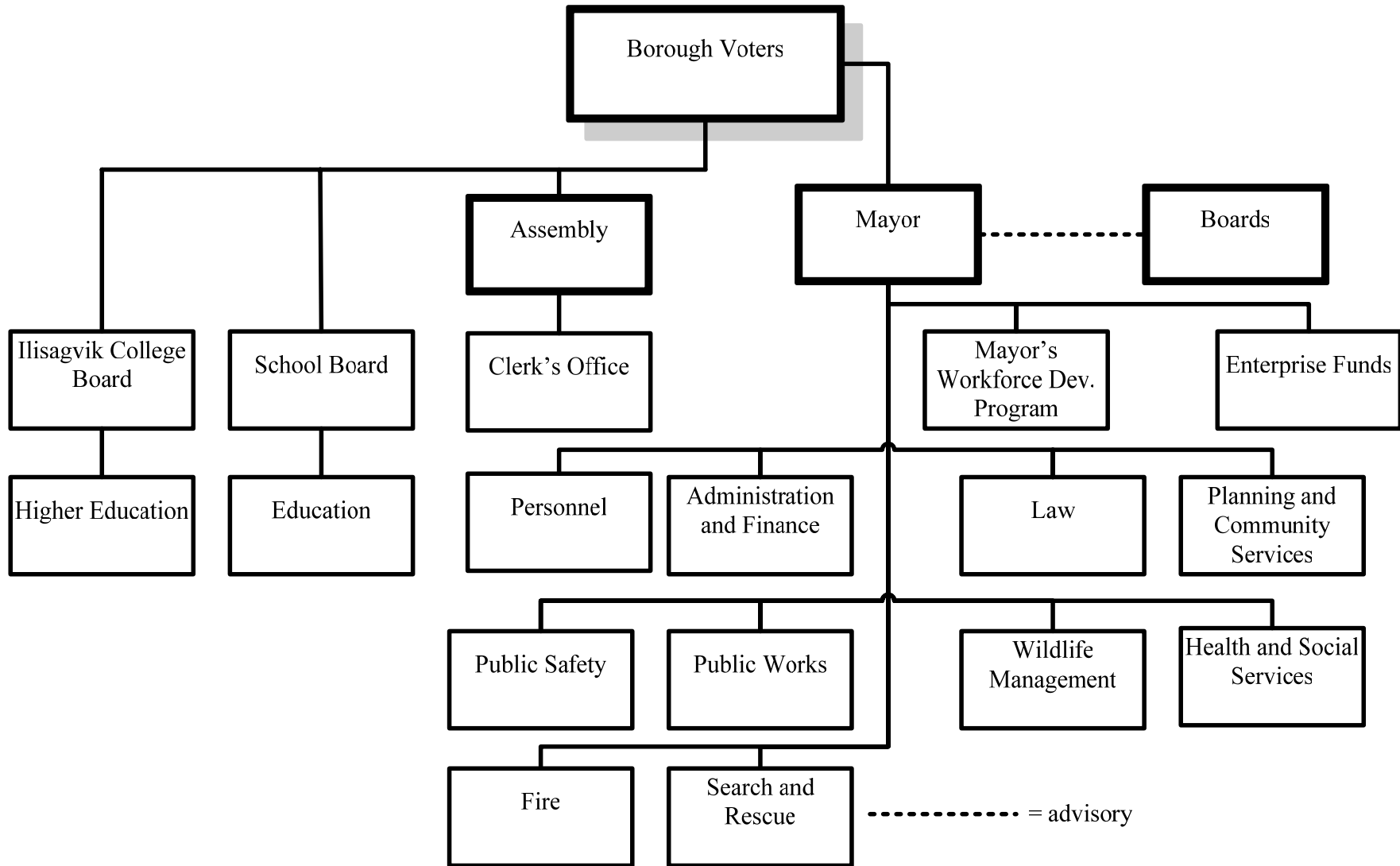
Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

**NORTH SLOPE BOROUGH
ORGANIZATIONAL CHART**



NORTH SLOPE BOROUGH

The Principal Officials

Assembly

President

Vice President

Vacant

Charles F. Hopson

Charlotte Brower

Paul Hugo

Roy M. Nageak, Sr.

Rex A. Rock, Sr.

Herman Kignak, Sr.

General Government

Mayor

Chief Administrative Officer

Borough Attorney

Director of Administration and Finance

Borough Clerk

Edward S. Itta

George Olemaun

Harold Curran

A. John Ames

Bertha Panigeo

Superintendent of Schools

Trent Blankenship

School Board

President

Fenton Rexford

Debby Edwardson

Arnold Brower

Charles D. N. Brower

Michael Aamodt

Harold L. Ivanoff

Martin Oktollik, Sr.

President of Ilisagvik College

Beverly Patkotak Grinage

Ilisagvik College Board

Chairperson

Vice Chairperson

Jack M. Smith, Jr.

Ida E. Angasan

Harold Ivanoff

Amos Agnasagga

Lydia Agnasagga

Rainey Higbee

Lawrence Burris

Rhoda Bennett

George Kingik

Michael Aamodt

FINANCIAL SECTION



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Honorable Mayor and Members of the Assembly
North Slope Borough, Alaska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the North Slope Borough, Alaska, as of and for the year ended June 30, 2005, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the North Slope Borough, Alaska, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 8 to the financial statements, in 2005 the Borough adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The management's discussion and analysis on pages 3 through 12, the schedule of funding progress for PERS on page 52 and the budgetary comparison information on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Members of the Assembly
North Slope Borough, Alaska

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The accompanying supplementary information, including the introductory section, supplemental information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 10, 2005

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

As management of the North Slope Borough, we offer readers of the North Slope Borough's financial statements this narrative overview and analysis of the financial activities of the North Slope Borough for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the North Slope Borough exceeded its liabilities at the close of the most recent fiscal year by \$1,399,102,311. Of this amount, \$47,156,691 (unrestricted net assets) may be used to meet the Borough's ongoing obligations to citizens and creditors.
- The Borough's total net assets increased by \$70,635,659 for the current fiscal year.
- At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$651,066,474, an increase of \$74,147,811 in comparison with the prior year. Most of the increase is due to fair value adjustments in the Permanent Fund of \$14 million, a settlement of \$15.9 million, proceeds from the sale of assets of \$6.7 million and issuance of general obligation bonds of \$75.8 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$43,264,428, or 17% of total general fund expenditures.
- The Borough's total debt increased by approximately \$10 million during the current fiscal year. This is due to an increase in the Barrow landfill postclosure care costs.

Overview of the Financial Statements

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the North Slope Borough's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the North Slope Borough's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the North Slope Borough is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the North Slope Borough that are principally supported by taxes and intergovernmental revenues (intergovernmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the North Slope Borough include general government, public safety, public works, wildlife management, health and social services, and primary and secondary education. The business-type activities of the North Slope Borough include a solid waste disposal and treatment facility, a revolving loan program and an electric utility.

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

The government-wide financial statements include not only the North Slope Borough itself (known as the primary government), but also a legally separate school district and a legally separate college for which the North Slope Borough is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The North Slope Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the North Slope Borough can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The North Slope Borough maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the permanent fund, which are both considered to be major funds. Data from the other nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the supplementary information section of this report.

The North Slope Borough adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental financial statements can be found on pages 16-19 of this report.

Proprietary Funds – The North Slope Borough maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The North Slope Borough uses enterprise funds to account for a Prudhoe Bay solid waste disposal and treatment facility, a revolving loan fund and an electric utility.

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste disposal and treatment facility, the revolving loan program and the electric utility.

The basic proprietary fund financial statements can be found on pages 20–22 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the North Slope Borough's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23–24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25–51 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The North Slope Borough's progress in funding its obligation to provide pension and other postretirement benefits to its employees can be found on page 52 of this report. Also, the North Slope Borough's budgetary comparison schedule for the general fund can be found on page 53.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and a schedule of cash and investments can be found on pages 54 to 68 of this report.

Government-Wide Financial Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the North Slope Borough assets exceeded liabilities by \$1.4 billion at the close of the most recent fiscal year.

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

The largest portion of the North Slope Borough's net assets (64%) reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). The North Slope Borough uses these capital assets to provide services to citizens; consequently, these capital assets are not available for future spending. Although the Borough's investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following reflects the condensed statement of net assets.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 869,611,823	801,001,589	10,066,309	10,004,588	879,678,132	811,006,177
Capital assets	<u>1,361,694,015</u>	<u>1,356,759,944</u>	<u>53,165,253</u>	<u>51,743,406</u>	<u>1,414,859,268</u>	<u>1,408,503,350</u>
Total assets	<u>\$ 2,231,305,838</u>	<u>2,157,761,533</u>	<u>63,231,562</u>	<u>61,747,994</u>	<u>2,294,537,400</u>	<u>2,219,509,527</u>
Long-term liabilities	\$ 675,437,981	665,663,264	4,774,904	4,583,906	680,212,885	670,247,170
Other liabilities	<u>214,358,834</u>	<u>219,920,789</u>	<u>863,370</u>	<u>874,916</u>	<u>215,222,204</u>	<u>220,795,705</u>
Total liabilities	<u>\$ 889,796,815</u>	<u>885,584,053</u>	<u>5,638,274</u>	<u>5,458,822</u>	<u>895,435,089</u>	<u>891,042,875</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 840,787,183	812,084,556	53,165,253	51,743,406	893,952,436	863,827,962
Restricted	457,993,184	440,752,113	—	—	457,993,184	440,752,113
Unrestricted	<u>42,728,656</u>	<u>19,340,811</u>	<u>4,428,035</u>	<u>4,545,766</u>	<u>47,156,691</u>	<u>23,886,577</u>
Total net assets	<u>\$ 1,341,509,023</u>	<u>1,272,177,480</u>	<u>57,593,288</u>	<u>56,289,172</u>	<u>1,399,102,311</u>	<u>1,328,466,652</u>

For more detailed information see page 13 of the statement of net assets.

An additional portion of the Borough's net assets is restricted for permanent fund investments (33%). The remaining balance of unrestricted net assets of \$47,156,691 may be used to meet the Borough's ongoing obligations to citizens and creditors.

Statement of Activities

The following condensed table of changes in net assets displays the revenues and expenses for the current year.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,862,150	8,158,069	13,044,650	12,501,613	17,906,800	20,659,682
Operating grants and contributions	11,899,905	9,986,435	—	—	11,899,905	9,986,435
Capital grants	9,648,290	8,632,405	—	—	9,648,290	8,632,405
General revenues:						
Property taxes	198,039,385	198,859,201	—	—	198,039,385	198,859,201
Investment earnings	47,547,710	75,849,229	114,660	40,181	47,662,370	75,889,410
Proceeds from settlement	15,935,763	—	—	—	15,935,763	—
Payments in lieu of taxes	4,400,000	4,400,000	—	—	4,400,000	4,400,000
Grants and entitlements not restricted to specific programs	1,687,125	2,075,287	—	—	1,687,125	2,075,287
Gain on sale of capital assets	5,050,008	—	—	—	5,050,008	—
Other	<u>2,912,634</u>	<u>574,195</u>	<u>—</u>	<u>—</u>	<u>2,912,634</u>	<u>574,195</u>
Total revenues	<u>301,982,970</u>	<u>308,534,821</u>	<u>13,159,310</u>	<u>12,541,794</u>	<u>315,142,280</u>	<u>321,076,615</u>

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Expenses:						
General government	\$ 42,340,701	43,581,521	—	—	42,340,701	43,581,521
Public safety	16,289,307	15,984,258	—	—	16,289,307	15,984,258
Public works	76,756,503	49,853,055	—	—	76,756,503	49,853,055
Housing	—	7,748,565	—	—	—	7,748,565
Wildlife management	3,634,679	3,745,385	—	—	3,634,679	3,745,385
Health and social services	14,981,108	15,094,487	—	—	14,981,108	15,094,487
Primary and secondary education	30,527,799	29,746,867	—	—	30,527,799	29,746,867
Higher education	6,347,517	6,693,615	—	—	6,347,517	6,693,615
Interest on long-term debt	35,794,023	40,952,165	—	—	35,794,023	40,952,165
Service Area 10	—	—	5,210,838	5,767,904	5,210,838	5,767,904
Home Assistance Loan	—	—	—	—	—	—
Power & Light	—	—	12,624,146	10,952,870	12,624,146	10,952,870
Total expenses	<u>226,671,637</u>	<u>213,399,918</u>	<u>17,834,984</u>	<u>16,720,774</u>	<u>244,506,621</u>	<u>230,120,692</u>
Change in net assets before transfers	75,311,333	95,134,903	(4,675,674)	(4,178,980)	70,635,659	90,955,923
Transfers	<u>(5,979,790)</u>	<u>(4,800,332)</u>	<u>5,979,790</u>	<u>4,800,332</u>	<u>—</u>	<u>—</u>
Change in net assets	69,331,543	90,334,571	1,304,116	621,352	70,635,659	90,955,923
Net assets, beginning of year	<u>1,272,177,480</u>	<u>1,181,842,909</u>	<u>56,289,172</u>	<u>55,667,820</u>	<u>1,328,466,652</u>	<u>1,237,510,729</u>
Net assets, end of year	<u>\$ 1,341,509,023</u>	<u>1,272,177,480</u>	<u>57,593,288</u>	<u>56,289,172</u>	<u>1,399,102,311</u>	<u>1,328,466,652</u>

Governmental activities increased the North Slope Borough's net assets by \$69.3 million.

Key elements of this increase are:

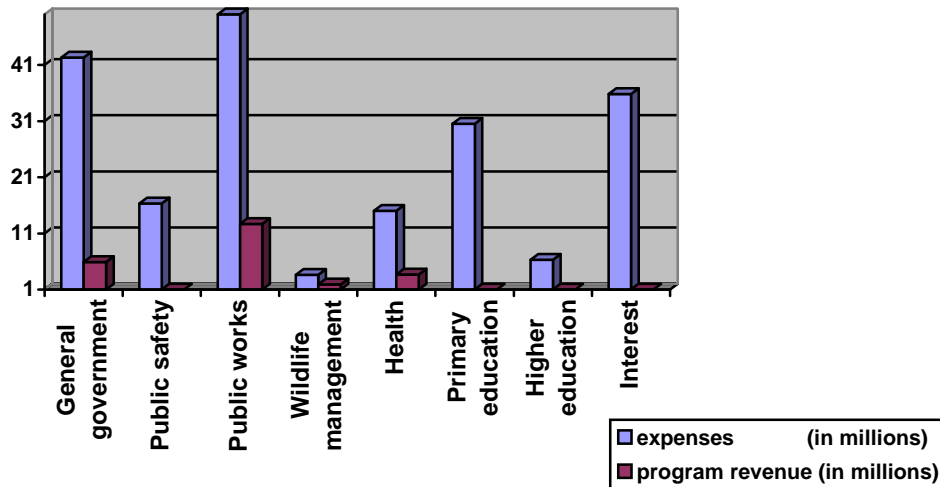
- \$9.6 million of capital grants
- \$16.0 million in settlement and \$2.7 million in insurance proceeds
- \$5.1 million gain on sale of assets
- \$5.1 million decrease in interest on debt

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

Business-type activities increased the North Slope Borough's net assets by \$1,304,116. The increase resulted from the transfer of completed capital projects to the North Slope Borough Power & Light enterprise fund which exceeded losses from operations and operating income in Service Area 10 enterprise fund.



For more detailed information see pages 14-15 of the statement of activities.

Financial Analysis of the Government's Funds

As noted earlier, the North Slope Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the North Slope Borough's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the North Slope Borough's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the North Slope Borough's governmental funds reported combined ending fund balances of \$651,066,474, an increase of \$74,147,811 in comparison to the beginning of the year. Approximately \$164,429,000 of this total amount constitutes unreserved fund balance, which the majority of this amount is designated for capital projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, primarily to liquidate contracts and purchase orders for the prior period and for investments in the Permanent Fund.

The general fund is the main operating fund of the North Slope Borough. At the end of the current fiscal year, unreserved fund balance of the general fund was \$43,264,428, while total fund balance was \$44,789,145. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 17.4% of total general fund expenditures, while total fund balance represents 18.0% of that same amount.

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

The fund balance of the North Slope Borough's general fund increased by \$23,000,785 during the current fiscal year. Key factors attributed to this increase are as follows:

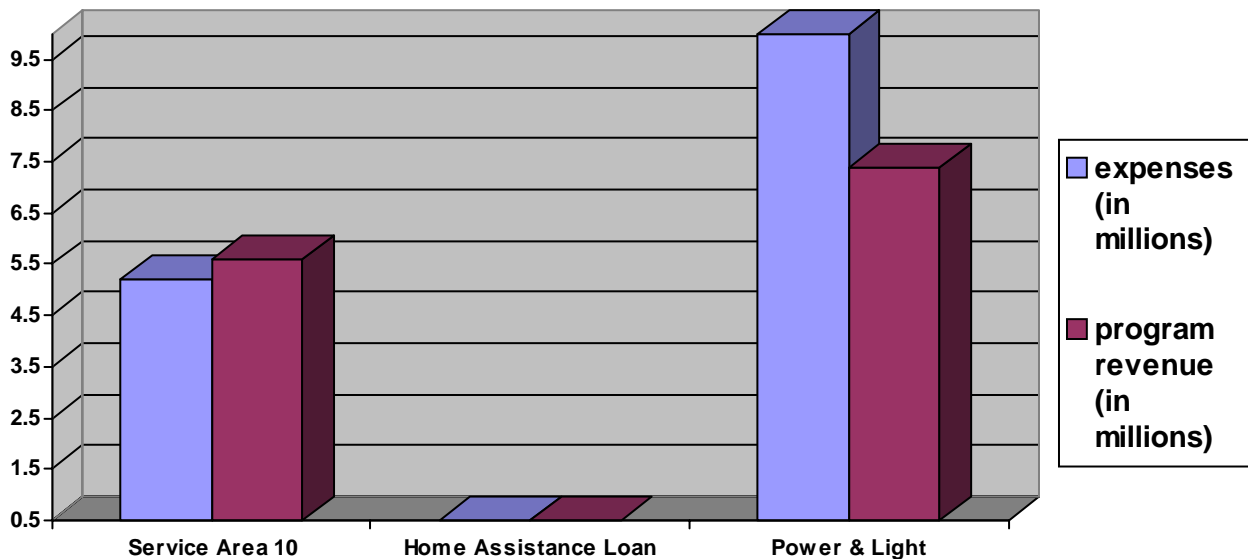
- Investment earnings increased \$5.9 million over last year.
- Unbudgeted proceeds from a settlement of \$15.9 million were received.
- Proceeds from sale of assets of \$6.7 million were received.

The permanent fund had a total fund balance of \$457,964,509, all of which is reserved investments. Fund balance increased \$17,239,076 during the year mainly due to investment gains in fair market value.

Proprietary Funds – The North Slope Borough's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of Service Area 10, the solid waste disposal and treatment facility on Alaska's north slope, amounted to \$1,919,165, and those for the electric utility amounted to \$1,358,655.

The total change in net assets for both funds was \$526,353 and \$775,687, respectively. The electric utility increase was mainly due to an increase in plant and equipment and a contribution from the General Fund exceeding the operating loss. Other factors concerning the finances of these two funds have already been addressed in the discussion of the North Slope Borough's business-type activities.



General Fund Budgetary Highlights

Differences between the original budget and final amended budget can be briefly summarized as follows:

- \$12.9 million in miscellaneous increases in general government
- \$6.7 million in increases to public safety

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

- \$3.9 million in increases to wildlife

Of these increases, \$15.3 million was to be funded out of new grants of \$6.5 million and carryover grants of \$8.8 million. Various increases were due to encumbrance carryovers of \$1.3 million. The increase to public safety was due to an appropriation for the purchase of replacement helicopters.

Differences between the final budget and actual can be briefly summarized as follows:

- Intergovernmental revenues were \$9.9 million under budget due to timing of related expenditures
- Investment earnings were \$4.0 million dollars under budget
- Expenditures were \$27.8 million under budget
- Other financing sources and uses had several significant variances due to budgets not being modified for certain unanticipated events

None of these variances will have a significant impact on the Borough's future services or liquidity.

Capital Asset and Debt Administration

Capital Assets – The North Slope Borough's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$1,414,859,268 (net of accumulated depreciation). This investment in capital assets includes land, gas fields, buildings and improvements, equipment, construction work-in-progress, sewer and water treatment facilities and roads. The total net increase in the North Slope Borough's investments in capital assets for the current fiscal year was \$6,355,918.

Major capital asset events during the current fiscal year included the following:

- Village electric utility upgrade projects to buildings and generators were completed during the year.
- Area-wide and village water and sewer system upgrades were completed.
- New vehicles and equipment in excess of \$11.7 million were replaced during the year.

The following table displays the capital assets (net of depreciation).

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 32,138,200	32,138,200	878,918	878,918	33,017,118	33,017,118
Construction work-in-progress	36,818,314	32,032,137	—	—	36,818,314	32,032,137
Gas fields	63,200,938	64,613,244	—	—	63,200,938	64,613,244
Buildings and improvements	603,351,395	603,291,389	35,442,750	33,457,530	638,794,145	636,748,919
Improvements other than buildings	38,442,483	37,915,028	—	—	38,442,483	37,915,028
Equipment	30,966,623	25,567,046	16,843,585	17,406,958	47,810,208	42,974,004
Infrastructure	556,776,062	561,202,900	—	—	556,776,062	561,202,900
	<u>\$ 1,361,694,015</u>	<u>1,356,759,944</u>	<u>53,165,253</u>	<u>51,743,406</u>	<u>1,414,859,268</u>	<u>1,408,503,350</u>

Additional information on the North Slope Borough's capital assets can be found in note 5 on pages 36-37 of this report.

NORTH SLOPE BOROUGH

Management's Discussion and Analysis

June 30, 2005

Long-Term Debt-At the end of the current fiscal year, the North Slope Borough had total bonded debt outstanding of \$641,592,856. All of this amount is debt backed by the full faith and credit of the Borough and includes \$134,014,164 of accreted principal on capital appreciation bonds. The remainder of the North Slope Borough's debt represents capital leases, landfill postclosure care costs, compensated absences, health claims incurred but not reported and a settlement payable.

The following table displays the long-term debt.

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 507,578,692	492,623,263	—	—	507,578,692	492,623,263
Less deferred amounts on refunding	(947,478)	(1,065,913)	—	—	(947,478)	(1,065,913)
Total bonds payable	506,631,214	491,557,350	—	—	506,631,214	491,557,350
Accreted principal on capital appreciation bonds	134,014,164	153,216,123	—	—	134,014,164	153,216,123
Capital lease obligations	10,134,781	11,007,110	—	—	10,134,781	11,007,110
Landfill post closure care costs	16,085,000	4,840,683	4,774,904	4,583,906	20,859,904	9,424,589
Net pension obligation	3,429,920	—	—	—	3,429,920	—
Compensated absences	3,886,502	3,768,598	120,706	92,856	4,007,208	3,861,454
Health claims	1,256,400	1,273,400	—	—	1,256,400	1,273,400
	\$ 675,437,981	665,663,264	4,895,610	4,676,762	680,333,591	670,340,026

The North Slope Borough's total debt increased \$9,993,565 during the current fiscal year. The key factor was an additional \$11,244,317 increase in the Barrow landfill postclosure care costs.

Major long-term debt activity during the year included the following:

- On October 27, 2004, the North Slope Borough issued \$75,808,318 of general obligation bonds to finance various capital projects.

The North Slope Borough has the following ratings for its general obligation bonds: Standard & Poor Corporation—A-, Fitch Investors Service—A- and Moody's Investor Service—A3. Currently, general obligation bonds are insured to an AAA rating at the time of issuance.

There is no general obligation debt limit imposed on the North Slope Borough by the State Constitution or statutes or the Borough's charter or code.

Additional information on the North Slope Borough's long-term debt can be found in note 7 on pages 40-45 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the North Slope Borough is currently 10.1%, which is lower than one year ago. It compares unfavorably to the State of Alaska's unemployment rate of 6.2%.
- Property tax revenues received are projected to decline in future years as the North Slope Borough's assessed valuation begins an anticipated moderate decline. The principal source of those tax revenues historically has been, and is expected to continue to be, taxes upon oil-and gas-related property.

NORTH SLOPE BOROUGH
Management's Discussion and Analysis
June 30, 2005

These factors were considered in preparing the North Slope Borough's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the North Slope Borough's finances for all those with an interest in government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the North Slope Borough Department of Administration and Finance, P.O Box 69, Barrow, Alaska 99723.

BASIC FINANCIAL STATEMENTS

NORTH SLOPE BOROUGH

Statement of Net Assets

June 30, 2005

Assets	Primary government			Component units	
	Governmental activities	Business-type activities	Total	School District	Ilisagvik College
Imprest cash	\$ 11,700	—	11,700	—	—
Cash and investments with central treasury	354,331,777	9,284,586	363,616,363	—	—
Other cash and investments	478,925,331	—	478,925,331	879,788	2,317,317
Accounts receivable:					
Property taxes, net	2,933,291	—	2,933,291	—	—
Intergovernmental	6,343,084	—	6,343,084	1,332,738	819,624
Trade	—	675,515	675,515	—	—
Settlement	15,930,000	—	15,930,000	—	—
Other	427,565	—	427,565	937,509	234,898
Accrued interest	3,580,962	—	3,580,962	—	—
Due from component unit	2,913,116	—	2,913,116	—	—
Prepays and deposits	243,932	—	243,932	418,682	4,277
Inventory	2,773,800	10,361	2,784,161	16,619	223,782
Loans receivable, net	1,197,265	95,847	1,293,112	—	—
Capital assets:					
Not being depreciated	68,956,514	878,918	69,835,432	—	—
Being depreciated, net	1,292,737,501	52,286,335	1,345,023,836	993,410	396,907
Total	\$ 2,231,305,838	63,231,562	2,294,537,400	4,578,746	3,996,805
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 12,191,518	642,775	12,834,293	173,339	163,580
Accrued payroll liabilities	1,928,107	57,945	1,986,052	307,201	388,374
Deferred revenue:					
Property taxes	195,006,286	—	195,006,286	—	—
Economic impact assistance	4,400,000	—	4,400,000	—	—
Unearned intergovernmental revenue	787,493	—	787,493	106,164	348,539
Deposits payable and other liabilities	45,430	41,944	87,374	85,516	—
Due to primary government	—	—	—	2,913,116	—
Noncurrent liabilities:					
Due within one year	114,125,308	120,706	114,246,014	212,957	—
Due in more than one year	557,882,753	4,774,904	562,657,657	52,622	—
Net pension and OPEB obligation	3,429,920	—	3,429,920	530,084	116,149
Total liabilities	889,796,815	5,638,274	895,435,089	4,380,999	1,016,642
Net assets:					
Invested in capital assets, net of related debt	840,787,183	53,165,253	893,952,436	914,958	396,907
Restricted for:					
Permanent fund, nonexpendable	457,980,304	—	457,980,304	—	—
Museum purchases, expendable	12,880	—	12,880	—	—
Unrestricted	42,728,656	4,428,035	47,156,691	(717,211)	2,583,256
Net assets	1,341,509,023	57,593,288	1,399,102,311	197,747	2,980,163
Total	\$ 2,231,305,838	63,231,562	2,294,537,400	4,578,746	3,996,805

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Statement of Activities

Year ended June 30, 2005

Functions/programs	Expenses	Charges for services	Program revenues Operating grants and contributions
Primary government:			
Governmental activities:			
General government	\$ 42,340,701	1,804,718	4,049,566
Public works	76,756,503	3,036,661	30,917
Public safety	16,289,307	—	986,763
Health and social services	14,981,108	20,771	3,649,224
Wildlife management	3,634,679	—	1,934,969
Primary and secondary education	30,527,799	—	—
Higher education	6,347,517	—	—
Interest on long-term debt	35,794,023	—	1,248,466
Total governmental activities	226,671,637	4,862,150	11,899,905
Business-type activities:			
Service area 10	5,210,838	5,622,531	—
Home assistance loan	—	2,076	—
Power & Light	12,624,146	7,420,043	—
Total business-type activities	17,834,984	13,044,650	—
Total primary government	\$ 244,506,621	17,906,800	11,899,905
Component units:			
School district	\$ 49,003,128	1,591,024	7,128,135
Ilisagvik college	10,299,385	738,439	2,313,006
Totals component units	\$ 59,302,513	2,329,463	9,441,141
General revenues:			
Property taxes			
Grants and entitlements not restricted to specific programs			
Gain on sale of capital assets			
Payment in lieu of taxes			
Investment earnings			
Support from primary government			
Proceeds from settlement			
Proceeds from insurance			
Other			
Transfers			
		Total general revenues and transfers	
		Change in net assets	
		Net assets, beginning of year	
		Net assets, end of year	

See accompanying notes to financial statements.

Net (expense) revenue and changes in net assets					
Capital grants	Primary government			Component units	
	Governmental activities	Business-type activities	Total	School district	Ilisagvik college
—	(36,486,417)	—	(36,486,417)	—	—
9,648,290	(64,040,635)	—	(64,040,635)	—	—
—	(15,302,544)	—	(15,302,544)	—	—
—	(11,311,113)	—	(11,311,113)	—	—
—	(1,699,710)	—	(1,699,710)	—	—
—	(30,527,799)	—	(30,527,799)	—	—
—	(6,347,517)	—	(6,347,517)	—	—
—	(34,545,557)	—	(34,545,557)	—	—
<u>9,648,290</u>	<u>(200,261,292)</u>	<u>—</u>	<u>(200,261,292)</u>	<u>—</u>	<u>—</u>
—	—	411,693	411,693	—	—
—	—	2,076	2,076	—	—
—	—	(5,204,103)	(5,204,103)	—	—
—	—	(4,790,334)	(4,790,334)	—	—
<u>9,648,290</u>	<u>(200,261,292)</u>	<u>(4,790,334)</u>	<u>(205,051,626)</u>	<u>—</u>	<u>—</u>
893,741				(39,390,228)	
—				—	(7,247,940)
<u>893,741</u>				<u>(39,390,228)</u>	<u>(7,247,940)</u>
\$ 198,039,385	—	—	198,039,385	—	—
1,687,125	—	—	1,687,125	15,728,620	390,383
5,050,008	—	—	5,050,008	—	—
4,400,000	—	—	4,400,000	—	—
47,547,710	114,660	—	47,662,370	—	24,328
—	—	—	—	22,991,968	6,816,608
15,935,763	—	—	15,935,763	—	—
2,732,877	—	—	2,732,877	—	—
179,757	—	—	179,757	48,225	26,741
(5,979,790)	5,979,790	—	—	—	—
<u>269,592,835</u>	<u>6,094,450</u>	<u>—</u>	<u>275,687,285</u>	<u>38,768,813</u>	<u>7,258,060</u>
69,331,543	1,304,116	—	70,635,659	(621,415)	10,120
<u>1,272,177,480</u>	<u>56,289,172</u>	<u>—</u>	<u>1,328,466,652</u>	<u>819,162</u>	<u>2,970,043</u>
<u>\$ 1,341,509,023</u>	<u>57,593,288</u>	<u>—</u>	<u>1,399,102,311</u>	<u>197,747</u>	<u>2,980,163</u>

NORTH SLOPE BOROUGH

Balance Sheet

Governmental Funds

June 30, 2005

Assets	General	Permanent	Other governmental funds	Total governmental funds
Imprest cash	\$ 11,700	—	—	11,700
Cash and investments with central treasury	200,586,288	—	153,745,489	354,331,777
Other cash and investments	—	478,925,331	—	478,925,331
Accounts receivable:				
Property taxes, net	2,933,291	—	—	2,933,291
Intergovernmental	5,496,460	—	846,624	6,343,084
Settlement	15,930,000	—	—	15,930,000
Other	402,359	—	25,206	427,565
Loans receivable, net	37,890	—	1,159,375	1,197,265
Accrued interest	1,752,753	1,828,209	—	3,580,962
Due from other funds	22,789,031	—	—	22,789,031
Due from primary government/ component unit	2,913,116	—	—	2,913,116
Prepays and deposits	208,003	—	35,929	243,932
Inventory	2,773,800	—	—	2,773,800
Total	\$ 255,834,691	480,753,540	155,812,623	892,400,854
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,909,838	—	6,281,680	12,191,518
Accrued payroll	1,001,087	—	2,789	1,003,876
Payroll taxes withheld	924,231	—	—	924,231
Deferred property tax revenue	197,939,577	—	—	197,939,577
Deferred economic impact assistance	4,400,000	—	—	4,400,000
Unearned intergovernmental revenue	787,493	—	—	787,493
Deferred loans	37,890	—	1,215,334	1,253,224
Deposits payable	45,430	—	—	45,430
Due to other funds	—	22,789,031	—	22,789,031
Total liabilities	211,045,546	22,789,031	7,499,803	241,334,380
Fund balances:				
Reserved:				
Encumbrances	1,524,717	—	27,119,925	28,644,642
Investments	—	457,964,509	15,795	457,980,304
Museums purchases	—	—	12,880	12,880
Unreserved, reported in, designated for:				
General fund:				
Self insurance	3,500,000	—	—	3,500,000
Litigation	1,000,000	—	—	1,000,000
Future operations	38,764,428	—	—	38,764,428
Capital project funds:				
Authorized projects	—	—	114,949,456	114,949,456
Unreserved, undesignated reported in:				
Special revenue funds	—	—	6,214,764	6,214,764
Total fund balances	44,789,145	457,964,509	148,312,820	651,066,474
Total	\$ 255,834,691	480,753,540	155,812,623	892,400,854

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Reconciliation of Net Assets between the
Government-Wide and Fund Financial Statements

June 30, 2005

Amount reported as fund balance on the governmental funds balance sheet		\$ 651,066,474
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,361,694,015
Deferred financing costs related to governmental activities are not financial resources and, therefore are not reported in the funds.		947,478
Long-term receivables, delinquent property taxes and loans are not available to pay for current-period expenditures and, therefore, are deferred in the funds:		
Property taxes	\$ 2,933,291	
Loans receivable	<u>1,253,224</u>	4,186,515
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds payable	(507,578,692)	
Accreted principal on general obligation bonds	(134,014,164)	
Barrow Landfill post closure care costs	(16,085,000)	
Capital lease obligation	(10,134,781)	
Compensated absences	(3,886,502)	
Net pension and OPEB obligation	(3,429,920)	
Health claims incurred but not reported	<u>(1,256,400)</u>	<u>(676,385,459)</u>
Net assets of governmental activities		<u>\$ 1,341,509,023</u>

See accompanying notes to the financial statements.

NORTH SLOPE BOROUGH

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	<u>General</u>	<u>Permanent</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Property taxes	\$ 197,493,466	—	—	197,493,466
Intergovernmental	13,587,030	—	9,648,290	23,235,320
Charges for services	4,862,150	—	—	4,862,150
Investment earnings	7,971,251	25,994,713	289	33,966,253
Net increase (decrease) in the fair value of investments	(451,937)	14,033,394	—	13,581,457
Economic impact assistance	4,400,000	—	—	4,400,000
Other	331,471	—	387,566	719,037
Total revenues	<u>228,193,431</u>	<u>40,028,107</u>	<u>10,036,145</u>	<u>278,257,683</u>
Expenditures:				
Current:				
General government	36,366,809	—	—	36,366,809
Public works	35,410,424	—	—	35,410,424
Public safety	13,908,343	—	—	13,908,343
Health and social services	13,659,766	—	—	13,659,766
Wildlife management	3,588,362	—	—	3,588,362
Primary and secondary education	23,555,878	—	—	23,555,878
Higher education	6,816,608	—	—	6,816,608
Debt service:				
Principal retirement	60,852,889	—	—	60,852,889
Interest	54,359,431	—	—	54,359,431
Capital projects	—	—	55,661,408	55,661,408
Total expenditures	<u>248,518,510</u>	<u>—</u>	<u>55,661,408</u>	<u>304,179,918</u>
Excess (deficiency) of revenues over expenditures	<u>(20,325,079)</u>	<u>40,028,107</u>	<u>(45,625,263)</u>	<u>(25,922,235)</u>
Other financing sources (uses):				
Transfers in from other governmental funds	27,380,695	—	5,581,289	32,961,984
Transfers out to other governmental funds	(5,581,000)	(22,789,031)	(4,591,953)	(32,961,984)
Transfer out to enterprise funds	(1,105,769)	—	—	(1,105,769)
Proceeds from bond sale and issuance of debt	—	—	75,811,000	75,811,000
Proceeds from insurance	—	—	2,732,877	2,732,877
Proceeds from settlement	15,935,763	—	—	15,935,763
Proceeds from sale of assets	6,696,175	—	—	6,696,175
Total other financing sources (uses)	<u>43,325,864</u>	<u>(22,789,031)</u>	<u>79,533,213</u>	<u>100,070,046</u>
Net change in fund balances	23,000,785	17,239,076	33,907,950	74,147,811
Fund balances, beginning of year	21,788,360	440,725,433	114,404,870	576,918,663
Fund balances, end of year	\$ <u>44,789,145</u>	<u>457,964,509</u>	<u>148,312,820</u>	<u>651,066,474</u>

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2005

Net change in fund balance – total governmental funds		\$ 74,147,811
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 46,878,462	
Transfer of completed projects to business-type activities	(4,874,021)	
The net effect of various transactions involving capital assets such as sales and other disposals	(1,646,167)	
Depreciation expense	<u>(35,424,203)</u>	4,934,071
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds:		
Property taxes	545,919	
Museum contributions	(35,664)	
Principal collections of loans receivable	<u>(351,298)</u>	158,957
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of general obligation bonds	(75,808,318)	
Principal repayments on general obligation debt and capital leases	<u>61,725,218</u>	(14,083,100)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Postclosure care costs	(11,244,317)	
Net pension and OPEB obligation	(3,429,920)	
Decrease in allowance for uncollectible loans	(155,000)	
RELI home loan costs	20,421	
Compensated absences	(117,904)	
Health claims incurred but not reported	17,000	
Amortization of deferred financing costs	(118,435)	
Accreted principal	<u>19,201,959</u>	<u>4,173,804</u>
Change in net assets of governmental activities		<u>\$ 69,331,543</u>

See accompanying notes to the financial statements.

NORTH SLOPE BOROUGH
Balance Sheet
Proprietary Funds – Enterprise Funds
June 30, 2005

Assets	Business-type activities – Enterprise funds		
	Power & Light	Other enterprise funds	Total enterprise funds
Current assets:			
Cash and investments with central treasury	\$ 1,734,978	7,549,608	9,284,586
Accounts receivable, net of allowance for uncollectibles	64,931	610,584	675,515
Loans receivable, net	—	95,847	95,847
Inventory	—	10,361	10,361
Total current assets	<u>1,799,909</u>	<u>8,266,400</u>	<u>10,066,309</u>
Capital assets, net	<u>52,300,580</u>	<u>864,673</u>	<u>53,165,253</u>
Total	<u>\$ 54,100,489</u>	<u>9,131,073</u>	<u>63,231,562</u>
Liabilities and Fund Equity			
Current liabilities:			
Accounts payable	\$ 220,659	422,116	642,775
Accrued leave and payroll	57,945	—	57,945
Other liabilities	41,944	—	41,944
Compensated absences	120,706	—	120,706
Total current liabilities	<u>441,254</u>	<u>422,116</u>	<u>863,370</u>
Accrued postclosure care costs	<u>—</u>	<u>4,774,904</u>	<u>4,774,904</u>
Total liabilities	<u>441,254</u>	<u>5,197,020</u>	<u>5,638,274</u>
Fund equity:			
Invested in capital assets	52,300,580	864,673	53,165,253
Unrestricted	1,358,655	3,069,380	4,428,035
Total fund equity	<u>53,659,235</u>	<u>3,934,053</u>	<u>57,593,288</u>
Total	<u>\$ 54,100,489</u>	<u>9,131,073</u>	<u>63,231,562</u>

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Funds – Enterprise Funds

Year ended June 30, 2005

	Business-type activities – Enterprise funds		
	Power & Light	Other enterprise funds	Total enterprise funds
Operating revenues:			
Service Area 10 – oilfield support services revenue	\$ —	5,622,531	5,622,531
Home Assistance Loans – revolving loan fund interest	—	2,076	2,076
North Slope Borough Power & Light – utility revenues	7,420,043	—	7,420,043
Total revenues	7,420,043	5,624,607	13,044,650
Operating expenses:			
Salaries and benefits	2,603,425	42,106	2,645,531
Depreciation	3,354,287	111,798	3,466,085
Contractual and professional fees	176,330	4,390,117	4,566,447
Change in estimate of provision for postclosure care of landfill site	—	190,998	190,998
Other operating expenses	6,490,104	475,819	6,965,923
Total expenses	12,624,146	5,210,838	17,834,984
Operating loss	(5,204,103)	413,769	(4,790,334)
Nonoperating revenue:			
Investment earnings	—	114,660	114,660
Loss before transfers and capital contributions	(5,204,103)	528,429	(4,675,674)
Transfer in from governmental activities	1,105,769	—	1,105,769
Capital contributions received	4,874,021	—	4,874,021
Change in fund equity	775,687	528,429	1,304,116
Fund equity, beginning of year	52,883,548	3,405,624	56,289,172
Fund equity, end of year	\$ 53,659,235	3,934,053	57,593,288

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Statement of Cash Flows
Proprietary Funds – Enterprise Funds

Year ended June 30, 2005

	Business-type activities – Enterprise Funds		
	Power & Light	Other enterprise funds	Total enterprise funds
Cash flows from operating activities:			
Cash received from customers	\$ 7,536,381	5,683,978	13,220,359
Payments to suppliers	(6,702,550)	(4,754,740)	(11,457,290)
Payments to employees	(2,642,730)	(126,768)	(2,769,498)
Internal activity – payments to/from other funds	1,105,769	—	1,105,769
Net cash provided (used) by operating activities	<u>(703,130)</u>	<u>802,470</u>	<u>99,340</u>
Cash flows from investing activities:			
Investment earnings	—	114,660	114,660
Net change in loans receivable	—	20,745	20,745
Net cash provided by investing activities	<u>—</u>	<u>135,405</u>	<u>135,405</u>
Net increase (decrease) in cash and cash equivalents	(703,130)	937,875	234,745
Balance, at beginning of year	2,438,108	6,611,733	9,049,841
Balance, at end of year	<u>\$ 1,734,978</u>	<u>7,549,608</u>	<u>9,284,586</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (5,204,103)	413,769	(4,790,334)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:			
Depreciation	3,354,287	97,887	3,452,174
Bad debt expense	(37,000)	(203,729)	(240,729)
Internal activity – payments to/from other funds	1,105,769	—	1,105,769
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	115,638	263,100	378,738
Inventory	—	14,270	14,270
Accounts payable	1,584	110,837	112,421
Accrued leave and payroll	(39,305)	(84,662)	(123,967)
Accrued postclosure care costs	—	190,998	190,998
Net cash provided (used) by operating activities	<u>\$ (703,130)</u>	<u>802,470</u>	<u>99,340</u>
Noncash capital and related financing activities:			
Contribution of capital assets	\$ 4,874,021	—	4,874,021

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH
Statement of Fiduciary Net Assets
Fiduciary Fund – Pension Trust Fund
June 30, 2005

Assets

Investments, at fair value:	
Cash and cash equivalents	\$ 666,119
Shares of registered investment companies	<u>13,197,012</u>
Net assets held in trust for retirement benefits	<u><u>\$ 13,863,131</u></u>

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund – Pension Trust Fund

Year ended June 30, 2005

Additions:

Investment income:

Net appreciation in fair value of investments	\$	735,335
Interest and dividends		<u>10,390</u>
Total investment income		745,725

Contributions:

Participants		<u>800,776</u>
Total additions		<u>1,546,501</u>

Deductions:

Benefits paid directly to participants		1,981,374
Administrative expenses		<u>8,546</u>
Total deductions		<u>1,989,920</u>
Change in net assets		(443,419)

Net assets held in trust for retirement benefits:

Beginning of year		<u>14,306,550</u>
End of year	\$	<u><u>13,863,131</u></u>

See accompanying notes to financial statements.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The Borough is a municipal corporation governed by an elected mayor and seven-member assembly. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

The North Slope Borough School District (School District) is responsible for elementary and secondary education within the government's jurisdiction. The members of the School District's governing board are elected by the voters. However, the Borough is financially accountable for the School District because the responsibility for the budget, taxing, debt and major capital project construction rests with the Borough. The School District is presented as a governmental fund type.

Ilisagvik College (College) is a public college that conducts post-secondary education. The affairs of the College are managed by a separate board of trustees, appointed by the Borough Assembly. The Borough provides over 66% of the funding for the College. The College is presented as an enterprise fund type.

Complete financial statements of the School District component unit can be obtained by contacting the School District at the following address: North Slope Borough School District, P.O. Box 169, Barrow, Alaska 99723. Complete financial statements of Ilisagvik College can be obtained by contacting Ilisagvik College at the following address: Ilisagvik College, P.O. Box 749, Barrow, Alaska 99723.

(b) *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

(c) ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Permanent fund* contains assets that are to be held in perpetuity. Funds may be appropriated to the Permanent fund from any source. Income of the fund is to be added to the corpus of the fund, except that an annual transfer is made to the General fund in an amount up to 8% of the average total fair value of the fund at the end of the three preceding fiscal years. The amount transferred may not be used to pay debt service on the Borough's debt.

The government reports the following major proprietary fund:

- The *Power & Light fund* includes the power-generating activities for the North Slope communities of Anaktuvuk Pass, Kaktovik, Nuiqsut, Point Hope, Point Lay, Wainwright, and Atkasuk.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Additionally, the government reports the following fund type:

- The *Pension Trust fund* accounts for the activities of the North Slope Borough Employee Thrift Plan, which accumulates resources for employee before and after tax savings.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's various utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Power & Light also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(d) *Assets, Liabilities, and Fund Equity*

Cash and Investments

Certain investments of the Permanent Fund are deposited or invested in individual segregated bank accounts. Monies of all other funds are maintained or invested in a common group of bank accounts. Collectively, these common bank accounts and investments represent the central treasury. Each fund whose monies are included in the central treasury has equity therein.

Imprest cash and certificates of deposits, and repurchase agreements with original maturities of ninety days or less are considered to be cash equivalents. For purposes of the Statement of Cash Flows, cash and investments with central treasury held by enterprise funds are treated as cash equivalents.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Investments are reported at fair value, except for money market funds, which are reported at amortized cost. Fair value is determined by quoted market prices. All investment income earned from central treasury investments is distributed to the General Fund, except for approximately \$115,000 of interest allocated to Service Area 10. Approximately \$3,139,000 of the investment earnings from central treasury investments are associated with funds other than the general fund. Investment earnings of the Permanent Fund are reinvested in the Permanent Fund. Up to 8% of the prior three year average fair value of the Permanent Fund is transferred to the general fund in accordance with the Borough Code.

Receivables and Payables

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". All amounts due to/from other funds are short-term in nature. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property taxes receivable, including those for Service Area 10 and Power & Light, are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles, including those for Service Area 10 and Power & Light. The property taxes receivable allowance is equal to approximately 20% of outstanding property taxes at June 30, 2005.

Inventories and Prepaid Items

Inventory in the General Fund consists primarily of fuel. Inventories in the enterprise funds consist of supplies and materials. All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, utilidors, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the year.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15-25 years
Treatment, general plant, and landfill	5-15 years
Utility plant	25-30 years
Power generators	14 years
Office equipment and vehicles	3-10 years
Infrastructure	10-100 years

Compensated Absences

It is the Borough's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type balance sheet. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(e) ***Revenues, Expenditures, and Expenses***

Property Taxes

Property taxes are levied on the assessed value of taxable property as of January 1, and are payable June 30, (June 30 and August 31 for residential property) for the subsequent year's appropriations. An enforceable lien is attached on all taxable property as of January 1. Deferred revenue is recorded in an amount equal to the property taxes due June 30, as significantly all such amounts are levied for the subsequent year's budget.

Property taxes billed and collected by the Borough include the portion attributable to the School District.

Sales Taxes/Economic Impact Assistance

Effective September 12, 1991, the Borough repealed its sales tax ordinance. At the same time, the Borough entered into an agreement with three major property owners whereby the Borough will receive an Economic Impact Assistance payment in lieu of taxes in the amount of \$22,000,000 under a five year agreement expiring in 2006 calling for a final payment of \$4,400,000.

Grant Revenue

Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Insurance Recoveries

Insurance recoveries are recognized when realized.

(f) ***Recently Issued Accounting Standards***

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. Governments will be required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. An insurance recovery associated with events or changes in circumstances resulting in impairment of a capital asset should be netted with the impairment loss. Restoration or replacement of the capital asset using the insurance recovery should be reported as a separate transaction. Insurance recoveries should be disclosed if not apparent from the face of the financial statements. Insurance recoveries for circumstances other than impairment of capital assets should be reported in the same manner. The provisions of this Statement are effective for the year

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

ending June 30, 2006, with retroactive application required. The adoption of GASB No. 42 is not expected to have a material effect on the Borough's basic financial statements.

(2) Stewardship, Compliance, and Accountability

(a) *Budgets and Budgetary Accounting*

In accordance with the North Slope Borough Code of Ordinances (Code), the Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the Borough Assembly, by March 1, a proposed operating budget for all operations of the Borough for the following fiscal year and a capital improvements program for the next six fiscal years. Proposed expenditures and the means of financing them are included in the operating budget and capital improvements program.
2. By May 1, a public hearing is conducted by the Assembly to obtain the comments of the residents of the Borough.
3. The Assembly, by ordinance, shall adopt an operating budget and capital improvements program by May 1 of the current fiscal year. If it fails to do so, the operating budget and capital improvements program submitted by the Mayor shall be deemed adopted by the Assembly.
4. The Assembly may, by ordinance, amend the appropriation during the year if available revenues exceed or are insufficient to meet the amount appropriated.

The Mayor may transfer part or all of any unencumbered balance between expenditure classifications within a department or from one department to another excluding the education function, debt service or for cash deficits. Transfers may be made between Capital Projects Funds on projects utilizing general obligation bond proceeds only upon voter approval.

Budgeting for the General Fund is on a modified accrual basis in accordance with the Code. No other governmental funds have legally adopted annual budgets. The Borough's Power & Light and Service Area 10 enterprise funds have legally adopted annual budgets prepared on the accrual basis.

The books of the Borough remain open until such time as the Assembly authorizes their closure. As such, amendments to the appropriation may be made subsequent to June 30.

Expenditures may not legally exceed the total operating budget appropriation. Several supplementary appropriations were made during the year in accordance with the Code. Appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Even though goods and services have not been received, the transactions are accounted for as a reservation of fund balances in the year that the commitment is made. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the reappropriation of year-end encumbrances, which have been approved for carryover by the Borough Administration and the Mayor. Appropriations for capital improvement programs and various governmental grants carry over at year-end.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(b) Excess of Expenditures over Appropriations

The Borough had no departments where the expenditures exceed the appropriation during the year.

(c) Deficit Fund Equity

The Borough had no individual funds with deficit fund equity at June 30, 2005.

(3) Deposits and Investments

As of June 30, 2005, the Borough had the following investments:

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Central treasury:					
Money market funds	\$ 43,597,192	43,597,192	—	—	—
Debt securities:					
U.S. Treasuries	47,914,762	13,138,895	14,808,593	18,824,930	1,142,344
U.S. agencies	153,897,972	67,775,950	79,383,108	4,496,859	2,242,055
Corporate bonds	43,080,854	15,000,000	17,578,622	10,502,232	—
	<u>244,893,588</u>	<u>95,914,845</u>	<u>111,770,323</u>	<u>33,824,021</u>	<u>3,384,399</u>
Permanent fund:					
Money market funds	14,898,959	14,898,959	—	—	—
Debt securities:					
U.S. Treasuries	13,258,413	—	5,768,401	3,847,744	3,642,268
U.S. agencies	34,342,109	—	22,854,116	6,870,291	4,617,702
Foreign governments	16,240,563	1,750,891	2,077,368	9,754,753	2,657,551
Domestic corporate bonds	47,444,784	—	16,674,531	14,463,383	16,306,870
Foreign corporate bonds	10,424,114	373,220	5,435,203	2,946,995	1,668,696
Equity securities:					
Common stocks	149,015,383	—	—	—	—
Mutual funds	193,244,108	—	—	—	—
	<u>463,969,474</u>	<u>2,124,111</u>	<u>52,809,619</u>	<u>37,883,166</u>	<u>28,893,087</u>
	<u>\$ 708,863,062</u>	<u>98,038,956</u>	<u>164,579,942</u>	<u>71,707,187</u>	<u>32,277,486</u>

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Borough Code authorizes investments in the following: U.S. Treasury Bills, Notes and Bonds; any debt instrument with a direct U.S. Government guarantee; U.S. Government agencies securities or agency sponsored securities; repurchase agreements, secured by obligations consisting only of those investment instruments authorized by Code; Banker's acceptances; commercial paper with a rating not less than A-1,

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

P-1 or F-1; Certificates of Deposit; Bonds or other taxable yield debt instruments of this State, its agencies, municipalities, any other state, or domestic corporation which at the time of investment have an investment grade rating of a nationally recognized rating agency; any investment instrument authorized in terms of any trusts the Borough may administer; shares of mutual funds with portfolios consisting exclusively of assets which are direct obligations of the U.S. Government; government backed securities; mortgage related securities; asset backed securities having one of the two highest ratings of a nationally recognized rating agency; and investment pools as authorized by the Alaska Statutes.

In addition to the above, certain additional investments are authorized for the Permanent Fund only. They are as follows: common stock, preferred stock, interest bearing obligations of the corporation having an option to convert into common stock; bond, note or other debt securities of nondomestic governments, agencies and corporations with a domestic rating of investment grade of a nationally recognized rating agency; securities of nondomestic corporations, including common and preferred stock; closed or opened end mutual funds whose assets are invested in similar obligations; and the sale (writing) and repurchase of call options provided the Permanent Fund owns the security in which the option is written.

At June 30, 2005, the Borough’s money market funds, U.S. agencies bonds, foreign currency denominated government bonds, and corporate bonds and were rated as follows:

Investment	Standard & Poor	Moody's Investor Service
Money markey funds	AAA	AAA
U.S. agencies	AAA	AAA
Foreign government bonds	AAA to AA+	AAA to Aa1
Domestic corporate bonds	AAA to BAA2	AAA to BBB
Foreign corporate bonds	A to BB+	A1 to Baa3

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer, however, no more than 20% of the Permanent Fund may be invested in nondomestic investments. The Borough has no investments from any one issuer that represents 5% or more of total investments other than U.S. government securities or mutual funds.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough’s deposit policy for custodial credit risk is to collateralize its primary demand deposit account for 100 percent of the uninsured balance. As of June 30, 2005, \$72,820,483 of the Borough’s bank account balances of \$77,596,863 was exposed to custodial credit risk because it was because it was uninsured and uncollateralized. Collateral, in the amount of \$4,676,380, is held by the Bank of New York, the pledging financial institution’s agent, in the Borough’s name.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Custodial Credit Risk – Investments

For an investment, this is a risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Borough had no debt securities exposed to custodial credit risk at June 30, 2005.

Foreign Currency Risk

The Borough's exposure to foreign currency risk derives from its positions in foreign currency denominated debt and equity securities. The Borough's investment policy permits the permanent fund to invest up to 20% of total permanent fund investments in foreign denominated investments. The Borough invests in foreign currency denominated government and corporate bonds with a domestic rating of investment grade by a nationally recognized rating agency. The Borough's exposure to foreign currency risk is as follows:

Currency	Foreign currency exposure		
	Debt securities	Equity securities	Total
Australian Dollar	\$ 5,144,472	1,190,429	6,334,901
Euro Currency	12,345,388	12,344,811	24,690,199
Canadian Dollar	102,967	2,276,270	2,379,237
Danish Krone	779,467	244,982	1,024,449
Swedish Krona	668,632	—	668,632
Swiss Franc	—	5,602,231	5,602,231
Japanese Yen	2,893,224	7,058,176	9,951,400
British Pound Sterling	4,730,528	14,256,707	18,987,235
Hong Kong Dollar	—	3,458,580	3,458,580
Singapore Dollar	—	1,498,518	1,498,518
	\$ 26,664,678	47,930,704	74,595,382

Reconciliation to Statement of Net Assets

Deposits and investments are reported as follows on the statement of net assets, as of June 30, 2005:

	Central treasury	Permanent fund	Total
Cash and investments with central treasury:			
Cash	\$ 75,125,583	—	75,125,583
Investments	288,490,780	—	288,490,780
Other cash and investments:			
Cash	—	56,898	56,898
Investments	—	478,868,433	478,868,433
Total primary government	\$ 363,616,363	478,925,331	842,541,694

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(4) Property Taxes, Loans, and Trade Accounts Receivables

Property taxes, loans settlement, and trade accounts receivables as of year end for the Borough's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u>		<u>Business-type activities</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	<u>Power & Light</u>	<u>Nonmajor</u>	
Property taxes	\$ 3,683,291	—	—	—	3,683,291
Loans	37,890	3,519,375	—	172,125	3,729,390
Settlement	15,930,000	—	—	—	15,930,000
Trade accounts	—	—	602,931	665,982	1,268,913
Other	402,359	25,206	—	—	427,565
	20,053,540	3,544,581	602,931	838,107	25,039,159
Allowance for uncollectible accounts	(750,000)	(1,215,334)	(538,000)	(131,676)	(2,635,010)
	<u>\$ 19,303,540</u>	<u>2,329,247</u>	<u>64,931</u>	<u>706,431</u>	<u>22,404,149</u>

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(5) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

(a) Primary Government

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 32,138,200	—	—	32,138,200
Construction work-in-progress	<u>32,032,137</u>	<u>45,348,187</u>	<u>40,562,010</u>	<u>36,818,314</u>
Total	<u>64,170,337</u>	<u>45,348,187</u>	<u>40,562,010</u>	<u>68,956,514</u>
Capital assets, being depreciated:				
Gas fields	70,615,300	—	—	70,615,300
Buildings and improvements	817,379,658	18,428,717	—	835,808,375
Improvements other than buildings	43,829,763	1,938,318	—	45,768,081
Equipment	105,487,037	11,708,104	12,503,191	104,691,950
Infrastructure	<u>700,818,054</u>	<u>5,143,125</u>	<u>—</u>	<u>705,961,179</u>
Total	<u>1,738,129,812</u>	<u>37,218,264</u>	<u>12,503,191</u>	<u>1,762,844,885</u>
Less accumulated depreciation for:				
Gas fields	6,002,056	1,412,306	—	7,414,362
Buildings and improvements	214,088,269	18,368,711	—	232,456,980
Improvements other than buildings	5,914,735	1,410,863	—	7,325,598
Equipment	79,919,991	4,662,360	10,857,024	73,725,327
Infrastructure	<u>139,615,154</u>	<u>9,569,963</u>	<u>—</u>	<u>149,185,117</u>
Total	<u>445,540,205</u>	<u>35,424,203</u>	<u>10,857,024</u>	<u>470,107,384</u>
Total capital assets being depreciated	<u>1,292,589,607</u>	<u>1,794,061</u>	<u>1,646,167</u>	<u>1,292,737,501</u>
Total governmental activities, net	<u>\$ 1,356,759,944</u>	<u>47,142,248</u>	<u>42,208,177</u>	<u>1,361,694,015</u>

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

	<u>Beginning balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 878,918	—	—	878,918
Capital assets, being depreciated:				
Property and plant	109,635,754	3,860,466	—	113,496,220
Equipment	<u>37,623,141</u>	<u>1,027,465</u>	<u>1,398,218</u>	<u>37,252,388</u>
Total	<u>147,258,895</u>	<u>4,887,931</u>	<u>1,398,218</u>	<u>150,748,608</u>
Less accumulated depreciation for:				
Property and plant	76,178,223	1,875,247	—	78,053,470
Equipment	<u>20,216,184</u>	<u>1,590,837</u>	<u>1,398,218</u>	<u>20,408,803</u>
Total	<u>96,394,407</u>	<u>3,466,084</u>	<u>1,398,218</u>	<u>98,462,273</u>
Total capital assets being depreciated	<u>50,864,488</u>	<u>1,421,847</u>	—	<u>52,286,335</u>
Total business-type activities, net	\$ <u>51,743,406</u>	<u>1,421,847</u>	—	<u>53,165,253</u>

Depreciation expense was charged to the departments and functions of the primary government as follows:

Governmental activities:	
General government	\$ 2,516,905
Public works	21,339,237
Public safety	2,380,964
Health and social services	1,321,342
Wildlife management	46,317
Primary and secondary education	6,971,921
Higher education	847,517
Total – Governmental activities	<u>35,424,203</u>
Business-type activities:	
Service Area 10	111,798
Power & Light	<u>3,354,287</u>
Total – Business-type activities	<u>3,466,085</u>
Total	\$ <u>38,890,288</u>

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(b) Construction Commitments

The Borough has active construction projects as of year-end. At year end the Borough's commitments with contractors are as follows:

	<u>Project authorization</u>	<u>Expended to June 30, 2005</u>	<u>Encumbered at June 30, 2005</u>
Education and service center facilities	\$ 40,040,000	30,545,446	6,019,198
Public roads, streets, watercourse, and flood control facilities	104,990,000	80,217,696	2,600,389
Public housing	17,571,000	12,851,040	226,070
Water facilities	218,442,000	207,448,554	1,591,542
Sewage treatment disposal facilities	209,101,000	186,828,180	1,716,818
Airport and airport terminal facilities	15,649,000	12,445,220	414,945
Urban development projects	450,000	397,134	—
Light, power, and heating systems	155,665,000	123,630,807	3,789,169
Public safety facilities	24,323,000	21,382,381	271,413
Sanitary facilities	39,584,000	23,958,868	1,387,576
Communications	5,134,000	3,274,370	62,513
General capital projects	52,087,000	28,634,713	6,657,969
Health facilities	14,141,000	7,816,518	2,382,324
Administration facilities	752,000	733,580	—
Total	<u>\$ 897,929,000</u>	<u>740,164,507</u>	<u>27,119,926</u>

(6) Interfund Receivables, Payables, and Transfers

(a) Interfund Receivables and Payables

A summary of individual interfund receivables and payables is as follows:

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 22,789,031	—
Permanent fund	—	22,789,031
Total	<u>\$ 22,789,031</u>	<u>22,789,031</u>

All balances are expected to be settled within the next fiscal year.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(b) Transfers

A summary of interfund transfers is as follows:

	Transfers out			
	General	Permanent	Nonmajor governmental funds	Total
Transfers in:				
General fund	\$ —	22,789,031	4,591,664	27,380,695
Nonmajor governmental funds	5,581,000	—	289	5,581,289
Major enterprise fund – Power & Light	1,105,769	—	—	1,105,769
	\$ 6,686,769	22,789,031	4,591,953	34,067,753

Significant operating transfers were as follows:

- General Fund transferred \$5,581,000 to Capital Projects Funds for the acquisition and construction of capital assets;
- Capital Projects Funds transferred \$4,556,000 to the General Fund for advances awaiting bond proceeds received during the year ended June 30, 2005; and,
- Permanent Fund accrued a transfer of \$22,789,031 of investment earnings to the General Fund.

(c) Interfund Charges

In the governmental statements, the General Fund has charged an administration support fee to Service Area 10 and Power & Light based on estimated actual cost at June 30, 2005 in the amount of \$1,049,158.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(7) Long-Term Debt

(a) General Obligation Bonds

The Borough issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Borough. These bonds generally are issued as 10-year capital appreciation bonds with amounts of principal maturing in varying increments. General obligation bonds currently outstanding are as follows:

	Bond principal
\$59,042,840 1995 Series A for construction of capital projects, consisting of remaining capital appreciation bonds of \$42,452,938 with a maturity value of \$78,554,000, due in final installment of \$78,554,000 on June 30, 2006, interest at 5.75%	\$ 42,452,938
\$79,074,846 1996 Series B for construction of capital projects, consisting of remaining capital appreciation bonds of \$47,939,865 with a maturity value of \$86,754,000, due in two annual installments of \$18,925,000 and \$67,829,000 on June 30, 2006 and 2007, respectively, interest at 5.65% to 5.72%	47,939,865
\$53,233,869 1997 Series A for construction of capital projects, consisting of remaining capital appreciation bonds of \$38,662,533 with a maturity value of \$66,760,000, due in two annual installments of \$11,530,000 and \$55,230,000 on June 30, 2007 and 2008, respectively, interest at 5.15% to 5.25%	38,662,533
\$72,529,184 1998 Series A for construction of capital projects, consisting of remaining capital appreciation bonds of \$15,587,504 with a maturity value of \$24,415,000 due in annual installments ranging from \$3,890,000 to \$14,245,000 through June, 30 2009, interest at 4.50% to 4.70%	15,587,504
\$26,122,348 1999 Series A for construction of capital projects, consisting of remaining capital appreciation bonds of \$25,141,111 with a maturity value of \$44,415,000 due in final installment of \$44,415,000 on June 30, 2010, interest at 5.45%	25,141,111
\$43,400,000 2000 Series A for refund of general obligation bonds, consisting of the remaining single current interest bond of \$43,400,000 due in annual installments ranging from \$100,000 to \$42,300,000 on June 30, 2008 through June 30, 2010, plus interest payments due monthly, beginning on January 1, 2001 at a variable interest rate, 3.15% at June 30, 2005	43,400,000

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

	<u>Bond principal</u>
\$91,997,215 2000 Series B for construction of capital projects consisting of remaining capital appreciation bonds of \$79,047,523 with a maturity value of \$129,265,000, due in annual installments ranging from \$745,000 to \$58,540,000 on June 30, 2006 through June 30, 2011, interest at 4.85% to 5.24%	\$ 79,047,523
\$30,000,000 2000 Series R-1 for refund of general obligation bonds, consisting of the remaining single current interest bond of \$11,957,610 due in annual installments of \$2,989,403 through June 30, 2009, plus interest at 2.50%	11,957,610
\$60,926,439 2001 Series A for construction of capital projects consisting of remaining capital appreciation bonds of \$58,920,155 with a maturity value of \$90,580,000 due in annual installments ranging from \$4,000,000 to \$58,580,000 on June 30, 2007 through June 30, 2012, interest at 3.88% to 4.58%	58,920,155
\$24,468,130 2002 Series A for construction of capital projects consisting of remaining capital appreciation bonds of \$20,021,954 with a maturity value of \$30,475,000, due in annual installments ranging from \$1,000,000 to \$25,975,000 on June 30, 2006 through June 30, 2013, interest at 2.75% to 4.15%	20,021,954
\$30,224,916 2003 Series A for construction of capital projects consisting of capital appreciation bonds of \$26,825,261 with a maturity value of \$35,120,000 due in annual installments ranging from \$2,800,000 to \$9,320,000 on June 30, 2008 through June 30, 2012, interest at 3.13% to 4.34%	26,825,261
\$24,250,000 2004 Series R-1 for refund of general obligation bonds, consisting of the remaining single current interest bond of \$21,813,920 due in annual installments ranging from \$2,496,982 to \$2,968,127 on June 30, 2006 through June 30, 2013, plus interest at 2.50%	21,813,920
\$75,808,318 2004 Series A for construction of capital projects consisting of remaining capital appreciation bonds of \$75,808,318 with a maturity value of \$106,030,000 due in annual installments ranging from \$800,000 to \$53,605,000, on June 30, 2006 through June 30, 2014, interest at 2.27% to 4.25%	75,808,318
	507,578,692
Accreted principal on capital appreciation bonds	134,014,164
	\$ 641,592,856

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Annual debt service requirements to maturity for general obligation bonds are as follows:

	General obligations bonds	Principal accretion on capital appreciation bonds	Interest	Total
Fiscal year ending:				
2006	\$ 63,784,956	44,450,429	3,804,187	112,039,572
2007	65,839,558	39,703,251	2,377,594	107,920,403
2008	65,521,974	34,610,820	2,238,874	102,371,668
2009	79,213,975	14,789,403	2,060,064	96,063,442
2010	55,879,371	33,456,829	289,978	89,626,178
2011 – 2014	177,338,858	94,950,109	438,023	272,726,990
	<u>\$ 507,578,692</u>	<u>261,960,841</u>	<u>11,208,720</u>	<u>780,748,253</u>

(b) ADEC Loans

The Borough participates in the Alaska Clean Water Fund, a federally sponsored loan program administered by the Alaska Department of Environmental Conservation (ADEC). The Borough borrowed \$5,000,000 under this program in 2002 for four water and sewer projects and in 2004 a single issue general obligation bond was issued to ADEC which included the original loan of \$5,000,000 and additional funding of \$19,250,000.

(c) Capital Leases

The Borough has a noncancelable twenty-year lease for rental of certain buildings with a net book value of \$7,627,652 (\$17,411,316 less accumulated amortization of \$9,783,664). The Borough accounts for this lease as a capital lease in its governmental-type funds. Total amortization expense for the lease was \$847,517 during the year ended June 30, 2005.

NORTH SLOPE BOROUGH

Notes to Financial Statements

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Following is a schedule of future lease payments under the leases together with the present value of lease payments as of June 30, 2005:

Fiscal year ending June 30:	
2006	\$ 1,450,000
2007	1,450,000
2008	1,450,000
2009	1,450,000
2010	1,450,000
2011 – 2015	<u>5,920,833</u>
Total lease payments	13,170,833
Less amount representing interest	<u>3,036,052</u>
Present value of required lease payments	<u>\$ 10,134,781</u>

(d) Solid Waste Landfill Closure and Postclosure Care Costs

Governmental Activities – Barrow Landfill

In accordance with a Compliance Order by Consent with the Alaska Department of Environmental Conservation, the Borough has provided a financial assurance of \$15 million for the closure of the Barrow landfill. The Borough has recorded the related liability of \$16,085,000 in the government-wide financial statements. The assurance was based on initial estimates of closure costs. The current liability was based on a revised engineering study. As owner and operator of the landfill, the Borough is required to provide the financial assurance for the full amount of the estimated costs of closure. However, since agencies of the U.S. Government were the original owners of the landfill, the Borough negotiated with the Department of Defense (DOD) for assistance in funding the costs of the landfill closure. During 2005, a settlement was reached with the DOD whereby the Borough is to receive \$15,930,000 in exchange for assuming all liabilities related to the cost of closure and postclosure care. The settlement proceeds were received in August 2005. Final work on closure is scheduled to start in the summer of 2006.

Business-Type Activities – Service Area 10

The Borough has implemented the Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, which establishes the standards of accounting and financial reporting for municipal solid waste landfill closure and postclosure costs that are required to be incurred by federal, state, or local laws or regulations. These laws and regulations require the Borough to place a final cover on its Service Area 10 landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Borough reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,774,904 reported as landfill closure and postclosure care liability at June 30, 2005, represents the total cumulative amount reported to date based on the use of 84% of the estimated capacity of the landfill. The Borough will

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

recognize the remaining estimated cost of closure and postclosure care of \$921,096 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Borough expects to close the landfill in the year 2017.

The Borough is required by state and federal laws and regulations to demonstrate financial assurance for closure, postclosure, and/or corrective action by satisfying the local government financial test and government-guarantee. The Borough satisfies the financial and public notice components of this test.

(e) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 492,623,263	75,808,318	60,852,889	507,578,692	63,784,956
Less deferred amounts on refunding	(1,065,913)	—	(118,435)	(947,478)	(118,435)
Total bonds payable	491,557,350	75,808,318	60,734,454	506,631,214	63,666,521
Capital leases	11,007,110		872,329	10,134,781	865,456
Barrow Landfill closure and postclosure care costs	4,840,683	11,263,779	19,462	16,085,000	—
Compensated absences	3,768,598	5,238,838	5,120,934	3,886,502	3,886,502
Health claims incurred but not reported	1,273,400	6,699,264	6,716,264	1,256,400	1,256,400
Accreted principal on Capital Appreciation Bonds	153,216,123	23,341,270	42,543,229	134,014,164	44,450,429
Total governmental activities	<u>\$ 665,663,264</u>	<u>122,351,469</u>	<u>116,006,672</u>	<u>672,008,061</u>	<u>114,125,308</u>
Business-type activities:					
Service Area 10 postclosure care costs	\$ 4,583,906	190,998	—	4,774,904	—
Compensated absences	92,856	141,328	113,478	120,706	120,706
Total business-type activities	<u>\$ 4,676,762</u>	<u>332,326</u>	<u>113,478</u>	<u>4,895,610</u>	<u>120,706</u>

For governmental activities, compensated absences and health claims incurred but not reported are generally liquidated by the general fund.

(f) Refunded Bond Issues

The Borough has issued various refunding bond issues for the purpose of redeeming certain general obligation bond issues as they become due or callable. The proceeds of the refunding bond issue have been placed in irrevocable escrow accounts and invested in U.S. Government obligations that

NORTH SLOPE BOROUGH

Notes to Financial Statements

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together with interest earned thereon, will provide amounts sufficient for future payment of all interest, principal and call premiums. Since payments of these advance refunded bond issues have been provided through funding as described above, neither the liability nor the assets irrevocably pledged are reflected in the basic financial statements. At June 30, 2005, the balance of the refunded bonds payable are as follows:

<u>Issue</u>	<u>Balance, June 30, 2005</u>
1982 Series Q	\$ 3,000,000
1983 Refunding A	4,700,000
1995 Series A	4,171,000
1996 Series B	4,171,000
1997 Series A	4,170,000
1998 Series A	4,170,000
2000 Series B	19,530,000
2001 Series A	3,255,000
2002 Series A	3,260,000
	<u>\$ 50,427,000</u>

(g) ***Exempt Facility Industrial Revenue Bonds***

On December 1, 2001, the Borough participated in the issuance of \$55,000,000 of exempt facility industrial revenue bonds on behalf of BP Exploration (Alaska) Inc. The proceeds were used to finance the cost of certain sewage and solid waste disposal facilities acquired and constructed at the Northstar Island drill site of BP Exploration (Alaska) Inc. The Borough had no direct involvement with the administration of these bonds except to allow their issuance under the name of the Borough. These revenue bonds were issued under provisions of state and Federal law that provide that the bonds do not constitute an indebtedness of the Borough. At June 30, 2005, \$55,000,000 of the bonds were outstanding.

(8) **Retirement Commitments**

(a) ***Alaska Public Employees' Retirement System (PERS)***

Plan Description

The Alaska Public Employees' Retirement System (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 of Alaska. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by state legislature. 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. The plan provides pension and other postemployment healthcare, death and disability benefits.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

During 2005, the Borough adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203 or by calling (907) 465-4460.

Under state law, covered employees are required to contribute 6.75% (7.5% for police and fire personnel) of their annual covered payroll and the Borough is required to contribute an actuarially determined rate that, expressed as a percentage of annual covered payroll, is sufficient to accumulate assets to pay pension and other postemployment benefits (OPEB) when due. However, the 2005 actuarially determined rate was 16.82% of applicable gross pay and the employer contribution rate was capped at 7.64% in accordance with a PERS statute that limits yearly increases to 5 percent.

Benefits vest after five years of credited service. Employees enrolled 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 enrolled after June 30, 1986 the normal and early retirement ages are 60 and 55, respectively. Employees with 30 (20 for police and fire personnel) or more years of credited service may retire at any age and receive a normal benefit.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Police/Fire members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2% for the first ten years of service and 2.5% for all service over 10 years. The percentage multipliers for all other participants are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

The system also provides death and disability benefits and major medical benefits. Major medical benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986 who have not reached age 60 may elect to pay for major medical benefits.

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least age 60 but under 65 or who have been receiving benefits for at least five years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or \$50 a month, whichever is greater.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Annual Cost and Net Obligation

The Borough's annual costs (expense) are calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The following table shows the components of the Borough's annual cost, the amount actually contributed to the plan, and changes in the Borough's net obligation to PERS:

	Pension	OPEB
Annual required contribution	\$ 2,983,806	1,989,204
Adjustment to annual cost	783,037	528,403
Annual cost	3,766,843	2,517,607
Contributions made	1,710,980	1,143,550
Increase in obligation	2,055,863	1,374,057
Net obligation, beginning of year	—	—
Net obligation, end of year	\$ 2,055,863	1,374,057

Funded Status and Funding Progress (Unaudited)

The funded status of the plan as of June 30, 2003, was as follows:

	Pension	OPEB
Actuarial accrued liability (AAL)	\$ 140,553,000	93,940,000
Actuarial value of plan assets	127,308,000	85,089,000
Unfunded actuarial accrued liability (UAAL)	\$ 13,245,000	8,851,000
Funded ratio (actuarial value of plan assets/AAL)	91%	91%
Covered payroll (active plan members)	\$ 43,195,000	43,195,000
UAAL as a percentage of covered payroll	30.7%	20.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant actuarial methods and assumptions were as follows:

	<u>Pension</u>	<u>OPEB</u>
Contribution rates:		
Employee:		
Peace officers and firefighters	4.50%	3.00%
Other employees	4.05%	2.70%
Employer	4.58%	3.06%
Actuarial assumptions:		
Actuarial valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Percent of pay, open	Percent of pay, open
Remaining amortization period	20 years	20 years
Asset valuation method	5-year	5-year
Inflation rate	3.50%	3.50%
Investment return	8.25%	8.25%
Projected salary increase:		
Inflation	3.50%	N/A
Productivity and merit:		
Peace officers and firefighters	2.50%	N/A
Others	2.00%	N/A
Health cost trend	N/A	12.00%

The Borough's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2005 and the two preceding years were as follows:

<u>Year ended</u>	<u>APC</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
6/30/2003	\$ 989,000	100%	—
6/30/2004	660,000	100	—
6/30/2005	3,766,843	45	2,055,863

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2005 and the two preceding years were as follows:

<u>Year ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2003	\$ 659,000	100%	—
2004	440,000	100	—
2005	2,517,607	45	1,374,057

(9) Employee Savings Plans

(a) Employee Thrift Plan

The North Slope Borough has a defined contribution Employee Thrift Plan covering all Borough and School District employees. This plan is exempt from income tax under Internal Revenue Code Section 401(a). In accordance with this plan document, Borough employees that meet eligibility criteria and decide to participate in the plan must make a mandatory 4% before-tax contribution and may make voluntary after-tax contributions up to 10% of annual compensation. Permanent employees who are at least eighteen and have completed ninety days of employment are eligible to participate. Participants are immediately 100% vested in their employee contributions plus the actual earnings thereon. The Borough is the administrator of the Plan.

(b) Deferred Compensation Plan

The North Slope Borough has a deferred compensation plan created and amended in accordance with Internal Revenue Code Section 457. This plan is available to all Borough employees who have completed thirty days of service. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Borough is the administrator of the Plan.

All amounts deferred under this plan are held in a trust that was established for the exclusive benefit of plan participants.

The Borough believes that the plan does not meet the reporting criteria for inclusion as a fiduciary fund.

(10) Risk Management and Self-Insurance

The Borough is self-insured for various risks with coverage in excess thereof provided by private carriers. The Borough retains risk of loss for up to a maximum of \$250,000 for general, auto, and professional liability claims, \$500,000 for each property damage claim, and \$1,000,000 lifetime per individual for health benefit claims. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

The self-insurance program is accounted for primarily in the General Fund. Health benefit expenditures are accrued in the government-wide statements, including estimates of losses incurred but not reported based on historical experience adjusted for current trends. Other losses incurred but not reported are not material. In addition, the Borough has designated \$3,500,000 of the unreserved fund balance in the General Fund to cover self-insured retention in the event of multiple losses. Changes in the balances for claims liabilities for the year is as follows:

	<u>2005</u>	<u>2004</u>
Claims liabilities, July 1	\$ 1,273,400	1,142,000
Incurred claims	6,699,264	6,707,498
Claims payments	<u>(6,716,264)</u>	<u>(6,576,098)</u>
Claims liabilities, June 30	<u>\$ 1,256,400</u>	<u>1,273,400</u>

In July 2004, the Kaktovik fire station was destroyed by fire. The facility was covered by fire insurance subject to a deductible of \$500,000. The net book value of the fire station was \$649,133. A replacement fire station is currently under construction and estimated to cost \$4,995,000. Ninety percent of the construction costs will be covered by insurance. The remaining ten percent was absorbed by the general fund and funded through proceeds from bond issuance.

In January 2005, a Borough power grid in the village of Kaktovik was severely damaged by a winter storm and failed. This resulted in additional damage to infrastructure from the frozen conditions. The damage was covered by property insurance and qualified for assistance from the Federal Emergency Management Agency (FEMA) and the State of Alaska. The costs to repair the damages are estimated at \$5,600,000. Approximately seventy-seven percent of the repair costs are expected to be funded by insurance recoveries, FEMA assistance and State of Alaska assistance. The Borough expects to realize the insurance recoveries, FEMA assistance and State of Alaska assistance during 2006. The remaining twenty-three percent of the repair costs was absorbed by the general fund and funded through proceeds from bond issuance.

(11) Commitments and Contingent Liabilities

(a) *Litigation*

There are various lawsuits pending in courts within the State to which the Borough is a party. In the opinion of management and the Borough attorney, no litigation is pending, or to their knowledge, threatened, which is likely to result, either individually or in the aggregate, in final judgments against the Borough which would have a material effect on its financial statements. However, the reader's attention is directed to the matters discussed in the following paragraph.

Outside counsel has been retained to represent the interests of the Borough in connection with the past practices of contractors and vendors. Several former contractors and vendors have filed suit against the Borough on a variety of theories seeking monies they claim to be due. In the opinion of management and counsel, the Borough has valid defenses against these claims and they are not expected to have an adverse effect on the Borough.

NORTH SLOPE BOROUGH

Notes to Financial Statements

June 30, 2005

(b) Grants

The Borough receives numerous grants, which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, would not be material.

(12) Related Parties

In the normal course of business, the Borough may contract for goods or services from corporations whose shareholders, officers or employees may also be associated with the Borough as an official, assembly member or employee. Such purchases during the current fiscal year aggregate approximately \$40 million.

(13) Subsequent Events

Sale of General Obligation Bonds

In October 2005 the Borough issued \$28,405,000 of general obligation and general obligation refunding bonds to finance capital improvements and advance refund a portion of the outstanding general obligation bonds (portions of Series 1995A and Series 1998A) with an aggregate maturity value of \$3.3 million using \$3.1 million of the proceeds of the bonds.

These bonds consisted of current interest term bonds with a maturity value of \$28,405,000 due in two installments of \$1,715,000 and \$26,690,000 on June 30, 2015, plus interest at 4.25% and 5.00% respectively.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTH SLOPE BOROUGH
Required Supplementary Information
Schedule of Funding Progress for PERS
June 30, 2005

Three-year historical trend information presenting the Borough's progress in accumulating sufficient assets to pay pension and OPEB benefits under the PERS when due is presented as follows (dollar amounts in thousands):

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>(AAL) (UAAL) Funding excess (FE) (a-b)</u>	<u>Funding ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAL/FE as a percentage of covered payroll ((a-b)/c)</u>
Pension:						
6/30/2001	\$ 141,961	128,105	13,856	111%	\$ 45,951	30.2%
6/30/2002	121,115	136,564	(15,449)	89	43,491	(35.5)
6/30/2003	127,308	140,553	(13,245)	91	43,195	(30.7)
OPEB:						
6/30/2001	\$ 60,106	54,240	5,866	111%	\$ 45,951	12.8%
6/30/2002	73,587	82,974	(9,387)	89	43,491	(21.6)
6/30/2003	85,089	93,940	(8,851)	91	43,195	(20.5)

NORTH SLOPE BOROUGH

Budgetary Comparison Schedule
General Fund

Year ended June 30, 2005

	Budget		Actual	Variance with final budget – positive (negative)
	Original	Final		
Revenues:				
Property taxes	\$ 196,140,000	197,798,444	197,493,466	(304,978)
Intergovernmental	8,140,913	23,476,012	13,587,030	(9,888,982)
Charges for services	7,308,200	3,762,090	4,862,150	1,100,060
Investment earnings	12,004,663	12,004,663	7,971,251	(4,033,412)
Net decrease in the fair value of investments	—	—	(451,937)	(451,937)
Economic impact assistance	4,400,000	4,400,000	4,400,000	—
Other revenues	—	727,853	331,471	(396,382)
Total revenues	227,993,776	242,169,062	228,193,431	(13,975,631)
Expenditures:				
Current:				
General government	32,781,338	45,668,852	36,366,809	9,302,043
Public works	40,920,515	40,756,913	35,410,424	5,346,489
Public safety	14,335,885	21,042,273	13,908,343	7,133,930
Health and social services	14,963,146	16,187,291	13,659,766	2,527,525
Wildlife management	2,592,465	6,477,540	3,588,362	2,889,178
Primary and secondary education	22,991,968	22,991,968	23,555,878	(563,910)
Higher education	6,816,608	6,816,608	6,816,608	—
Debt service:				
Principal retirement	59,968,598	59,968,598	60,852,889	(884,291)
Interest	56,441,402	56,441,402	54,359,431	2,081,971
Total expenditures	251,811,925	276,351,445	248,518,510	27,832,935
Deficiency of revenues over expenditures	(23,818,149)	(34,182,383)	(20,325,079)	13,857,304
Other financing sources (uses):				
Transfers in from other governmental funds	24,923,918	24,923,918	27,380,695	2,456,777
Transfers out to other governmental funds	—	—	(5,581,000)	(5,581,000)
Transfer out to enterprise funds	(1,105,769)	(1,105,769)	(1,105,769)	—
Proceeds from settlement	—	—	15,935,763	15,935,763
Proceeds from sale of assets	—	6,538,000	6,696,175	158,175
Appropriation of fund balance	—	3,826,234	—	(3,826,234)
Total other financing uses	23,818,149	34,182,383	43,325,864	9,143,481
Net change in fund balance	—	—	23,000,785	23,000,785
Fund balance, beginning of year	21,788,360	21,788,360	21,788,360	—
Fund balance, end of year	\$ 21,788,360	21,788,360	44,789,145	23,000,785

Note: Budgeting for the General Fund is on a modified accrual basis.

SUPPLEMENTAL INFORMATION

NORTH SLOPE BOROUGH

Nonmajor Governmental Funds

June 30, 2005

Special Revenue

See special revenue section of report.

Capital Projects

See capital project section of report.

Permanent Fund

Museum Endowment Fund – Assets in this fund are to be held until December 31, 2025 at which time the principal and any reinvested income may be used at the discretion of the Hans Van Der Laan Brooks Range Library. Income derived from the assets of the Museum Endowment Fund is to be transferred to the Museum Special Revenue Fund.

NORTH SLOPE BOROUGH

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special revenue	Capital projects	Permanent fund Museum Endowment	Total nonmajor governmental funds
Cash and investments with central treasury	\$ 6,284,033	147,445,661	15,795	153,745,489
Accounts receivable:				
Intergovernmental	—	846,624	—	846,624
Other	—	25,206	—	25,206
Loans receivable, net of allowance	1,159,375	—	—	1,159,375
Prepays and deposits	—	35,929	—	35,929
Total	<u>\$ 7,443,408</u>	<u>148,353,420</u>	<u>15,795</u>	<u>155,812,623</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 430	6,281,250	—	6,281,680
Accrued payroll	—	2,789	—	2,789
Deferred loans	1,215,334	—	—	1,215,334
Total liabilities	<u>1,215,764</u>	<u>6,284,039</u>	<u>—</u>	<u>7,499,803</u>
Fund balances:				
Reserved:				
Encumbrances	—	27,119,925	—	27,119,925
Investments	—	—	15,795	15,795
Museum purchases	12,880	—	—	12,880
Unreserved:				
Designated:				
Authorized projects	—	114,949,456	—	114,949,456
Undesignated	6,214,764	—	—	6,214,764
Total fund balances	<u>6,227,644</u>	<u>142,069,381</u>	<u>15,795</u>	<u>148,312,820</u>
Total	<u>\$ 7,443,408</u>	<u>148,353,420</u>	<u>15,795</u>	<u>155,812,623</u>

NORTH SLOPE BOROUGH

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2005

	<u>Special revenue</u>	<u>Capital projects</u>	<u>Permanent fund Museum Endowment</u>	<u>Total nonmajor governmental funds</u>
Revenues:				
Intergovernmental	\$ —	9,648,290	—	9,648,290
Investment earnings	—	—	289	289
Other	387,566	—	—	387,566
Total revenues	<u>387,566</u>	<u>9,648,290</u>	<u>289</u>	<u>10,036,145</u>
Expenditures:				
Capital projects	—	55,661,408	—	55,661,408
Total expenditures	<u>—</u>	<u>55,661,408</u>	<u>—</u>	<u>55,661,408</u>
Excess (deficiency) of revenues over expenditures	<u>387,566</u>	<u>(46,013,118)</u>	<u>289</u>	<u>(45,625,263)</u>
Other financing sources (uses):				
Transfers in from other governmental funds	289	5,581,000	—	5,581,289
Transfers out to other governmental funds	(35,664)	(4,556,000)	(289)	(4,591,953)
Proceeds from insurance	—	2,732,877	—	2,732,877
Proceeds from bond sale and issuance of debt	—	75,811,000	—	75,811,000
Total other financing sources (uses)	<u>(35,375)</u>	<u>79,568,877</u>	<u>(289)</u>	<u>79,533,213</u>
Net change in fund balances	352,191	33,555,759	—	33,907,950
Fund balances, beginning of year	5,875,453	108,513,622	15,795	114,404,870
Fund balances, end of year	\$ <u>6,227,644</u>	<u>142,069,381</u>	<u>15,795</u>	<u>148,312,820</u>

NORTH SLOPE BOROUGH

Special Revenue Funds

June 30, 2005

Special Revenue Funds are used to account for specific revenue sources which are designated for specified purposes.

Museum – This fund accounts for donations received from private organizations which are restricted for the purchase of artifacts and exhibit construction for the museum.

RELI Loan Program – This fund accounts for interest free loans made to homeowners for residential plumbing improvements, bedroom additions, and furnace upgrades.

NORTH SLOPE BOROUGH

Combining Balance Sheet – Special Revenue Funds

June 30, 2005

Assets	Museum	RELI loan program	Totals
	<hr/>	<hr/>	<hr/>
Cash and investments with central treasury	\$ 17,089	6,266,944	6,284,033
Loans receivable, net of allowance	—	1,159,375	1,159,375
Total	<hr/> \$ 17,089 <hr/>	<hr/> 7,426,319 <hr/>	<hr/> 7,443,408 <hr/>
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ —	430	430
Deferred loans	—	1,215,334	1,215,334
	<hr/>	<hr/>	<hr/>
	—	1,215,764	1,215,764
 Fund balances:			
Reserved for museum purchases	12,880	—	12,880
Unreserved	4,209	6,210,555	6,214,764
	<hr/>	<hr/>	<hr/>
	17,089	6,210,555	6,227,644
Total	<hr/> \$ 17,089 <hr/>	<hr/> 7,426,319 <hr/>	<hr/> 7,443,408 <hr/>

NORTH SLOPE BOROUGH

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Special Revenue Funds

Year ended June 30, 2005

	<u>Museum</u>	<u>RELI loan program</u>	<u>Total</u>
Other revenues:			
Loan repayments	\$ —	350,071	350,071
Contributions	1,706	—	1,706
Other	35,664	125	35,789
Total other revenues	<u>37,370</u>	<u>350,196</u>	<u>387,566</u>
Excess of revenues over expenditures	37,370	350,196	387,566
Other financing sources (uses):			
Transfers in from other governmental funds	289	—	289
Transfers out to other governmental funds	(35,664)	—	(35,664)
Total other financing sources (uses)	<u>(35,375)</u>	<u>—</u>	<u>(35,375)</u>
Net change in fund balances	1,995	350,196	352,191
Fund balances, beginning of year	<u>15,094</u>	<u>5,860,359</u>	<u>5,875,453</u>
Fund balances, end of year	<u>\$ 17,089</u>	<u>6,210,555</u>	<u>6,227,644</u>

NORTH SLOPE BOROUGH

Capital Projects Funds

June 30, 2005

The Capital Projects Funds account for the receipt and disbursement of monies used for the acquisition or construction of capital facilities other than those acquired or constructed by the Enterprise Funds. These Capital Projects Funds are as follows:

- Education and Service Center Facilities Fund
- Public Roads, Streets, Watercourse, and Flood Control Facilities Fund
- Public Housing Fund
- Water Facilities Fund
- Sewage Treatment Disposal Facilities Fund
- Airport and Airport Terminal Facilities Fund
- Urban Development Projects Fund
- Light, Power, and Heating Systems Fund
- Public Safety Facilities Fund
- Sanitary Facilities Fund
- Industrial Parks Fund
- Communications Fund
- General Capital Projects Fund
- Health Facilities Fund
- Library/Cultural Facilities Fund
- Administration Facilities Fund

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NORTH SLOPE BOROUGH

Combining Balance Sheet – Capital Projects Funds

June 30, 2005

Assets	Education and Service Center Facilities Fund	Public Roads, Streets, Watercourse, and Flood Control Facilities Fund	Public Housing Fund
	<u> </u>	<u> </u>	<u> </u>
Cash and investments with central treasury	\$ 10,179,330	24,195,386	4,214,511
Accounts receivable:			
Intergovernmental	—	—	—
Other	—	—	25,206
Prepays and deposits	<u>35,929</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 10,215,259</u>	<u>24,195,386</u>	<u>4,239,717</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 768,487	257,792	15,929
Accrued payroll	<u>—</u>	<u>2,789</u>	<u>—</u>
	<u>768,487</u>	<u>260,581</u>	<u>15,929</u>
Fund balances:			
Reserved for encumbrances	6,019,197	2,600,389	226,070
Unreserved:			
Designated for authorized projects	<u>3,427,575</u>	<u>21,334,416</u>	<u>3,997,718</u>
	<u>9,446,772</u>	<u>23,934,805</u>	<u>4,223,788</u>
Total	<u>\$ 10,215,259</u>	<u>24,195,386</u>	<u>4,239,717</u>

Water Facilities Fund	Sewage Treatment Disposal Facilities Fund	Airport and Airport Terminal Facilities Fund	Urban Development Projects Fund	Light, Power, and Heating Systems Fund
12,697,577	12,467,224	3,912,538	53,769	28,599,207
1,129	501,245	4,524	—	245,910
—	—	—	—	—
—	—	—	—	—
<u>12,698,706</u>	<u>12,968,469</u>	<u>3,917,062</u>	<u>53,769</u>	<u>28,845,117</u>
1,668,882	231,571	5,289	—	822,584
—	—	—	—	—
<u>1,668,882</u>	<u>231,571</u>	<u>5,289</u>	<u>—</u>	<u>822,584</u>
1,591,542	1,716,818	414,945	—	3,789,169
9,438,282	11,020,080	3,496,828	53,769	24,233,364
<u>11,029,824</u>	<u>12,736,898</u>	<u>3,911,773</u>	<u>53,769</u>	<u>28,022,533</u>
<u>12,698,706</u>	<u>12,968,469</u>	<u>3,917,062</u>	<u>53,769</u>	<u>28,845,117</u>

NORTH SLOPE BOROUGH
Combining Balance Sheet – Capital Projects Funds
June 30, 2005

Assets	Public Safety Facilities Fund	Sanitary Facilities Fund	Industrial Parks Fund
Cash and investments with central treasury	\$ 4,799,461	16,206,959	74,211
Accounts receivable:			
Intergovernmental	—	80,468	—
Other	—	—	—
Prepays and deposits	—	—	—
Total	<u>\$ 4,799,461</u>	<u>16,287,427</u>	<u>74,211</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 119,076	284,575	—
Accrued payroll	—	—	—
	<u>119,076</u>	<u>284,575</u>	<u>—</u>
Fund balances:			
Reserved for encumbrances	271,413	1,387,576	—
Unreserved:			
Designated for authorized projects	<u>4,408,972</u>	<u>14,615,276</u>	<u>74,211</u>
	<u>4,680,385</u>	<u>16,002,852</u>	<u>74,211</u>
Total	<u>\$ 4,799,461</u>	<u>16,287,427</u>	<u>74,211</u>

Communications Fund	General Capital Projects Fund	Health Facilities Fund	Library/ Cultural Facilities Fund	Administration Facilities Fund	Total
963,284	21,459,559	7,082,280	477,421	62,944	147,445,661
13,348	—	—	—	—	846,624
—	—	—	—	—	25,206
—	—	—	—	—	35,929
<u>976,632</u>	<u>21,459,559</u>	<u>7,082,280</u>	<u>477,421</u>	<u>62,944</u>	<u>148,353,420</u>
8,987	1,156,864	941,214	—	—	6,281,250
—	—	—	—	—	2,789
<u>8,987</u>	<u>1,156,864</u>	<u>941,214</u>	<u>—</u>	<u>—</u>	<u>6,284,039</u>
62,513	6,657,969	2,382,324	—	—	27,119,925
<u>905,132</u>	<u>13,644,726</u>	<u>3,758,742</u>	<u>477,421</u>	<u>62,944</u>	<u>114,949,456</u>
<u>967,645</u>	<u>20,302,695</u>	<u>6,141,066</u>	<u>477,421</u>	<u>62,944</u>	<u>142,069,381</u>
<u>976,632</u>	<u>21,459,559</u>	<u>7,082,280</u>	<u>477,421</u>	<u>62,944</u>	<u>148,353,420</u>

NORTH SLOPE BOROUGH

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Capital Projects Funds

Year ended June 30, 2005

	Education and Service Center Facilities Fund	Public Roads, Streets, Watercourse, and Flood Control Facilities Fund	Public Housing Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ —	—	—
Expenditures:			
Capital projects	<u>4,836,182</u>	<u>5,383,706</u>	<u>3,919,178</u>
Excess (deficiency) of revenues over expenditures	<u>(4,836,182)</u>	<u>(5,383,706)</u>	<u>(3,919,178)</u>
Other financing sources (uses):			
Transfers in:			
General Fund	—	625,000	—
Transfers out:			
General Fund	(250,000)	—	(2,500,000)
Proceeds from insurance	—	—	—
Proceeds from bond sale and issuance of debt	<u>7,180,000</u>	<u>6,900,000</u>	<u>2,500,000</u>
Total other financing sources	<u>6,930,000</u>	<u>7,525,000</u>	<u>—</u>
Net change in fund balances	2,093,818	2,141,294	(3,919,178)
Fund balances, beginning of year	<u>7,352,954</u>	<u>21,793,511</u>	<u>8,142,966</u>
Fund balances, end of year	<u><u>\$ 9,446,772</u></u>	<u><u>23,934,805</u></u>	<u><u>4,223,788</u></u>

Water Facilities Fund	Sewage Treatment Disposal Facilities Fund	Airport and Airport Terminal Facilities Fund	Urban Development Projects Fund	Light, Power, and Heating Systems Fund
3,308	1,438,623	212,804	—	2,761,469
<u>5,335,878</u>	<u>3,069,531</u>	<u>84,788</u>	<u>—</u>	<u>7,260,416</u>
<u>(5,332,570)</u>	<u>(1,630,908)</u>	<u>128,016</u>	<u>—</u>	<u>(4,498,947)</u>
1,000,000	1,120,000	—	—	1,850,000
(256,000)	—	—	—	(1,550,000)
—	—	—	—	—
<u>4,376,000</u>	<u>5,000,000</u>	<u>—</u>	<u>—</u>	<u>19,698,000</u>
<u>5,120,000</u>	<u>6,120,000</u>	<u>—</u>	<u>—</u>	<u>19,998,000</u>
(212,570)	4,489,092	128,016	—	15,499,053
<u>11,242,394</u>	<u>8,247,806</u>	<u>3,783,757</u>	<u>53,769</u>	<u>12,523,480</u>
<u><u>11,029,824</u></u>	<u><u>12,736,898</u></u>	<u><u>3,911,773</u></u>	<u><u>53,769</u></u>	<u><u>28,022,533</u></u>

NORTH SLOPE BOROUGH

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Capital Projects Funds

Year ended June 30, 2005

	Public Safety Facilities Fund	Sanitary Facilities Fund	Industrial Parks Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ —	4,764,221	—
Expenditures:			
Capital projects	<u>7,744,879</u>	<u>6,210,896</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(7,744,879)</u>	<u>(1,446,675)</u>	<u>—</u>
Other financing sources (uses):			
Transfers in:			
General Fund	255,000	—	—
Transfers out:			
General Fund	—	—	—
Proceeds from insurance	—	—	—
Proceeds from bond sale and issuance of debt	<u>8,177,000</u>	<u>6,330,000</u>	<u>—</u>
Total other financing sources	<u>8,432,000</u>	<u>6,330,000</u>	<u>—</u>
Net change in fund balances	687,121	4,883,325	—
Fund balances, beginning of year	<u>3,993,264</u>	<u>11,119,527</u>	<u>74,211</u>
Fund balances, end of year	<u><u>\$ 4,680,385</u></u>	<u><u>16,002,852</u></u>	<u><u>74,211</u></u>

Communications Fund	General Capital Projects Fund	Health Facilities Fund	Library/ Cultural Facilities Fund	Administration Facilities Fund	Total
467,865	—	—	—	—	9,648,290
1,148,469	7,131,227	3,536,258	—	—	55,661,408
(680,604)	(7,131,227)	(3,536,258)	—	—	(46,013,118)
—	731,000	—	—	—	5,581,000
—	—	—	—	—	(4,556,000)
—	2,732,877	—	—	—	2,732,877
—	15,450,000	200,000	—	—	75,811,000
—	18,913,877	200,000	—	—	79,568,877
(680,604)	11,782,650	(3,336,258)	—	—	33,555,759
1,648,249	8,520,045	9,477,324	477,421	62,944	108,513,622
967,645	20,302,695	6,141,066	477,421	62,944	142,069,381

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NORTH SLOPE BOROUGH

Nonmajor Enterprise Funds

June 30, 2005

The Enterprise Funds, which account for all activities necessary for the operation of each entity, are financed and operated in a manner similar to private business enterprise. These Nonmajor Enterprise Funds are:

Service Area 10 Fund

Prudhoe Bay solid waste disposal and treatment facility

Home Assistance Loan Fund

Loan fund for down payments on residential property

NORTH SLOPE BOROUGH

Combining Balance Sheet – Nonmajor Enterprise Funds

June 30, 2005

Assets	<u>Service Area 10</u>	<u>Home Assistance Loan</u>	<u>Total</u>
Current assets:			
Cash and investments with central treasury	\$ 6,495,240	1,054,368	7,549,608
Accounts receivable, net of allowance for doubtful accounts	610,584	—	610,584
Loans receivable, net	—	95,847	95,847
Inventory	10,361	—	10,361
Total current assets	<u>7,116,185</u>	<u>1,150,215</u>	<u>8,266,400</u>
Capital assets:			
Plant and equipment in service, net of accumulated depreciation	864,673	—	864,673
Total	<u>\$ 7,980,858</u>	<u>1,150,215</u>	<u>9,131,073</u>
Liabilities and Fund Equity			
Current liabilities:			
Accounts payable	\$ 422,116	—	422,116
Accrued leave and payroll	—	—	—
Other liabilities	—	—	—
Total current liabilities	<u>422,116</u>	<u>—</u>	<u>422,116</u>
Accrued post closure care costs	4,774,904	—	4,774,904
Total liabilities	<u>5,197,020</u>	<u>—</u>	<u>5,197,020</u>
Fund equity:			
Invested in capital assets	864,673	—	864,673
Unrestricted	1,919,165	1,150,215	3,069,380
Total fund equity	<u>2,783,838</u>	<u>1,150,215</u>	<u>3,934,053</u>
Total	<u>\$ 7,980,858</u>	<u>1,150,215</u>	<u>9,131,073</u>

NORTH SLOPE BOROUGH

Combining Statement of Revenues, Expenses, and Changes in Fund Equity – Nonmajor Enterprise Funds

Year ended June 30, 2005

	Service Area 10	Home Assistance Loan	Total
Operating revenues	\$ 5,622,531	2,076	5,624,607
Operating expenses:			
Salaries and benefits	42,106	—	42,106
Depreciation	111,798	—	111,798
Contractual and professional fees	4,390,117	—	4,390,117
Change in estimate of provision for postclosure care of landfill site	190,998	—	190,998
Other operating expenses	475,819	—	475,819
Total operating expenses	5,210,838	—	5,210,838
Operating income loss	411,693	2,076	413,769
Nonoperating revenue:			
Investment earnings	114,660	—	114,660
Change in fund equity	526,353	2,076	528,429
Fund equity, beginning of year	2,257,485	1,148,139	3,405,624
Fund equity, end of year	\$ 2,783,838	1,150,215	3,934,053

NORTH SLOPE BOROUGH

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

Year ended June 30, 2005

	Service Area 10	Home Assistance Loan	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,681,902	2,076	5,683,978
Payments to suppliers	(4,754,740)	—	(4,754,740)
Payments to employees	(126,768)	—	(126,768)
Net cash provided by operating activities	<u>800,394</u>	<u>2,076</u>	<u>802,470</u>
Cash flows from investing activities:			
Net change in loans receivable	—	20,745	20,745
Investment earnings	114,660	—	114,660
Net cash provided by investing activities	<u>114,660</u>	<u>20,745</u>	<u>135,405</u>
Net increase in cash and cash equivalents	915,054	22,821	937,875
Balances, at beginning of year	<u>5,580,186</u>	<u>1,031,547</u>	<u>6,611,733</u>
Balances, at end of year	<u>\$ 6,495,240</u>	<u>1,054,368</u>	<u>7,549,608</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income	\$ 411,693	2,076	413,769
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	97,887	—	97,887
Bad debt recovery	(203,729)	—	(203,729)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable	263,100	—	263,100
Inventory	14,270	—	14,270
Accounts payable	110,837	—	110,837
Accrued leave and payroll	(84,662)	—	(84,662)
Accrued postclosure care costs	190,998	—	190,998
Net cash provided by operating activities	<u>\$ 800,394</u>	<u>2,076</u>	<u>802,470</u>

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SUPPLEMENTARY SCHEDULE

NORTH SLOPE BOROUGH

Schedule of Cash and Investments

June 30, 2005

Description	Stated interest	Maturity date	Par value	Fair value
Central treasury cash and investments:				
Wells Fargo CHECKING	0.000%	Open	\$ 7,359,974	7,359,974
Cash	0.000%	Open	67,765,610	67,765,610
Money Market Funds	0.000%	Open	29,453,460	29,453,460
Money Market Funds	0.000%	Open	2,087,281	2,087,281
Money Market Funds	0.000%	Open	1,242,044	1,242,044
Money Market Funds	0.000%	Open	704,531	704,531
Money Market Funds	0.000%	Open	438,371	438,371
Money Market Funds	0.000%	Open	7,084	7,084
Money Market Funds	0.000%	Open	169,630	169,630
Money Market Funds	0.000%	Open	536,971	536,971
Money Market Funds	0.000%	Open	1,019,166	1,019,166
Money Market Funds	0.000%	Open	57,171	57,171
Money Market Funds	0.000%	Open	1,976,034	1,976,034
Money Market Funds	0.000%	Open	1,976,801	1,976,801
Money Market Funds	0.000%	Open	1,559,905	1,559,905
Money Market Funds	0.000%	Open	1,496,558	1,496,558
Money Market Funds	0.000%	Open	872,185	872,185
FHLB Discount Notes	0.010%	05-Jul-05	4,981,153	4,981,153
FNMA Discount Notes	0.010%	12-Jul-05	4,986,296	4,986,296
FNMA	0.010%	06-Jul-05	200,000	199,554
AIG Fdg Inc	3.220%	19-Jul-05	5,000,000	5,000,000
GEEC Discount Notes	3.230%	26-Jul-05	5,000,000	5,000,000
Prudential Funding	3.210%	01-Aug-05	5,000,000	5,000,000
Fed Hm Ln PC Pool	6.000%	01-Nov-33	1,584,170	1,625,507
US Treasury Bill	0.010%	29-Sep-05	2,000,000	1,984,550
USTN	1.625%	15-Jan-15	1,018,910	1,014,930
USTN	1.625%	30-Sep-05	1,000,000	996,250
USTN	1.875%	31-Dec-05	500,000	496,250
USTN	1.875%	31-Dec-05	1,250,000	1,240,625
USTN	1.875%	31-Dec-05	2,000,000	1,985,000
USTN	1.875%	31-Dec-05	1,000,000	992,500
USTN	2.250%	30-Apr-06	1,500,000	1,484,648
USTN	2.250%	30-Apr-06	3,000,000	2,969,297
USTN	2.250%	30-Apr-06	1,000,000	989,766
USTN	2.500%	31-Oct-06	9,000,000	8,872,031
USTN	2.375%	31-Aug-06	2,000,000	1,972,969
USTN	2.375%	31-Aug-06	2,000,000	1,972,969
USTN	3.625%	15-Jan-10	2,000,000	1,990,625
USTN	4.000%	15-Nov-12	9,000,000	9,105,469
USTN	4.250%	15-Aug-14	8,500,000	8,704,531
American Intl Group Inc	4.250%	03-May-13	1,000,000	971,814
Assoc Corp NA	6.250%	01-Nov-08	1,000,000	1,059,100
AT&T Broadband	8.375%	15-Mar-13	500,000	609,398
AT&T Wireless	8.125%	01-May-12	500,000	597,684
Bear Stearns	7.000%	01-Mar-07	2,000,000	2,094,296
Bear Stearns Coml Mtg Secs	4.674%	11-Jun-41	750,000	754,008
Centex Corp	5.700%	15-May-14	500,000	519,404
Chevron Phillips	5.375%	15-Jun-07	500,000	509,483
Chugach Electric	6.550%	15-Mar-11	2,000,000	2,200,235
CIT Corp	3.040%	31-Aug-06	1,000,000	1,000,860
CIT Corp	5.750%	25-Sep-07	1,000,000	1,032,246
Credit Suisse FB USA	4.691%	15-Apr-37	1,000,000	1,012,912
Credit Suisse FB USA	5.875%	01-Aug-06	1,000,000	1,022,478
Federal Farm Credit Bank	1.800%	24-Oct-05	1,000,000	994,772
Federal Farm Credit Bank	5.860%	18-Jun-08	7,300,000	7,673,250

NORTH SLOPE BOROUGH

Schedule of Cash and Investments

June 30, 2005

Description	Stated interest	Maturity date	Par value	Fair value
Federal Home Loan Banks	2.165%	17-Feb-06	\$ 500,000	495,233
Federal Home Loan Banks	3.250%	17-Dec-09	2,000,000	1,995,397
Federal Home Loan Banks	3.350%	29-Sep-06	2,300,000	2,285,934
FFCB	2.050%	22-Dec-05	2,000,000	1,985,623
FFCB	3.500%	07-Sep-06	1,000,000	995,729
FFCBC	1.800%	24-Oct-05	1,000,000	994,772
FFCBC	1.800%	24-Oct-05	1,000,000	994,772
FFCBC	2.050%	22-Dec-05	1,000,000	992,811
FFCBC	2.050%	22-Dec-05	1,000,000	992,811
FHLB	1.430%	08-Jul-05	5,000,000	4,997,897
FHLB	1.615%	09-Aug-05	1,000,000	998,005
FHLB	1.700%	09-Sep-05	2,200,000	2,192,544
FHLB	1.800%	24-Oct-05	1,000,000	994,772
FHLB	1.880%	07-Jul-06	2,000,000	1,961,659
FHLB	2.200%	05-Jun-06	1,000,000	985,416
FHLB	2.325%	28-Apr-06	500,000	494,362
FHLB	2.325%	28-Apr-06	950,000	939,287
FHLB	2.350%	14-Feb-06	1,000,000	991,430
FHLB	2.450%	13-Aug-08	2,050,000	2,042,661
FHLB	2.470%	16-Dec-05	900,000	895,205
FHLB	2.500%	11-Apr-06	5,000,000	4,949,863
FHLB	3.000%	15-Aug-05	1,000,000	999,403
FHLB	3.000%	15-Sep-08	680,000	679,391
FHLB	3.000%	19-Oct-06	3,000,000	2,968,183
FHLB	3.100%	08-Nov-06	1,000,000	990,113
FHLB	3.100%	08-Nov-06	1,000,000	990,113
FHLB	3.100%	08-Nov-06	5,000,000	4,950,563
FHLB	3.200%	15-Jun-07	1,000,000	986,429
FHLB	3.200%	15-Jun-07	1,000,000	986,429
FHLB	3.500%	21-Aug-09	1,000,000	997,993
FHLB	3.550%	15-Sep-06	1,500,000	1,493,214
FHLB	3.875%	01-Dec-06	750,000	749,567
FHLB	4.000%	05-Apr-07	1,250,000	1,248,980
FHLMC	2.000%	23-Feb-06	1,500,000	1,483,401
FHLMC	2.125%	28-Jul-06	1,000,000	982,007
FHLMC	2.250%	26-Dec-06	3,665,000	3,582,731
FHLMC	2.280%	02-Jun-06	2,900,000	2,860,721
FHLMC	2.300%	09-Jan-06	2,000,000	1,986,321
FHLMC	2.300%	17-Nov-05	4,000,000	3,980,299
FHLMC	2.500%	28-Apr-06	1,315,000	1,301,176
FHLMC	2.650%	04-Aug-06	5,000,000	4,935,923
FHLMC	3.000%	29-Jun-06	1,000,000	992,205
FHLMC	3.000%	15-Dec-06	2,000,000	1,974,838
FHLMC	3.000%	17-Aug-07	2,000,000	1,997,343
FHLMC	3.250%	29-Jun-07	2,000,000	1,975,077
FHLMC	4.000%	15-Feb-08	1,685,000	1,677,200
FHLMC	4.000%	14-Jan-09	5,000,000	4,952,724
FHLMC	5.250%	08-Apr-16	1,000,000	988,089
FHLMC	5.250%	05-Nov-12	1,000,000	1,017,514
FHLMC	6.250%	15-Jul-32	1,000,000	1,253,967
FNMA	1.550%	07-Jul-05	1,000,000	999,663
FNMA	2.000%	04-May-06	2,000,000	1,970,648
FNMA	2.000%	09-Jun-06	1,000,000	983,811
FNMA	2.000%	15-Jan-06	2,000,000	1,982,283
FNMA	2.000%	15-Jan-06	1,000,000	991,141
FNMA	2.000%	15-Jan-06	500,000	495,571

NORTH SLOPE BOROUGH
Schedule of Cash and Investments
June 30, 2005

Description	Stated interest	Maturity date	Par value	Fair value
FNMA	2.000%	15-Jan-06	\$ 1,500,000	1,486,712
FNMA	2.000%	09-Jun-06	500,000	491,905
FNMA	2.250%	27-Oct-05	1,000,000	995,970
FNMA	2.375%	15-Dec-05	1,000,000	994,389
FNMA	2.375%	15-Dec-05	1,000,000	994,389
FNMA	2.750%	11-Aug-06	2,000,000	1,977,965
FNMA	2.800%	07-Sep-06	500,000	493,962
FNMA	2.800%	07-Sep-06	705,000	696,487
FNMA	3.000%	11/242/06	1,685,000	1,665,132
FNMA	3.000%	22-Nov-06	5,000,000	4,946,803
FNMA	3.010%	02-Jun-06	2,000,000	1,985,473
FNMA	3.020%	28-Jul-06	5,000,000	4,960,644
FNMA	3.260%	29-Jun-06	1,783,000	1,773,247
FNMA	4.550%	09-Mar-11	2,000,000	1,984,045
FNMA	5.500%	09-Dec-14	1,500,000	1,495,300
FNMA Pool	3.500%	01-Jul-11	2,306,737	2,225,821
FNMA Pool	5.500%	01-Aug-34	4,490,467	4,556,771
FNMAM	2.000%	04-May-06	2,000,000	1,970,648
Ford Motor Credit	5.700%	15-Jan-10	1,500,000	1,381,102
GECC	6.500%	01-Nov-06	2,000,000	2,069,044
GNMA Pool	7.500%	15-Oct-28	148,826	160,569
GS Mtg Secs Corp	4.751%	10-Jul-39	525,000	532,441
JP Morgan Chase	4.750%	01-Mar-15	750,000	743,503
Morgan Stanley	6.875%	01-Mar-07	2,000,000	2,088,975
Ontario Prov CDA	5.500%	01-Oct-08	2,000,000	2,089,905
Raytheon	4.850%	15-Jan-11	1,000,000	1,014,523
Republic Svcs. Inc.	6.750%	15-Aug-11	500,000	560,037
Thiokol Corp Del	6.625%	01-Mar-08	1,150,000	1,220,564
US Treas Bds	5.250%	15-Nov-28	1,000,000	1,142,344
Verizon Va	4.625%	15-Mar-13	1,000,000	986,273
Wachovia Bk	4.657%	15-Apr-42	1,000,000	1,012,585
World Savings Bank	3.390%	01-Jun-07	1,000,000	997,985
Total central treasury cash and investments			<u>362,982,335</u>	<u>363,616,363</u>
Other cash and investments:				
Permanent Fund (listed in summary):				
Cash			56,897	56,897
Money Market Funds			14,898,959	14,898,959
Government securities			63,261,058	63,841,086
Corporate obligations			55,499,208	57,868,898
Equity securities			<u>303,410,853</u>	<u>342,259,491</u>
Total primary government investments			<u>\$ 437,126,975</u>	<u>478,925,331</u>
			<u>\$ 800,109,310</u>	<u>842,541,694</u>
Reconciliation to Statement of net assets:				
Cash and investments with central treasury				\$ 363,616,363
Other cash and investments				<u>478,925,331</u>
				<u>\$ 842,541,694</u>

Note: For equity securities the fair value was used for par value.

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STATISTICAL SECTION

NORTH SLOPE BOROUGH

General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

(In \$000 to nearest \$1,000)

Fiscal year	General government	Public safety	Municipal services	Housing	Health and social services	Education	Other	Debt service	Total
1996	\$ 64,030	15,161	26,793	9,243	21,800	25,465	3,341	165,652	331,485
1997	50,320	14,539	27,156	8,674	20,474	38,292	3,200	164,117	326,772
1998	47,955	15,107	24,896	8,856	19,475	35,769	3,575	157,100	312,733
1999	54,501	16,413	25,628	8,040	19,108	34,212	3,527	152,497	313,926
2000	44,956	15,835	21,373	7,415	18,790	36,801	3,436	146,970	295,576
2001	46,893	14,696	28,012	6,738	18,979	35,704	3,643	141,566	296,231
2002	40,937	13,610	26,737	6,845	17,331	34,621	3,116	133,108	276,305
2003	41,290	13,231	26,052	7,247	16,254	31,608	3,277	128,863	267,822
2004	43,106	13,370	25,310	6,282	13,839	30,075	3,703	119,123	254,808
2005	36,367	13,908	35,410	—	13,660	30,373	3,588	115,213	248,519

(1) Includes Primary Government only.

NORTH SLOPE BOROUGH

General Governmental Revenues by Source (1)

Last Ten Fiscal Years

(In \$000 to nearest \$1,000)

Fiscal year	General property	General sales/ economic impact assistance	Intergovern- mental	Charges for services	Miscellaneous	Total
1996	\$ 228,098	5,000	10,055	9,377	43,120	295,650
1997	223,923	4,900	8,988	9,242	40,395	287,448
1998	215,328	4,800	8,149	10,291	45,978	284,546
1999	211,512	4,700	7,993	10,842	26,959	262,006
2000	201,224	4,600	8,228	6,638	19,416	240,106
2001	201,963	4,500	9,771	7,171	38,897	262,302
2002	199,544	4,400	11,168	8,975	29,884	253,971
2003	199,653	4,400	10,876	7,917	12,944	235,790
2004	199,805	4,400	12,062	8,158	2,058	226,483
2005	197,493	4,400	13,587	4,862	7,851	228,193

(1) Includes Primary Government only.

NORTH SLOPE BOROUGH
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year	Total tax levy	Current tax collections	Percent of levy collected	Delinquent tax collections	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
1996	\$ 227,711,385	227,503,972	99.91%	\$ 459,792	227,963,764	100.11%	\$ 3,176,763	1.40%
1997	224,055,942	223,481,339	99.74	338,632	223,819,971	99.89	3,756,892	1.68
1998	216,013,808	214,791,475	99.43	380,928	215,172,403	99.61	3,442,202	1.59
1999	211,667,029	211,241,154	99.80	168,637	211,409,791	99.88	3,669,844	1.73
2000	201,330,889	201,082,923	99.88	80,091	201,163,014	99.92	4,126,594	2.05
2001	198,005,248	196,208,743	99.09	576,349	196,785,092	99.38	4,194,301	2.12
2002	199,853,211	197,609,335	98.88	1,399,331	199,008,666	99.58	3,513,279	1.76
2003	198,858,664	197,363,066	99.25	313,745	197,676,811	99.41	4,356,393	2.19
2004	197,343,798	196,560,222	99.60	1,109,464	197,669,686	100.17	2,927,372 (1)	1.48
2005	196,489,017	195,416,337	99.45	328,832	195,745,169	99.62	3,683,291 (1)	1.87

Note: Penalties, interest, legal fees, and receipts arising from property tax audits of prior years' returns are not included in the tax amounts presented above.
(1) The NSB wrote off all taxes prior to 1998.

NORTH SLOPE BOROUGH

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(1) Fiscal year June 30	(2) (3) Real property Assessed and estimated actual value	(3) Personal property Assessed and estimated actual value	Total Assessed and estimated actual value
1996	\$ 10,634,398,891	1,476,733,130	12,111,132,021
1997	10,178,663,505	1,497,758,575	11,676,422,080
1998	10,548,396,385	893,064,662	11,441,461,047
1999	9,952,215,193	930,535,555	10,882,750,748
2000	9,814,177,001	1,037,576,204	10,851,753,205
2001	9,466,044,881	1,015,969,320	10,482,014,201
2002	211,098,951	10,591,777,320	10,802,876,271
2003	190,778,940	10,524,013,951	10,714,792,891
2004	200,510,151	10,388,065,300	10,588,575,451
2005	194,959,531	10,130,461,425	10,325,420,956

(1) Represents fiscal year in which taxes were assessed (assessed January 1, due June 30).

(2) Real property includes section AS 43.56 Oil & Gas property.

(3) The State changed the method of classifying real and personal property in 2002.

NORTH SLOPE BOROUGH

Property Tax Rates – All Direct Governments

(Per \$100 of assessed value)

Last Ten Fiscal Years

(1) Fiscal year	North Slope Borough General Fund		
	Operating	Debt service	Total
1996	\$ 0.500	1.350	1.850
1997	0.512	1.339	1.851
1998	0.514	1.336	1.850
1999	0.501	1.349	1.850
2000	0.547	1.312	1.859
2001	0.602	1.287	1.889
2002	0.647	1.203	1.850
2003	0.732	1.124	1.856
2004	0.766	1.099	1.865
2005	0.809	1.094	1.903

(1) Represents fiscal year in which taxes were assessed (assessed January 1, due June 30).

Note: There are no overlapping governmental units.

NORTH SLOPE BOROUGH

Principal Taxpayers

June 30, 2005

	<u>Type of business</u>	<u>Assessed value</u>	<u>Tax levy</u>	<u>Percent of total tax levy</u>
State assessed/received in fiscal year 2005:				
BP Alaska Exploration	Oil Exploration and Development	\$ 6,244,958,060	118,841,552	60.48%
Conoco Phillips Alaska	Oil Exploration and Development	2,600,607,950	49,489,569	25.19
Alyeska Pipeline Service Company	Oil Pipeline	712,999,260	13,568,376	6.91
Nabors Alaska Drilling	Oilfield Services	59,545,730	1,133,155	0.58
VECO Equipment	Oilfield Services	49,719,930	946,170	0.48
	Total of state assessed	<u>9,667,830,930</u>	<u>183,978,822</u>	<u>93.64</u>
Locally assessed/received in fiscal year 2005:				
Ukpeavik Inupiat Corporation	Native Corporation	19,436,880	369,884	0.19
Alaska Interstate Construction, LLC	Construction	12,160,710	231,418	0.12
Alascom, Inc.	Communications	8,653,330	164,673	0.08
Arctic Slope Regional Corporation	Native Corporation	8,468,700	161,159	0.08
Eskimo's, Inc.	Fuel Farm Operators	6,257,480	119,080	0.06
	Total of locally assessed	<u>54,977,100</u>	<u>1,046,214</u>	<u>0.53</u>
		<u>\$ 9,722,808,030</u>	<u>185,025,036</u>	<u>94.17%</u>

Note: Total property taxes levied for fiscal year 2005 was \$196,489,017.

NORTH SLOPE BOROUGH
Special Assessment Billings and Collections
Last Ten Fiscal Years

Not applicable in this Borough.

NORTH SLOPE BOROUGH
Computation of Legal Debt Margin
Last Ten Fiscal Years

There is no legal debt margin for municipalities in the State of Alaska.

NORTH SLOPE BOROUGH

Ratio of Net General Obligation Bonded Debt to Assessed Value

Last Ten Fiscal Years

(1) Fiscal year	Population	Assessed value	(2) Gross bonded debt	(3) Debt service monies available	Net bonded debt	Percent of net bonded debt to assessed value	Net bonded debt per capita
1996	13,224	\$ 12,111,132,021	881,287,032	37,711,544	843,575,488	7%	\$ 63,791
1997	12,938	11,676,422,080	837,523,175	16,931,430	820,591,745	7	63,425
1998	12,765	11,441,461,047	761,178,505	3,183,325	757,995,180	7	59,381
1999	13,012	10,882,750,748	717,301,979	1,263,000	716,038,979	7	55,029
2000	13,422	10,851,753,205	602,546,512	—	602,546,512	6	44,892
2001	12,484	10,482,014,201	597,320,154	—	597,320,154	6	47,847
2002	13,163	10,802,876,271	581,432,619	—	581,432,619	5	44,172
2003	13,341	10,714,792,891	520,896,868	—	520,896,868	5	39,045
2004	13,264	10,588,575,451	492,623,263	—	492,623,263	5	37,140
2005	13,101	10,325,420,956	507,578,692	—	507,578,692	5	38,744

(1) Represents fiscal year in which taxes were assessed (assessed January 1, due June 30).

(2) Stated principal amount of debt – excludes accumulated principal on Capital Appreciation Bonds.

(3) Includes money available in the General Fund, Debt Service Fund and Emergency Debt Service Reserve Fund.

NORTH SLOPE BOROUGH

Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

Fiscal year	Principal payments	Supplemental coupon payments	Interest payments	Total debt service payments	(1) Total general expenditures	Percent of debt service to total general expenditures
1996	\$ 118,704,686	—	46,947,619	165,652,305	350,591,094	47.25%
1997	122,838,702	—	41,278,777	164,117,479	334,380,831	49.08
1998	129,578,539	—	27,521,352	157,099,891	322,258,082	48.75
1999	116,405,710	—	36,091,860	152,497,570	324,849,804	46.94
2000	129,920,835	—	17,049,005	146,969,840	307,319,333	47.82
2001	100,993,782	1,674,327	38,898,390	141,566,499	310,281,416	45.63
2002	88,114,233	1,981,271	43,012,583	133,108,087	291,970,088	45.59
2003	85,003,882	—	43,859,380	128,863,262	317,208,565	40.62
2004	64,139,230	2,184,623	52,799,703	119,123,556	305,262,726	39.02
2005	60,852,889	622,476	53,736,955	115,212,320	296,916,501	38.80

(1) Includes general expenditures of the Primary Government, with the exception of the capital projects funds, and component unit School District.

NORTH SLOPE BOROUGH

Computation of Direct Debt

June 30, 2005

<u>Jurisdiction</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to North Slope Borough</u>	<u>Amount applicable to North Slope Borough</u>
Direct:			
North Slope Borough	\$ 507,578,692	100%	\$ 507,578,692

Note: There are no overlapping governmental units.

NORTH SLOPE BOROUGH

Revenue Bond Coverage – Water and Sewer Bonds

Last Ten Fiscal Years

Not applicable in this Borough.

NORTH SLOPE BOROUGH

Demographic Statistics

Last Ten Fiscal Years

Year	Population		Per capita income (3)		School enrollment (5)	Unemployment rate (4)
	(1) North Slope Borough	(2) State of Alaska	North Slope Borough	State of Alaska		
1996	13,224	604,918	\$ 27,626	25,901	2,133	4.8%
1997	12,938	608,846	27,165	26,898	2,225	5.5
1998	12,765	615,205	28,036	27,645	2,272	5.2
1999	13,012	619,500	27,407	28,170	2,101	7.9
2000	13,422	627,601	29,827	29,960	2,131	8.2
2001	12,484	634,892	34,910	31,027	2,187	7.3
2002	13,163	643,786	35,905	32,151	2,165	8.6
2003	13,341	648,818	36,613	33,213	2,115	10.4
2004	13,264	655,435	*	*	2,065	10.7
2005	13,101	*	*	*	1,938	*

* Information not available.

Sources:

- (1) State of Alaska, Department of Community and Economic Development
- (2) U.S. Census Bureau
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
- (4) Alaska Department of Labor, Employment Security Division
- (5) Alaska Department of Education and Early Development, Office of Data Management

NORTH SLOPE BOROUGH

Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

(C) Fiscal year	(A) Construction	(B) Bank deposits	Property value (1)	
			Commercial and residential	Nontaxable
1996	*	*	\$ 12,111,132,021	156,668,361
1997	*	*	11,676,422,080	162,203,585
1998	*	*	11,441,461,047	142,157,174
1999	*	*	10,882,750,748	139,019,768
2000	*	*	10,851,753,205	147,408,848
2001	*	*	10,482,014,201	148,560,108
2002	*	*	10,802,876,271	133,541,700
2003	*	*	10,714,792,891	133,567,900
2004	*	*	10,588,575,451	128,766,400
2005	*	*	10,325,420,956	133,786,000

Source:

(1) Does not include North Slope Borough or municipal government properties.
Property values are estimated actual values.

Notes:

A: Building permits are not utilized by the North Slope Borough and, therefore, information regarding construction values is not available.

B: The North Slope Borough has only a branch office of the Wells Fargo Bank and, therefore, information regarding bank deposits is not available.

C: Represents fiscal year in which taxes were assessed (assessed January 1, due June 30).

*

Information not available.

NORTH SLOPE BOROUGH

Miscellaneous Statistical Data

June 30, 2005

Date of Incorporation	July 1, 1972
Date of Adoption of Home Rule Charter	April 30, 1974
Form of Government – Mayor and Assembly	
Elections:	
Mayor – Three year term	
Seven member assembly – staggered three year terms	
Area – Square miles	94,887
Police protection:	
Number of stations	8
Number of employees:	
Police officers	37
Correctional personnel	8
Fire protection:	
Number of stations:	
Staffed full time	9
Volunteer – auxiliary staffed	—
Personnel:	
Full time firemen	24
Volunteer firefighters	180
Search and rescue:	
Number of full time employees	18
Health and social services	
Number of facilities:	
Services provided:	11
Counseling Services	
Day Program	
Children and Youth Services	
Public Health Nursing	
Community Mental Health	
Women, Infant and Children Program	
Arctic Women in Crisis	
Substance Abuse Treatment Services	
Veterinary/Public Health Services	
Community Health Aide Program	
Vocational Rehabilitation	
Senior Citizens Center	
Assisted Living Program	

NORTH SLOPE BOROUGH

Miscellaneous Statistical Data

June 30, 2005

Municipal services:

Roads:

Miles of public roads	103
Miles of public ice roads	48

Airports:

Number of Borough-owned airports	4
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Water service:

Villages with Borough water delivery	7
Central water distribution	1

Sewage treatment:

Sewage treatment facilities	1
Villages with Borough sewage pickup	8

Light, power, and heating:

Villages serviced by the Borough	7
Natural gas distribution system	1

Bus transportation:

Villages served	1
Number of buses	5

Housing:

Borough-owned housing units	319
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Education:

Number of schools	10
Number of classrooms	207
Number of teachers	214
Number of students enrolled	1,938

Oil and gas support facilities:

Comprehensive sanitary facility	1
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